

# ANNUAL REPORT 2016 - 2017



STM

SURAT TEXTILE MILLS LIMITED

## CORPORATE INFORMATION

### Board of Directors

**M. R. Momaya (DIN: 00023993)**

Managing Director

**Yogesh C. Papaiya (DIN: 00023985)**

Whole-time Director & CFO

**Harishchandra Bharucha (DIN: 00138430)**

**Ketan Jariwala (DIN: 02095540)**

**Anita Mandrekar (DIN: 00623327)**

**Hanisha Arora**

Company Secretary

### Registered Office

3rd Floor, Tulsi Krupa Arcade,  
Near Aai Mata Chowk,  
Puna-Kumbharia Road, Dumbhal,  
Surat 395010.

CIN: L17119GJ1945PLC000214

Tel: (0261) 2311197, 2311615.

Fax: (0261) 2311029.

e-mail: [stmlsecretary@gardenvareli.com](mailto:stmlsecretary@gardenvareli.com)

<http://www.surattextilemillsltd.com>

### Statutory Auditors

Natvarlal Vepari & Co.,  
Chartered Accountants, Surat.

### Cost Auditors

P. M. Nanabhoy & Co.,  
Cost Accountants, Mumbai.

### Bankers

Bank of Baroda

### Plant:

- i) Village Jolwa, Taluka Palsana,  
Dist. Surat 394305  
Tel: (02622) 271287-89

### Registrars & Share Transfer Agents

Karvy Computershare Pvt. Ltd.  
Karvy Selenium, Tower B, Plot 31-32,  
Financial District, Gachibowli,  
Nanakramguda,  
Hyderabad 500032.  
State: Telengana, India.  
Phone No. 040 67162222  
Fax No. 040 23420814  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

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("Surat Textile Mills Limited" formerly known as "Garden Cottons & Yarns Ltd.")

71st Annual General Meeting on Wednesday, 2nd August, 2017 at 11.00 a.m. at Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010.

## NOTICE TO THE SHAREHOLDERS

**Notice is hereby given that the 71st Annual General Meeting** of the members of **SURAT TEXTILE MILLS LIMITED** will be held on Wednesday, 2nd August, 2017 at 11:00 a.m. at the registered office of the Company at Tulsī Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010, to transact the following businesses:

### ORDINARY BUSINESS:

- 1 To receive, consider and adopt:
  - (a) the audited financial statement of the Company for the financial year ended 31st March, 2017, together with the reports of Board of Directors and Auditors thereon; and
  - (b) The audited consolidated financial statement of the Company for the financial year ended 31st March, 2017, together with the Report of Auditors thereon.

2 To appoint a Director in place of Shri Yogesh C. Papaiya (DIN: 00023985), who retires by rotation and, being eligible, offers himself for re-appointment.

3 To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), and such other applicable provisions, if any, Sharp & Tannan Associates, Chartered Accountants, (Firm Registration No.109983W) ‘Geeta Kunj’, 1, Bhaktinagar Society, Behind ABS Towers, Old Padra Road, Vadodara 390007, be and are hereby appointed as the Statutory Auditors of the Company in place of Natvarlal Vepari & Co., (Firm Registration No.123626W) Chartered Accountants, Surat whose term ends at the conclusion of the forthcoming Annual General Meeting of the Company, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors based on the recommendation of the Audit Committee.”

“**RESOLVED FURTHER THAT** Sharp & Tannan Associates, Chartered Accountants, will hold office as the Statutory Auditors of the Company, for a period of 5 years that will begin from the conclusion of the 71st Annual General Meeting until the conclusion of the 76th Annual General Meeting to be held in the year 2022, subject to the condition that their appointment as the Statutory Auditors shall be placed for ratification at every Annual General Meeting, if required under the Companies Act, 2013, as amended from time to time.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company and/or Company Secretary be and are hereby severally authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution.”

### SPECIAL BUSINESS:

4 To ratify the payment of remuneration to the Cost Auditor for financial year 2017-18 and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Cost Auditor M/s P. M. Nanabhoy & Co., Cost Accountants, (Firm Registration No.000012) appointed by the Board of Directors of the Company for conducting the audit of the Company’s cost accounting records for the Financial Year 2017-18 be paid a remuneration as set out in the explanatory statement annexed to the notice convening this meeting and the same is hereby ratified and approved.

**RESOLVED FURTHER THAT** the Board of Directors of the Company and/or Company Secretary be and are hereby severally authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution.”

### 5. Approval on Related Party Transactions

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Special Resolution**:

“**RESOLVED THAT** in supersession of the resolution passed in the 69th Annual General Meeting held on 26 August 2015 and pursuant to the provisions of Section 188 and other applicable provisions of the Companies Act, 2013 read with Rules issued thereunder, including the Companies (Meetings of Board and its powers) Rules, 2014 including any statutory modification(s) or re-enactment(s) thereof for the time being in force and Regulation 23 and other application regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 [SEBI Listing Regulations] as amended from time to time by Securities and Exchange Board of India, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for entering into the contracts / arrangements/transactions (including material related party transaction as per regulation 23 of SEBI Listing Regulations) more particularly described in the Explanatory Statement of this resolution, with related parties either existing on the date of this Notice (as listed out in the Explanatory Statement) and/or with any other related party (which may be identified or come into existence in the future) that may be regarded as a “Related Party” as per Companies Act 2013 and SEBI Listing Regulations, for an aggregate maximum amount not exceeding Rs.150 Crore (Rupees One Hundred Fifty Crore Only) in each financial year on such terms and conditions as may be mutually agreed between the Company and the respective related party.

**RESOLVED FURTHER THAT** pursuant to the provisions of Section 189 of the Companies Act, 2013 read with the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company Secretary of the Company be and is hereby authorized to make the necessary entries, where applicable, in the Register of Contracts or arrangements and authenticate them;

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to decide upon the nature and value of the products, goods, materials, services, investment, capital contribution, disinvestment, borrowing, lending, etc. to be transacted / availed with / from the related parties within the

aforsaid limit and to take such steps as may be necessary to obtain approvals, sanctions, consents, permissions, perform and execute all such act, deeds, matters and things (including delegation of such authority), as may be deemed necessary, proper or expedient and generally to do all acts, deeds, matters and things necessary for the purpose of giving effect to this resolution.”

#### 6. Approval for investments

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to applicable provisions of the Companies Act, 2013 (“the Act”) including Section 186 and 188 of the Act, if applicable, read with Rules issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force and other applicable regulations of the Securities and Exchange Board of India (“SEBI Regulations”), the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for entering into the transaction more particularly described in the Explanatory Statement of this resolution, for investment of an aggregate amount not exceeding Rs.50 Crore (Rupees Fifty Crore Only) in M/s. Isha Enterprises, a partnership firm to enable M/s. Isha Enterprises to make investments in other group companies including Garden Silk Mills Limited (“GSML”) by way of preferential allotment of securities, on such terms and conditions as may be mutually agreed between the Company and the respective counterparty, and subject to compliance with pricing requirements applicable to M/s. Isha Enterprises and / or GSML under applicable SEBI Regulations.

**RESOLVED FURTHER THAT** pursuant to the provisions of the Companies Act, 2013 read with the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company Secretary of the Company be and is hereby authorized to make the necessary entries, wherever required under applicable law and authenticate them;

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized, subject to the limits above, to take such steps as may be necessary to obtain approvals, sanctions, consents, permissions, perform and execute all such act, deeds, matters and things (including delegation of such authority), as may be deemed necessary, proper or expedient and generally to do all acts, deeds, matters and things necessary for the purpose of giving effect to this resolution.”

Registered Office:

Tulsi Krupa Arcade, 3rd Floor,  
Puna-Kumbharia Road,  
Dumbhal, Surat 395010.

**By Order of the Board of Directors  
For Surat Textile Mills Limited**

Place: Surat

Date: 29th May, 2017

**Hanisha Arora  
Company Secretary**

#### Notes:

1. **A member entitled to attend and vote at the annual general meeting (“meeting”) is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy cannot vote on e-voting.**

**The instrument appointing a proxy, in order to be effective, should be deposited at the registered office of the Company not less than 48 hours before the commencement of the Meeting. A proxy form is annexed to this Notice.**

**A person can act as proxy on behalf of members not exceeding (50) fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**

2. The Explanatory Statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013 (“the Act”), relating to the Special Business to be transacted at the ensuing Annual General Meeting (AGM) is annexed hereto and forms part of the Notice.
3. The Register of Members and Share Transfer Register Books of the Company will remain closed from Friday, 28th July, 2017 to Wednesday, 2nd August, 2017 (both days inclusive).
4. The Register of Directors’ and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and the Register of contracts or arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the Annual General Meeting of the Company.
5. In terms of Section 152 of the Act and the Articles of Association of the Company, Shri Yogesh C. Papaiya (DIN: 00023985), Director retires by rotation and being eligible, offers himself for re-appointment. The Board of Directors commends the aforesaid re-appointment. As per explanation to Section 152(6)(e) of the Act, total number of Directors for the purpose of determining Directors liable to retire by rotation shall not include Independent Directors, whether appointed under the Act or any other law for the time being in force.
6. Corporate members intending to send their authorised representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send a duly certified copy of their Board Resolution together with the respective specimen signature of the representative(s) authorised under the said resolution to attend and vote on their behalf at the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in order of names will be entitled to vote.
8. Details under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment or re-appointment.
9. Members are requested to furnish their Bank Account details, change of address and all other required details to the Registrar & Share Transfer Agent, M/s. Karvy Computershare Private Limited in respect of shares if held in physical form. In case of shares held in electronic form, these details should be furnished to the respective Depository Participants (DPs).
10. The Securities and Exchange Board of India (“SEBI”) has mandated the submission of Permanent Account Number (“PAN”) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to

submit their copies of PAN card to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar & Share Transfer Agent.

11. For convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by way of attendance slip, which is annexed to this Notice. Members are requested to bring their Attendance Slip, fill up and sign the same at the place provided and hand it over at the entrance of the venue.
12. Members are requested to send all communications relating to shares to the Registrar & Share Transfer Agent of the Company at the following address:

**By Post / Courier / Hand Delivery**

Karvy Computershare Private Limited  
 Karvy Selenium, Tower – B, Plot 31-32, Gachibowli  
 Financial District, Nanakramguda,  
 Hyderabad 500032  
 Toll Free No. (India) : 1800 345 4001  
 Phone No. 040 67162222  
 Fax No. 040 - 23420814  
 Email: einward.ris@karvy.com

If the shares are held in electronic form, then change of address and change in the Bank Accounts, etc. should be furnished to the respective Depository Participants (DPs).

13. In terms of Section 101 and 136 of the Companies Act, 2013 read together with the Rules made thereunder, the copy of the Annual Report for 2016-17 including Financial Statements, Board's report etc. and this Notice of the 71st Annual General Meeting of the Company inter alia indicating the process and manner of e-voting with Attendance Slip and Proxy Form is being sent by electronic mode to all those Members whose email addresses are registered with the Company/Depository Participants for communication purposes unless any Member has requested for a physical copy of the same. For Members, who have not registered their e-mail addresses, physical copies of the Notice convening the Seventy-First AGM of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent by the modes permitted under the Companies Act, 2013.
14. Members may also note that the Notice of the 71st Annual General Meeting and the Annual Report for 2016-17 will also be available on the Company's website [www.surattextilemillsldt.com](http://www.surattextilemillsldt.com) for their download.
15. To support the "Green Initiative", the Members who have not registered their e-mail addresses are requested to register the same with Registrars and Share Transfer Agent/Depositories.

**16. Voting through electronic means**

- I. In compliance with the provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to its members the 'remote e-voting' facility to exercise their rights to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through remote e-voting services.

- II. The facility for voting through ballot paper shall also be made available at the AGM and the members attending the meeting shall be able to exercise their rights to vote at the meeting through ballot paper in case they have not casted their vote by remote e-voting.
- III. The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM **but shall not be entitled to cast their vote again at the AGM.**
- IV. In terms of requirements of the Companies Act, 2013 and the relevant Rules, voting rights shall be reckoned on the paid-up value of shares registered in the name of the member/beneficial owner (in case of electronic shareholding) as on the cut-off date i.e. Thursday, 27th July, 2017.
- V. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. Thursday, 27th July, 2017 only shall be entitled to avail the facility of remote e-voting as well as vote in the 71st Annual General Meeting.
- VI. Any person who acquires shares of the Company and become a member of the Company after dispatch of the Notice of the 71st Annual General Meeting and holding shares as on the cut-off date i.e. Thursday, 27th July, 2017, may obtain the User ID and password by writing to the Karvy on the email Id - [evoting@karvy.com](mailto:evoting@karvy.com) or to **Ms. Shobha Anand, Contact No. 040-67162222**, at [Unit: Surat Textile Mills Limited] Karvy Computershare Private Limited, Karvy Selenium, Tower-B, Plot 31-32, Gachibowli, Hyderabad 500032. After receipt of the above credentials, please follow all the steps from Sr. No. (i) to (xii) as mentioned in A below to cast the vote.
- VII. The remote e-voting period commences on Saturday, 29th July, 2017 (10.00 a.m.) and ends on Tuesday, 1st August, 2017 (5.00 p.m.) during this period, the members of the Company, holding shares either in physical form or dematerialised form, as on the cut-off date of 27th July, 2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by KARVY upon expiry of the aforementioned period.
- VIII. Once the vote on a resolution is cast by the member, such member shall not be allowed to change it subsequently.
- IX. A person who is not a member as on cut-off date should treat this Notice for information purpose only.
- X. **The process and manner for remote e-voting are as under:**
  - A. **For Members whose e-mail addresses are registered with the Company / Depositories:** Those members whose valid e-mail IDs are registered with the Company / Depository Participant(s) will receive an e-mail from Karvy.
    - (i) Launch internet browser by typing the URL: <https://evoting.karvy.com>.
    - (ii) Enter the login credentials (i.e. User ID and Password mentioned above). Your Folio No./ DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote. If required, please visit <https://evoting.karvy.com> or contact toll free number 1-800-3454-001 for your existing password.

- (iii) After entering these details appropriately, click on "LOGIN".
- (iv) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. **It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.**
- (v) You need to login again with the new credentials.
- (vi) On successful login, the system will prompt you to select the E-Voting Event Number for Surat Textile Mills Limited.
- (vii) On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as mentioned hereinabove. You may also choose the option ABSTAIN. If the shareholder does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
- (viii) Members holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
- (ix) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
- (x) You may then cast your vote by selecting an appropriate option and click on "Submit".
- (xi) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. **During the voting period, members can login any number of times till they have voted on the Resolution(s).**
- (xii) Corporate/Institutional members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/ Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: csjigarvyas@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name\_ EVENT NO."
- B. **For Members whose e-mail addresses are not registered with the Company / Depositories: receive the physical copy of the Notice of Annual General Meeting:**
- Such members (including those Members who have requested for a physical copy) will receive a physical copy of the Notice of AGM. Initial password is provided as below / at the bottom of the Attendance Slip for the AGM:
  - | E-Voting Even Number | USER ID | PASSWORD |
|----------------------|---------|----------|
|                      |         |          |
  - Please follow all steps from Sl. No. (i) to (xii) under heading A above to cast vote through e-voting platform.
- In case of any query pertaining to e-voting, please visit Help & FAQ section available at Karvy's website <https://evoting.karvy.com>.
  - The Board of Directors have appointed Shri Jigar Vyas, Proprietor of Jigar Vyas & Associates, Practicing Company Secretary, as the Scrutinizer for conducting the remote e-voting and the voting process at the Seventy-First Annual General Meeting in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for the same purpose.
  - The Scrutinizer, after scrutinizing the votes cast at the Seventy-First Annual General Meeting and through remote e-voting will, not later than three days of conclusion of the Seventy-First Annual General Meeting, make a consolidated scrutinizer's report and submit the same to the Chairman / Managing Director.
  - The results declared along with the consolidated scrutinizer's report shall be placed on the website of the Company [www.surattextilemillsltd.com](http://www.surattextilemillsltd.com) and on the website of Karvy <https://evoting.karvy.com>. The results shall simultaneously be communicated to the Stock Exchanges.
  - Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the 71st Annual General Meeting i.e. 2nd August, 2017.

**ANNEXURE TO THE NOTICE****Explanatory Statement in respect of the special business pursuant to Section 102(1) of the Companies Act, 2013 (“the Act”)****Item No. 3:**

Pursuant to Section 139 of the Companies Act, 2013 Natvarlal Vepari & Co., (Firm Registration No.123626W), Chartered Accountants, Surat were appointed as Statutory Auditors of the Company at the 68th Annual General Meeting of the Company held on 23rd July, 2014, to hold office from the conclusion of the 68th Annual General Meeting until the conclusion of the 71st Annual General Meeting of the Company to be held in the year 2017, subject to ratification of their appointment by the Members at every Annual General Meeting.

The term of appointment of Natvarlal Vepari & Co., as Statutory Auditors, ends at the conclusion of the forthcoming Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board of Directors of the Company hereby propose to appoint Sharp & Tannan Associates, Chartered Accountants, (Firm Registration No.109983W) ‘Geeta Kunj’, 1, Bhaktinagar Society, Behind ABS Towers, Old Padra Road, Vadodara 390007, as the Statutory Auditors of the Company in place of Natvarlal Vepari & Co. (Firm Registration No.123626W), Chartered Accountants, Surat to hold office from the conclusion of the 71th Annual General Meeting until the conclusion of 76th Annual General Meeting of the Company to be held in the year 2022, subject to the condition that their appointment as the Statutory Auditors shall be placed for ratification at every Annual General Meeting, if required under the Companies Act, 2013, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors based on the recommendation of the Audit Committee.

Sharp & Tannan Associates, Chartered Accountants, has furnished a certificate giving their consent to be appointed as the Statutory Auditors, and stating that their appointment if made, at the forthcoming Annual General Meeting, would be in accordance with the conditions laid down under Section 139 and 141 of the Companies Act, 2013 and Rule 4 of Companies (Audit and Auditors) Rules, 2014.

Accordingly the Board recommends the Ordinary Resolution for approval of the Shareholders of the Company, as laid down in item No.3.

**Item No.4:**

The Board of Directors, on the recommendation of the Audit Committee has approved the appointment and remuneration of an amount not exceeding Rs.60,000 (Rupees Sixty thousand only) for the financial year ended 31st March, 2018 payable to the Cost Auditors M/s Nanabhoy & Co., Cost Accountants, to conduct the audit of the cost records of the Company for the aforesaid financial year.

In accordance with the provisions of Section 148 of the Companies Act, 2013 and the Companies (Audit and Auditors), Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors of the Company has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at item No.4 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2018.

None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested in this resolution.

The Board recommends the resolution for approval by the members.

**Item No.5:**

The Company has passed special resolution in the 69th Annual General Meeting held on 26 August 2015 for entering into contracts / arrangements / transactions (“RPT”) relating to a) sale, purchase or supply of any goods or materials directly or through appointment of agent, and (b) availing or rendering of any services whether technical and/or financial and/or both, with Garden Silk Mills Limited (GSML), a related party within the meaning of Section 2(76) of the Act read with the Companies (Meetings of the Board and its Powers) Rules, 2014 (the “Act”) and erstwhile clause 49(VII)(B) of the Listing Agreement corresponding to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 [“SEBI Listing Regulations”].

A related party transaction as per SEBI Listing Regulations means “a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged”. Regulation 23 of the SEBI Listing Regulation further provides that all material Related Party Transactions, i.e. aggregate transactions entered into with a related party during a financial year exceeding 10% of the annual consolidated turnover of the Company as per latest audited financial statements, require prior approval of shareholders through resolution. The related party transactions in respect of each related party as mentioned below may exceed 10% of the consolidated turnover of the Company and therefore requires approval of members.

Section 188 of the Act provides that if transactions with the related parties are not in the ordinary course of business or at arm’s length basis, such transactions are required to be approved by the Board of Directors and shareholders, depending upon the thresholds prescribed under the Companies (Meeting of Board and its Powers) Rules, 2014. In other words, approval of Board or shareholders, as the case may be, is not required under the Companies Act 2013, if a particular transaction is in the ordinary course of business and at arm’s length basis. In the opinion of the Board, the transactions / contracts / arrangements / investment by the Company to be entered with related parties would be in the ordinary course of business and at arm’s length basis. However, the approval is sought as a matter of abundant caution.

Considering the present economic environment and for smooth business operations, the Company may be required to enter into RPT on regular basis. The Board of the Company therefore considers expedient and necessary to take approval of shareholders for RPT as mentioned below for an aggregate maximum amount not exceeding Rs.150 Crore (Rupees One Hundred Fifty Crore Only) in every financial year with related parties either existing on the date of this Notice (as mentioned below) and/or with any other related party (which may be identified or come into existence in the future) that may be regarded as a “Related Party” as per Companies Act 2013 and SEBI Listing Regulations.

Information as required to be disclosed under the Companies (Meetings of Board and its Powers) Rules, 2014 namely, name of the related party/director/key managerial personnel who is related, if any, nature of relationship, nature of the contract/arrangement, material terms and particulars with actual / estimated monetary value of contract/ arrangement, forms part of this resolution.

The name of related parties (as on the date of this notice) and particulars of the contracts / arrangements / transactions for which the approval is sought are set out as under:

1. List of related parties (as on the date of this notice), for your information:

| Sr. No. | Name of Related Party     | Relationship                                |
|---------|---------------------------|---|
| 1.      | Garden Silk Mills Limited | Group Company                               |
| 2.      | M/s. Isha Enterprises     | Partnership Firm where company is a partner |

2. Particulars of the contracts / arrangements / transactions for which the approval is sought:

| Sr. No. | Nature of contracts / arrangements / transactions   |
|---------|---|
| 1.      | Sale, purchase or supply of any goods or materials directly or through appointment of agent   |
| 2.      | Sale, purchase or supply of electric power / fuel   |
| 3.      | Purchase, sale, transfer, leasing and leave & licence of any property   |
| 4.      | Availing or rendering of any services whether technical and/or financial and/or both  |
| 5.      | Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company  |
| 6.      | Borrowing or Lending by way of secured / unsecured loans from / to related parties for the short term/long term fund requirements from time to time   |
| 7.      | Investment in equity capital and/or securities or capital contribution in group companies, subsidiaries, joint ventures, associate companies, Limited Liability Partnership, Partnership Firm and other entities (existing or to be incorporated in future) |
| 8.      | Disinvestment of shares or securities or capital contribution in related parties  |

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution, except to the extent of their shareholding in the Company and / or Directorships and / or Shareholding in the related party and interest in the particular contract/arrangement.

The Board recommends the Special Resolution set out at Item No.5 of the Notice for approval of the members.

**Item No.6:**

Considering the present economic environment and for smooth business operations and as a matter of abundant caution and keeping in mind the standards of good corporate governance, the Board of the Company considers it appropriate to seek approval of shareholders for investment of a maximum amount not exceeding Rs.50 Crore (Rupees Fifty Crore Only), in M/s. Isha Enterprises, a partnership firm to enable M/s. Isha Enterprises to make investments in other group companies including Garden Silk Mills Limited ("GSML") by way of preferential allotment of securities. The Company is presently a partner in M/s. Isha Enterprises.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution, except to the extent of their shareholding in the Company.

The Board recommends the Ordinary Resolution set out at Item No.6 of the Notice for approval of the members.

Registered Office:

Tulsi Krupa Arcade, 3rd Floor,  
Puna-Kumbharia Road,  
Dumbhal, Surat 395010.

**By Order of the Board of Directors  
For Surat Textile Mills Limited**

Place: Surat

Date: 29th May, 2017

**Hanisha Arora  
Company Secretary**



**Particulars of the Directors seeking appointment / re-appointment at the ensuing Annual General Meeting pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

|   |  |
|---|--|
| Name of the Director  | <b>Shri Yogesh C. Papaiya</b>  |
| Director Identification Number  | 00023985   |
| Date of Birth   | 15/12/1952   |
| Nationality   | Indian   |
| Brief Resume – Age and Qualification  | 65 years, B.Com., F.C.A.   |
| Date of Appointment/Re-appointment  | 23/10/2000   |
| Expertise in Specific Functional Areas  | He is a Fellow Member of the Institute of Chartered Accountants of India (ICAI). Shri Papaiya is also involved with the various activities of the Group since a long time and has contributed to a large extent to the activities in which the Company is engaged. |
| Directorship held in other Public Limited Companies   | Nil  |
| Memberships/ Chairmanships of committees across public companies (include only Audit Committee and Shareholders / Investors' grievance Committee) | Nil  |
| No. of shares held in the Company   | Nil  |
| Disclosure of relationship  | Shri Yogesh C. Papaiya is not related to any of the Director of the Company.   |

Registered Office:  
Tulsi Krupa Arcade, 3rd Floor,  
Puna-Kumbharia Road,  
Dumbhal, Surat 395010.

Place: Surat  
Date: 29th May, 2017

**By Order of the Board of Directors  
For Surat Textile Mills Limited**

**Hanisha Arora  
Company Secretary**

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

### Dear Members,

The Board of Directors hereby submit the report of the business and operations of your Company along with the audited financial statements, for the year ended 31st March, 2017. The Management Discussion and Analysis is also included in this Report.

### Nature of Business

The Company is engaged in the business of manufacturing Polyester Chips and Partially Oriented Yarn (POY). During the year under review, there was no change in the nature of business of the Company.

### Summarised Financial Results

|   | (Rs. in Crore) |         |
|---|----------------|---------|
|   | 2016-17        | 2015-16 |
| Net Sales / Income from Operations                      | <b>138.72</b>  | 117.22  |
| Earnings Before Interest, Tax and Depreciation (EBITDA) | <b>15.63</b>   | 6.50    |
| Less: Finance Costs                                     | <b>0.39</b>    | 0.74    |
| Depreciation  | <b>0.79</b>    | 1.16    |
| Profit before Tax                                       | <b>14.45</b>   | 4.60    |
| Less: Tax Expense /(Credit)                             | <b>(2.17)</b>  | (1.53)  |
| Profit after Tax  | <b>16.62</b>   | 6.13    |

### Review of Operations

At a standalone level, net revenue from operations of your Company for the year 2016-17 increased by about 18% at Rs.138.72 Crore as compared to Rs.117.22 Crore in the previous year primarily on increase in sales volume and improved net sales realisation. Earnings Before Interest, Tax and Depreciation (EBITDA) was higher at Rs.15.63 Crore as compared to Rs.6.50 Crore in the previous year.

Despite challenging business environment, your Company's total sale of chips was higher at 18817 MT for the year 2016-17 as compared to 16094 MT in the previous year. In value terms, gross sale of chips was higher at Rs.156.14 Crore as compared to Rs. 128.61 Crore in the previous year.

The overall production of Chips, during the year 2016-17 was higher at 18577 MT as compared to 16427 MT achieved in the previous year.

Our focus on operational efficiency with better working capital management and better network helped us to remain competitive and improve our bottom line.

During the year under review, your Company continued its focus on margin improvement by optimum allocation of its resources through cost reduction at manufacturing level. The operating margins however remained under pressure.

Your Company continued its efforts to reduce and optimise energy consumption at all levels.

The manufacturing activity at its polyester spinning division plant at Village Jolwa, Taluka Palsana, Dist. Surat remained suspended during the major part of the financial year 2016-17, however with the improvement in the demand for polyester yarn, the production resumed from May, 2017.

### Dividend and Reserves

In order to strengthen the reserves of the, your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2016-17.

During the year under review, no amount from profit was transferred to General Reserve.

### Going Concern Status

During the year under review, there were no significant or material orders passed by regulators or court or tribunal, which can impact the going concern status of the Company and/or its future operations.

### Industry Scenario

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's export. The textiles industry is also labour intensive and is one of the largest employers.

India accounts for ~14% of the world's production of textile fibres and yarns (largest producer of jute, second largest producer of silk, cotton and polyester, and third largest in cellulosic fibre). India has the highest loom capacity (including hand looms) with 63 per cent of the world's market share.

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly, contributes to 10 per cent of manufacturing production, 2 per cent of India's GDP and 13 per cent of the country's export earnings.

The domestic textile and apparel industry in India is estimated to reach US\$ 141 billion by 2021 from US\$ 67 billion in 2014. Increased penetration of organised retail, favourable demographics, and rising income levels are likely to drive demand for textiles. India is the world's second largest exporter of textiles and clothing.

### Overview of the economy

Economic performance across emerging market and developing economies has remained mixed. Whereas China's growth remained strong, reflecting continued policy support, activity has slowed in India because of the impact of the demonetization, as well as in Brazil, which has been mired in a deep recession. Activity remained weak in fuel and nonfuel commodity exporters more generally, while geopolitical factors held back growth in parts of the Middle East and Turkey.

The last few years have also witnessed a slowdown in global trade and investments flows. Although, India has not been particularly affected by this slowdown, lower growth in foreign portfolio investment cannot be ruled out, partly on account of the fact that the interest rates in the United States have begun to increase.

The Economic Survey 2016-17, (January 2017) forecasts a growth rate of 6.75 to 7.5 per cent for FY 18, as compared to the expected growth rate of 6.5 per cent in FY 17. Over the medium run, the implementation of the Goods and Service Tax (GST), and enacting other structural reforms should take the economy towards its potential real GDP growth of 8%.

India remains the world's fastest – growing major economy and looks set for further expansion over the next five years. India grew by approximately 7.5 per cent in 2016, continuing a 3 years streak of growth above 7 per cent. Some of this strength is due to a favourable external environment (for example, lower prices for imported commodities like oil), with India's current account deficit falling to a seven – year low of \$ 300 million. Indian inflation has also dropped closer to the Reserve Bank of India's target of 4 per cent.

The timely action by the government of demonetisation resulted in pumping more money to the banking sector has resulted in appreciation of the Rupee. In spite of lot of challenges faced in international scenario in terms of trade, and the policy changes of many countries, India is still in a position to retain the stability of the currency, this shows that the Economy is becoming stronger and vibrant to take the challenges whatever may come in future.

A comprehensive tax reform would promote inclusive growth. Timely and effective implementation of the Goods and Services Tax would support competitiveness, investment and economic growth. Government's plans to reduce the corporate income tax rate and broaden the base will serve the same objectives. These two on-going reforms have been designed to be revenue-neutral while India needs to raise additional tax revenue to meet social and physical infrastructure needs.

### **Opportunities, Challenges, Threats, Risks and Concerns**

An economic slowdown- both domestic and global – may have adverse effect on the growth of the PFY industry. Raw material prices fluctuate in line with international prices and will continue to have an impact on the company's performance as raw materials constitute significant component of net sales. Increased differentiated products as well as a reduced working capital facility will help reduce risks.

Government has also passed a national goods-and-service tax (GST) that will create a common market in the country and is expected to increase economic growth in the medium term. These and other efforts to liberalise the economy and reduce burdensome taxes and regulations will likely lead to increased investment by both domestic and foreign firms and make Indian industry more competitive.

But India still faces a number of challenges that may negatively impact its growth outlook.

High incidence of taxes and duties is a matter of concern for the industry.

The Company is exposed to the risk of price fluctuation of raw materials as well as finished goods. The Company proactively manages these risks through inventory management and a proactive relationship with suppliers and customers.

Indian textile industry is a less attractive destination for investments due to the tariff barriers it faces in major international markets, high input costs, low margins etc. In order to achieve the desired growth in our textile and apparel industries, it is imperative to get large scale investment both foreign and domestic.

### **Business Outlook**

The outlook for the domestic textile industry over the medium term is stable supported by favourable demand, both domestically and internationally.

Domestic manufacturers of polyester yarn and chips have invested significantly in recent years, in new capacities, however with uncertain inputs price trends, the industry is now looking to consolidate operations by optimally utilising installed capacities.

The implementation of Goods and Services Tax (GST), to replace a myriad of consumption taxes, could be a game-changer over the medium-term: it will help make India a common market and promote investment, productivity and competitiveness.

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand.

### **The Goods and Service Tax (GST) and Demonetisation**

The GST will replace various taxes on goods and services levied by the central government and states by a single tax on value added. It will thus reduce tax cascading, facilitate a common national market, encourage voluntary tax compliance, reduced tax collection costs, support investment and improve competitiveness.

The two largest denomination notes, Rs 500 and Rs 1000—together comprising 86 per cent of all the cash in circulation—were “demonetised” with immediate effect, ceasing to be legal tender except for a few specified purposes, on November 8, 2016.

Demonetisation has had short-term costs in the form of slow growth but holds the potential for long-term benefits. Long-term benefits include reduced corruption, greater digitalisation of the economy, increased flows of financial savings, and greater formalisation of the economy, all of which could eventually lead to higher GDP growth, better tax compliance and greater tax revenues.

### **Share Capital**

The Paid-up Equity Share Capital of the Company as at 31st March, 2017 stood at Rs.2220.64 Lacs. There was no public issue, rights issue, bonus issue or preferential issue etc. during the year. The Company has not issued shares with differential voting rights, sweat equity shares, nor has it granted stock options. As on 31st March, 2017, none of the directors of the Company hold instruments convertible into equity shares of the Company.

### **Disclosures in respect of voting rights not directly exercised by employees**

There are no shares held by trustees for the benefit of employees and hence no disclosure under Rule 16(4) of the Companies (Share Capital and Debentures) Rules, 2014 has been furnished.

### Material changes and commitments

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year and the date of this Report.

### Indian Accounting Standards (IND AS) IFRS Converged Standards

The Ministry of Corporate Affairs (MCA), vide its notification in the Official Gazette dated 16th February, 2015, notified the Indian Accounting Standards (Ind AS) applicable to certain classes of Companies. Ind AS has replaced the existing Indian GAAP prescribed under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. For your Company, Ind AS is applicable from 1st April, 2017, with a transition date of 1st April, 2016.

### Subsidiaries and associates

During the year, the Board of Directors reviewed the affairs of its associate, Isha Enterprises, a partnership firm. In accordance with Section 129(3) of the Companies Act, 2013, we have prepared the Consolidated Financial Statement of the Company, which forms part of this Annual Report.

Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014, a statement containing salient features of the financial statements of Subsidiaries / associates is given in Form AOC-1 and forms an integral part of this Report marked as **Annexure E**.

### Consolidated Financial Statements

The Company has prepared Consolidated Financial Statements (CFS) in accordance with the applicable Accounting Standards as prescribed under the Companies (Accounts) Rules, 2014, of the Companies Act, 2013. The Consolidated Financial Results reflects the results of the Company and its associate. As required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audited CFS together with the Independent Auditors' Report thereon are annexed and forms part of this Report.

The Business Responsibility Reporting as required by Regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is not applicable to your Company for the financial year ended 31st March, 2017.

### Finance

Your Company has repaid Secured Rupee Term Loan from banks to the tune of Rs.39.06 Lacs during the financial year 2016-17. No fresh Term Loan was availed by the Company during the year. The Company availed working capital facility from Bank of Baroda during the year.

### Directors and Key Managerial Personnel

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Company's Articles of Association, Shri Yogesh C. Papaiya (DIN: 00023985), Director retires by rotation at the forthcoming Annual General Meeting and, being eligible offers himself for re-appointment. The Board recommends his re-appointment for the consideration of the Members of the Company at the ensuing Annual General Meeting.

Shri Sanjay S. Shah, Director of the Company submitted his resignation as member of the Board with effect from 1st July, 2016. While accepting Shri Sanjay S. Shah's resignation, the Members of the Board placed on record their sincere appreciation of the valuable services rendered by him during his tenure as a Director of the Company.

Shri M. R. Momaya, Managing Director, Shri Yogesh C. Papaiya, Wholetime Director and CFO and Ms. Hanisha Arora, Company Secretary and Compliance Officer were designated as "Key Managerial Personnel" of the Company pursuant to Section 2(51) and Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. During the year under review, there was no change in key managerial personnel of the Company.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### Managerial Remuneration

Disclosures of the ratio of the remuneration of each director to the median employee's remuneration and other details as required pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in **Annexure C**.

The details of remuneration paid to the Directors including Executive Directors of the Company are given in Form MGT-9 forming part of this Report.

### Report on Corporate Governance

All Board members and Senior Management personnel have affirmed compliance with the Code of Conduct for the year 2016-17. A declaration to this effect signed by the Managing Director (CEO) of the Company is contained in this Annual Report. The Managing Director and CFO have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) of the SEBI Listing Regulations, 2015.

As per Regulation 34(3) read with Schedule V(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate section on corporate governance practice followed by the Company, together with a certificate from the Company's Auditors confirming compliance forms an integral part of this Report as **Annexure H**. The auditors certificate for the year 2016-17 does not contain any qualification, reservation or adverse remark.

### Audit Committee

The Audit Committee of Directors comprises of Shri Harishchandra Bharucha (Chairman of the Committee), Shri Ketan Jariwala and Shri Yogesh Papaiya as member of the Committee. All the recommendations made by the Audit Committee during the year were accepted by the Board of Directors of the Company. The terms of reference and other details of the Audit Committee are available in the Corporate Governance Report forming part of this annual report.

## Risk Management

Your Company recognizes that the risk is an integral part of business and is committed to managing the risks in proactive and efficient manner. Your Company periodically assesses the risks in the internal and external environment along with treating the risks and incorporates risk management plans in its strategy, business and operational plans.

The business plan for the future are devised and approved by the Board keeping in mind the risk factors which can significantly impact the performance of the particular business. All major capital expenditures commitments are subject to scrutiny by the Board and investments are permitted only on being satisfied about its returns or utility to the Company. There are no risks which in the opinion of the Board threaten the existence of the Company.

## Insurance

The Company has taken all the necessary steps to insure its properties and insurable interests, as deemed appropriate and also as required under the various legislative enactments.

## Statutory Auditors & Audit Report

Messrs. Natvarlal Vepari & Co., Chartered Accountants, were appointed Auditors for a period of 3 (three) years from the conclusion of the 68th Annual General Meeting (AGM) till the conclusion of the 71st AGM. As such, Messrs Natvarlal Vepari & Co. retire at the conclusion of the 71st AGM.

Under Section 139 of the Companies Act, 2013 and the Rules made thereunder, it is mandatory to rotate the statutory auditors on completion of the maximum term permitted under the said Section. The audit committee of the Company has proposed, and on 29th May, 2017, the Board of Directors of the Company has recommended the appointment of Sharp & Tannan Associates, Chartered Accountants, (Firm registration number 109983W) as the statutory auditors of the Company. Sharp & Tannan Associates will hold office for a period of 5 (five) consecutive years from the conclusion of the 71st Annual General Meeting of the Company scheduled to be held on 2nd August, 2017, till the conclusion of the 76th Annual General Meeting to be held in the year 2022, subject to the approval of the shareholders of the Company.

The auditors' report for the year ended 31st March, 2017 does not contain any qualification, reservation or adverse remark. The Auditors' Report is enclosed with the financial statements in this Annual Report.

## Cost Auditors

Pursuant to the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014, as amended by notifications / circulars issued by the Ministry of Corporate Affairs from time to time and on recommendation of the Audit Committee, the Board of Directors appointed M/s P. M. Nanabhoy & Co., Cost Accountants, (Firm Registration Number 000012) as Cost Auditors to audit the cost accounts of the Company for the Financial Year 2017-18.

The Cost Auditor have given a Certificate to the effect that the appointment, if made, will be within the prescribed limits specified under Section 141 of the Companies Act, 2013. The Audit Committee has obtained a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company.

As required under the Companies Act, 2013, the remuneration payable to the Cost Auditor is required to be placed before the members in a general meeting for their ratification. Accordingly, a resolution seeking member's approval for the remuneration payable to the Cost Auditor forming part of the Notice convening the Annual General Meeting for their ratification.

## Secretarial Auditor & Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed Jigar Vyas of Jigar Vyas & Associates, Practicing Company Secretaries, (CP No.8019), Surat as secretarial auditor of the Company for the year 2017-18.

The Secretarial Auditors' Report for the year 2016-17 does not contain any qualification, reservation or adverse remark. The Secretarial Auditors' Report is enclosed as **Annexure D** to the Board's report in this Annual Report.

## Internal Auditors

Pursuant to the provisions of Section 138 of the Companies Act, 2013, the Board of Directors of the Company have appointed M/s Aadil Aibada & Associates, Chartered Accountant as Internal Auditors of the Company, for the financial year 2017-18.

The audit committee of the Board of Directors in consultation with the Internal Auditor formulates the scope, functioning, periodicity and methodology for conducting the internal audit.

## Committees of the Board

The Board of Directors has the following Committees:

1. Audit Committee
2. Remuneration and Nomination Committee
3. Stakeholders' Relationship Committee
4. Corporate Social Responsibility Committee

The details of the committees along with their composition, number of meetings and attendance at the meetings are provided in the Corporate Governance Report.

## Directors' Responsibility Statement

The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 in the preparation of the annual accounts for the year ended on 31st March, 2017 and state that:

- a) in the preparation of the annual accounts, applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed along with proper explanation relating to material departures;
- b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the Company for that period;

- c) the directors have taken proper and sufficient care towards maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the directors have prepared the annual accounts on a going concern basis;
- e) the directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

#### Number of meetings of the Board

During the year, 6 Board Meetings were convened and held. The details thereof are given in the Corporate Governance Report. The Directors actively participated in the meetings and contributed valuable inputs on the matters brought before the Board of Directors from time to time. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

#### Board evaluation

Pursuant to the provisions of the Companies Act, 2013, the Board has devised a policy on evaluation of performance of Board of Directors, Committees and Individual directors. The policy is also in compliance to Regulation 19 read with Schedule II, Part D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Nomination and Remuneration Committee has defined the evaluation criteria for the Performance Evaluation of the Board, its Committees and individual Directors.

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out a formal annual evaluation of its performance and that of its Committees and individual Directors. The evaluation of each of the directors was done, inter-alia, on the basis of their advisory role and contribution in the decision making. Further, the evaluation of the Board as a whole and all the Committees of the Directors was done, inter-alia, on the basis of the overall directions and guidance provided to the senior executives and supervision over their performance.

#### Independent Directors' Meeting

In compliance with the requirements of Schedule IV of the Companies Act, 2013, a meeting of the Independent Directors was held on 8th February, 2017, without the participation of the Executive Directors or management personnel.

The Independent Directors carried out performance evaluation of Non-Independent Directors and the Board of Directors as a whole, performance of Chairman of the Company, the quality, contents and timelines of flow of information between the Management and Board, based on the performance evaluation framework of the Company.

The criteria for performance evaluation have been detailed in the Corporate Governance Report forming part of this report.

#### Declaration of Independent Directors

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and there is no change in their status of independence. As required under Section 149(7) of the Companies Act, 2013, the said declaration was placed in the Board Meeting held on 29th May, 2017.

#### Familiarisation Programme to Independent Directors

The Company provides suitable familiarisation programme to Independent Directors so as to associate themselves with the nature of the industry in which the Company operates. Directors are periodically advised about the changes effected in the Corporate Laws, Listing Regulations with regard to their roles, rights and responsibilities as Director of the Company. The details of the familiarisation programme have been disclosed and updated from time to time on the Company's website.

#### Corporate Social Responsibility (CSR) Initiatives

As required under Section 135 of the Companies Act, 2013 the CSR committee comprising Shri Ketan Jariwala, Independent Director as the Chairman of the Committee, Shri Harishchandra Bharucha, Independent Director and Shri Yogesh C. Papaiya, Whole-time Director as its members.

The CSR committee has laid down the policy which includes the activities covered under the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The Company has been contributing in the development of the surrounding areas of its plant and office. The Company supports and contributes in activities relating to promotion of education, sports, medical and healthcare, vocational skill development and livelihood enhancement and programmes and activities relating to environment sustainability etc. The details of amount spent on CSR activity undertaken during the year by the Company are given in the **Annexure B** to this Report. The CSR policy of the Company is also hosted on the website of the Company, [www.surattextilemillsltd.com](http://www.surattextilemillsltd.com).

#### Adequacy of Internal Financial Control

The Company has in place adequate internal financial controls with reference to financial statements. Periodic audits are undertaken on continuous basis covering all the major operations. Reports of internal auditors are reviewed by management from time to time and desired actions are initiated to strengthen the control and effectiveness of the system. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

The Internal Financial Control with reference to financial statements as designed and implemented by the Company are adequate. During the year under review, no material or serious observation has been received from the Internal Auditors of the Company for inefficiency of such controls.

## Related Party Transactions

All transactions entered by the Company with Related Parties were in the Ordinary Course of Business and at Arm's Length pricing basis. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a conflict with the interest of the Company at large. During the year 2016-17, pursuant to section 177 of the Companies Act, 2013 and regulation 23 of SEBI Listing Regulations, 2015, all Related Party Transactions were placed before the Audit Committee for its approval.

Pursuant to section 134 of the Companies Act, 2013 and Rules made thereunder, particulars of transactions with related parties as required under section 188(1) of the Companies Act, 2013, read with Rule 8(2) of Companies (Accounts) Rules, 2014 is annexed with this Report in Form AOC-2 as **Annexure F**.

The policy on related party transactions as approved by the Board is uploaded on the Company's website. The Company's management ensures total adherence to the approved Policy on Related Party Transactions to establish Arm's Length Basis without any compromise.

Suitable disclosures as required under AS-18 have been made in Note 29 of the Notes to the financial statements.

## Particulars of Employees and Related disclosure

During the financial year 2016-17, none of the employee of the Company was in receipt of remuneration prescribed in terms of the provision of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014. There were 67 permanent employees as on 31st March, 2017.

## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Information required pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 in respect of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo are set out in the **Annexure A** forming part of this Report.

## Vigil Mechanism / Whistle Blower Policy

Your Company believes in promoting a fair, transparent, ethical and professional work environment. The Board of Directors of the Company pursuant to the provisions of Section 177 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, has framed 'Whistle Blower Policy' for Directors and employees of the Company for reporting the genuine concerns or grievances or cases of actual or suspected, fraud or violation of the Company's code of conduct and ethics policy. The Whistle Blower Policy of the Company has been posted on the website of the Company.

## Nomination and Remuneration Policy

On recommendation of Nomination and Remuneration Committee, the Board of Directors have approved a Nomination and Remuneration Policy for the appointment and remuneration of the director, key managerial personnel (KMP) and other employees.

The key objectives of the Policy are to lay down the criteria for appointment and remuneration of Directors, Key Managerial Personnel and Executives at Senior Management level and recommend to the Board their appointment, and also to formulate criteria for evaluation of performance of Independent Directors and the Board and to devise a policy on Board diversity.

The Policy, inter-alia, includes criteria for determining qualifications, positive attributes, independence of a director, and expertise and experience required for appointment of Directors, KMP and Senior Management.

As per the Policy, the remuneration / compensation to the Whole-time Directors shall be recommended by the Nomination and Remuneration Committee to the Board for its approval. However, the remuneration compensation to Whole-time Directors shall be subject to the approval of the shareholders of the Company and Central Government, wherever required. Further, the Non-Executive Directors shall be entitled to the fees for attending meetings of Board and Committees within the limits prescribed in the Companies Act, 2013. The Nomination and Remuneration Policy is available on the company's website.

## Deposits

During the year, the Company has not accepted any deposits, within the meaning of Section 73 of the Companies Act, 2013, read with the Companies (Acceptance of Deposits) Rules, 2014 and as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 2014.

## Extract of Annual Return and other disclosures

Pursuant to the provisions of Section 134(3)(a) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014 and Rule 12 of Companies (Management and Administration) Rules, 2014, Extract of Annual Return in Form MGT-9, for the financial year ended 31st March, 2017 made under the provisions of Section 92(3) of the Act is attached as **Annexure G** which forms part of this Report.

## Particulars of Loans, Guarantees and Investments

During the year under review, your Company has not directly or indirectly –

- Given any loan to any person or other body corporate other than usual advances envisaged in a contract of supply of materials, if any;
- Given any guarantee or provided security in connection with a loan to any other body corporate or person; and
- Acquired by way of subscription, purchase or otherwise, the securities of any other body corporate.

## Anti-Sexual Harassment Policy

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

The Company has zero tolerance on Sexual Harassment at workplace. No complaint was received from any employee during the financial year 2016-17 and hence no complaint is outstanding as on 31st March, 2017 for redressal. Your Company has laid down Anti Sexual Harassment policy and it is made available on the website of the Company.

**Green Initiative**

Your Directors would like to draw your attention to Section 20 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as may be amended from time to time which permits paperless compliances and also service of notice / documents (including annual report) through electronic mode to its members. To support this green initiative, we hereby once again appeal to all those members who have not registered their e-mail addresses so far are requested to register their e-mail address in respect of electronic holding with their concerned Depository Participants and/or with the Company.

**Internal Control System and their Adequacy**

The Internal Control System provides for well documented policies / guidelines, authorizations and approval procedures. Considering the nature of its business and size of operations, your Company through its Internal Auditors carries out periodic audit based on the plan approved by the Audit Committee.

The summary of the Internal Audit observations and status of implementation are submitted to the Audit Committee. The status of implementation of the recommendations is reviewed by the Audit Committee on a regular basis and desired actions are initiated to strengthen the control and effectiveness of the system. Concerns, if any, are reported to the Board.

**Financial Performance**

Discussion on financial performance with preference to operational performance has been dealt with in this Report in the relevant para which may be treated as forming part of the Management Discussion and Analysis Report.

**Health, safety and environment**

Your Company recognizes protection and management of environment as one of its highest priority and every effort is made to conserve and protect the environment. During the year, your Company continued its focus in creating an aesthetic, environment-friendly industrial habitat in its factory units, mobilizing support and generating interest among staff and labour for maintaining hygienic and green surrounding.

The Company obtained necessary approvals from concerned Government Department / Pollution Control Board and all required environment clearances / safety clearances / stipulations are complied with at Plant facilities of the Company. The Company continues to focus on maintenance and performance improvement of related pollution control facility at its manufacturing locations.

**Industrial Relations / Human Resources**

Your Company maintained healthy, cordial and harmonious industrial relations at all levels during the year under review.

The Company continuously works to nurture this environment to keep its employees highly motivated, result oriented and adaptable to changing business environment. Your Company's value proposition is based on providing value to our customer, through innovation and by consistently improving efficiency at all levels.

Your Directors wish to place on record their appreciation for the dedicated and commendable services rendered by the employees of the Company.

**CAUTIONARY STATEMENTS**

Statements in this Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations, or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those express or implied. Important factors that could make difference to the Company's operations include raw material availability and its prices, cyclical demand and pricing in the Company's principle markets, changes in Government regulations, Tax regimes, economic developments, within India and the countries in which the Company conducts business and other ancillary factors.

**Appreciation**

Your Directors wish to acknowledge the co-operation and assistance extended to the Company by the Company's Bankers and State & Central Government agencies. Your Directors also acknowledge with gratitude the support of the shareholders, other investors, customers, dealers, agents and suppliers for their continued faith and support in the Company and its management.

**For and on behalf of the Board**

Surat, 29th May, 2017

**M. R. Momaya**  
**Managing Director**



## Annexure – A TO THE DIRECTORS’ REPORT

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 for the year ended March 31, 2016 is given below and forms part of the Directors’ Report.

#### A. CONSERVATION OF ENERGY

##### I. Steps taken or impact on conservation of energy.

- The Company makes an ongoing study to identify and implement energy saving system to reduce energy consumption and cost of production.
- Energy conservation is an ongoing process in our organisation. Continuous monitoring, planning, development and modifications for energy conservation are done at the plants.
- The Company continued efforts for improving energy efficiency through innovative measures to reduce wastage and optimize consumption.
- Replacement of inefficient motors with energy efficient motors.
- Energy Audit is also being carried out by external agencies.
- Maintenance of the machines as per schedule.

##### II. The steps taken by the company for utilising alternate sources of energy.

The Company is exploring options for utilizing alternate sources of energy in order to reduce the electricity cost with consequent reduction in the cost of production.

##### III. The Capital investment on energy conservation equipment.

The Company has not incurred major capital investment on energy conservation equipments but focused on optimum utilisation of available resources.

#### B. TECHNOLOGY ABSORPTION

##### I. The efforts made by the Company towards technology absorption

The Company made required efforts for productivity enhancement and development of new products in polyester chips segment.

##### II. The benefits derived like product improvement, cost reduction, product development or import substitution.

The Company was able to reduce maintenance and operating cost at manufacturing level more particularly the conversion cost in chips segment. There was an improvement in quality, customer satisfaction and enlargement of market base.

##### III. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – NOT APPLICABLE.

##### IV. The expenditure incurred on Research and Development.

During the year under review there were no major expenses pertaining to Research and Development incurred by the Company.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

| Particulars             | 2016-17 | 2015-16 |
|-------------------------|---------|---------|
| Foreign Exchange Earned | Nil     | Nil     |
| Foreign Exchange Used   | Nil     | Nil     |

**Annexure - B****Annual Report on Corporate Social Responsibility activities**

|   |   |  |
|---|---|--|
| 1 | A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs. | Pursuant to the provisions of Section 135 of the Companies Act, 2013, the Companies (Corporate Social Responsibility) Rules, 2014 and the various notifications / circulars issued by the Ministry of Corporate Affairs, the Company has contributed an amount of Rs.4.78 Lacs as mentioned hereunder towards activities specified in Schedule VII of the Companies Act, 2013. The Company has also adopted a CSR policy in compliance with the aforesaid provisions and the same is placed on the Company's website at <a href="http://www.surattextilemillsltd.com">www.surattextilemillsltd.com</a> |
| 2 | Composition of CSR Committee  | The CSR Committee comprises the following members:<br>a. Shri Ketan Jariwala, Independent Director - Chairman<br>b. Shri Harishchandra Bharucha, Independent Director - Member<br>c. Shri Yogesh C. Papaiya, Wholetime Director & CFO - Member   |
| 3 | Average Net Profit of the Company for last three financial years (as per Section 198 of the Companies Act, 2013)  | Rs.329.38 Lacs   |
| 4 | Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)  | Rs.6.59 Lacs   |
| 5 | Details of CSR spent during the financial year  | Rs.4.78 Lacs   |
|   | (a) Total amount to be spent for the financial year.  | Rs.6.59 Lacs   |
|   | (b) Amount unspent, if any.   | Rs.1.81 Lacs   |
|   | (c) Manner in which the amount spent during the financial year.   | The Company has spent an aggregate amount of Rs.4.78 Lacs for social welfare and education program.  |
| 6 | Reasons for failure to spend the two per cent of the average net profit of the last three financial years or any part thereof:  | The CSR activities carried / to be carried out by the Company is driven by the expertise of the management. Additionally, the Company gives preference to the local area(s) of its operations for CSR activities. The Company believes that the CSR should be in the field(s) which have substantial social impact and which co-relate with the philosophy of the Company to improve the quality of life. Being the first year of implementation, a delay was caused due to clarifications required to ensure that the identified projects were covered under the CSR guideline.                       |

**Responsibility statement:**

The CSR Committee hereby confirms that the implementation and monitoring of CSR policy has been carried out with all reasonable care and diligence and the same is in compliance with the CSR objectives and the policy of the Company.

**For and on behalf of the CSR Committee**

Sd/-

**Ketan Jariwala**  
**Chairman of the Committee**  
**(DIN 02095540)**

Surat, 29/05/2017

## Annexure - C

**Particulars of employees pursuant to Section 134(3)(q) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

| Sr. No. | Requirement under Rule 5(1)  | Details  |
|---------|--|--|
| 1       | The Ratio of the remuneration of each executive Director to the median remuneration of the employees of the Company for the Financial Year.  | (1) Shri M. R. Momaya Managing Director - 0.82<br>(2) Shri Yogesh C. Papaiya Wholetime Director & CFO - 1.63   |
| 2       | The Percentage increase in remuneration of each Executive Director, Chief Financial Officer, Chief Executive Officer & Company Secretary in the financial year.  | (1) Shri M. R. Momaya Managing Director - Not applicable<br>(2) Shri Yogesh C. Papaiya Wholetime Director & CFO - Not applicable<br>(3) Smt. Hanisha Arora, Company Secretary - Not applicable   |
| 3       | The Percentage increase in the median remuneration of employees in the financial year.   | 16.28  |
| 4       | Number of Permanent Employees on the rolls of the Company as on 31st March, 2017.  | 67   |
| 5       | The Explanation on the relationship between average increase in remuneration and Company performance.  | Not applicable.  |
| 6       | Comparison of the remuneration of the Key Managerial Personnel ("KMP") (Individually and totally) against the performance of the company.  | (i) Aggregate remuneration of Key Managerial Personnel in FY 2017 Rs.27.02 Lacs<br>(ii) Total revenue Rs.14136.46 Lacs<br>(iii) Remuneration of KMPs (as percentage of revenue) 0.19<br>(iv) Profit before tax Rs.1445.18 Lacs<br>(v) Remuneration of KMPs (as percentage of PBT) - 1.87.<br>* Remuneration of KMPs includes Managing Director / Wholetime Director and Company Secretary. |
| 7       | Average percentile increase made in the salaries of employees other than the managerial personnel in last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.<br><br>Justification for variation in the average percentile increase between Non Managerial employees and Managerial employees. | Average percentage increase in the salaries of employees other than KMP's for FY 2016-17 was (-)6.42% as compared to FY 2015-16. There was an increase of about 2.62% in the total remuneration of KMP's for the same period.<br><br>Not applicable.   |
| 8       | Key parameters for any viable component of remuneration availed by the Directors.  | Not applicable.  |
| 9       | Ratio of the remuneration of the highest paid director to that the employees who are not directors but received in excess of the highest paid director during the year.  | Not applicable.  |

| Sr. No. | Requirement under Rule 5(1)   | Details  |
|---------|---|--|
| 10      | Affirmation that the remuneration is as per the remuneration policy of the company.   | The Company affirms remuneration is as per the remuneration policy of the Company.   |
| 11      | Variations in the market capitalization.  | Market capitalization as on 31/03/2017 - Rs.89.05 crore.<br>Market capitalization as on 31/03/2016 - Rs.53.30 crore.                     |
| 12      | Price earnings ratio as at the closing of 31st March, 2017 and 31st March, 2016.  | 31/03/2017 - 5.35<br>31/03/2016 - 8.57   |
| 13      | Percentage increase or decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer. | The Company has not made any public issue or rights issue of securities since last more than 20 years, so comparison have not been made. |

**For and on behalf of the Board of Director**

Surat, 29th May, 2017.

**M. R. Momaya**  
**Managing Director**

## Annexure - D

### FORM No. MR-3

#### Secretarial Audit Report

#### For the Financial Year Ended 31st March, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

**The Members,  
Surat Textile Mills Limited  
Tulsi Krupa Arcade, 3rd Floor,  
Puna-Kumbharia Road, Dumbhal,  
Surat 395010**

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SURAT TEXTILE MILLS LIMITED** (CIN: L17119GJ1945PLC000214) (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (v) Other laws applicable specifically to the Company as per representations made by the Company.

As per the explanations given to me and the representations made by the Management and relied upon by me, during the period under audit, provisions of the following regulations / guidelines were not applicable to the Company:

- (i) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (ii) The following Regulations and Guidelines prescribed under the The Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (b) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

I have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

I have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliance under other applicable Acts, Laws and Regulations to the Company. I report that during the financial year under report, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors including one Woman Director. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings including Committees thereof, along with agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting by the directors.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that as per the explanations given to me and the representation made by the Management and Report of the Statutory Auditors relied upon by me, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, there was no other event / action having major bearing on the Company's affair.

**For Jigar Vyas & Associates**  
Company Secretaries

Place: Surat  
Date: 26th May, 2017

**Jigar Vyas**  
Proprietor  
FCS No. 8019 CP No. 14468

**Note:** This report is to be read with my letter of even date which is annexed as '**Appendix A**' and forms an integral part of this report.

## 'Appendix A'

To,  
**The Members,**  
**Surat Textile Mills Limited**  
**Tulsi Krupa Arcade, 3rd Floor,**  
**Puna-Kumbharia Road, Dumbhal,**  
**Surat 395010**

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For Jigar Vyas & Associates**  
Company Secretaries

Place: Surat  
Date: 26th May, 2017

**Jigar Vyas**  
Proprietor  
FCS No. 8019 CP No. 14468

## Annexure - E

## FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

## Part "B": Associate and Joint Ventures

|                    |  |  |
|--------------------|--|--|
| Name of Associates |  | Isha Enterprises   |
| 1.                 | Latest audited Balance Sheet Date  | 31st March, 2017   |
| 2.                 | Shares of Associates held by the company on the year end                   |  |
|                    | a. Number  | The Company holds 50.03% in total share capital of the firm / associate. |
|                    | b. Amount of Investment in Associates                                      | Rs.701.93 Lacs   |
|                    | c. Extent of Holding %   | 49% in sharing ratio   |
| 3.                 | Description of how there is significant influence                          | Associate Company  |
| 4.                 | Reason why the associate is not consolidated                               | Not applicable.  |
| 5.                 | Net worth attributable to shareholding as per latest audited Balance Sheet | Rs.701.93 Lacs   |
| 6.                 | Profit/(Loss) for the year   | (Rs.0.03 Lacs)   |
|                    | a. Considered in Consolidation   | (Rs.0.01 Lacs)   |
|                    | b. Not Considered in Consolidation   | Not applicable.  |

For and on behalf of the Board of Directors

**M. R. Momaya**  
 Managing Director  
 (DIN 0023993)

Surat, 29th May, 2017

**Annexure – F****Form No. AOC-2****Material Related Party Transactions**

(Pursuant to clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto.**

**I. Details of contracts or arrangements or transactions not at arm's length basis:**

There were no contracts or arrangements or transactions entered into during the year ended 31st March, 2017 which were not at arm's length basis.

**II. Details of material contracts or arrangement or transactions at arm's length basis:**

The details of material contracts or arrangements or transactions at arm's length basis for the year ended 31st March, 2017 are as follows.

| <b>Sr. No.</b> | <b>Name of the Related Party and Relationship</b> | <b>Nature of Transaction</b>    | <b>Duration</b> | <b>Salient Terms</b>                                      | <b>Amount (Rs. in Lacs)</b> |
|----------------|---|---------------------------------|-----------------|---|-----------------------------|
| 1              | Garden Silk Mills Limited (Group Company)         | Electric power and fuel charges | Ongoing         | On arm's length basis and in ordinary course of business. | 479.12                      |
| 2              | Garden Silk Mills Limited (Group Company)         | Purchase of Raw Materials       | Ongoing         | On arm's length basis and in ordinary course of business. | 520.89                      |
| 3              | Garden Silk Mills Limited (Group Company)         | Others miscellaneous purchases  | Ongoing         | On arm's length basis and in ordinary course of business. | 215.85                      |
| 4              | Garden Silk Mills Limited (Group Company)         | Sale of finished goods          | Ongoing         | On arm's length basis and in ordinary course of business. | 6358.80                     |

Appropriate approvals have been taken for related party transactions. No advances have been paid or received against the transactions mentioned above.

For and on behalf of the Board of Directors

Place: Surat

**M. R. Momaya**

Date: 29th May, 2017

Managing Director



## Annexure - G

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended on 31/03/2017**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I REGISTRATION AND OTHER DETAILS

|      |   |   |
|------|---|---|
| i)   | CIN   | L17119GJ1945PLC000214   |
| ii)  | Registration Date   | 29-11-1945  |
| iii) | Name of the Company   | Surat Textile Mills Limited   |
| iv)  | Category / Sub-Category of the Company                                    | Public Company/Limited by shares.   |
| v)   | Address of the Registered office and contact details                      | Tulsi Krupa Arcade, Third Floor,<br>Puna-Kumbharia Road,<br>Dumbhal, Surat 395010<br>Tel. No. 91-261-2311197-98<br>Fax No. 91-261-2311029/502   |
| vi)  | Whether listed company  | Yes   |
| vii) | Name, Address and Contact details of Registrar and Transfer Agent, if any | Karvy Computershare Private Limited<br>Karvy Selenium, Tower – B<br>Financial District, Nanakramguda<br>Serilingampally Mandal<br>Ranga Reddy District<br>Hyderabad 500032<br>State Telengana, India<br>Toll Free No. (India) : 1800 345 4001<br>Phone No. 040 67162222<br>Fax No. 040 – 23420814<br>Email: einward.ris@karvy.com |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated

| Sl. No. | Name and Description of main products / services | NIC Code of the Product/service    | % to total turnover of the company |
|---------|--|------------------------------------|------------------------------------|
| 1       | Polyester Chips & Polyester Filament Yarn        | 203-Manufacture of man-made fibres | 99.57                              |

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S. No. | Name and address of the company  | CIN/GLN        | Holding/ Subsidiary / Associate | % of shares held                    | Applicable Section                |
|--------|--|----------------|---------------------------------|-------------------------------------|-----------------------------------|
| 1.     | M/s Isha Enterprises,<br>Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal,<br>Surat 395010 | Not applicable | Associate                       | 50.03% in total capital of the firm | 129(3) of the Companies Act, 2013 |

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

## i) Category-wise Share holding

| Category of Shareholders                                 | No. of Shares held at the beginning of the year |            |                  |                   |                  |            | No. of Shares held at the end of the year |                   |               | % change during the year |
|--|---|------------|------------------|-------------------|------------------|------------|---|-------------------|---------------|--------------------------|
|  | Demat   | Physical   | Total            | % of Total Shares | Demat            | Physical   | Total                                     | % of Total Shares |               |                          |
|  |   |            |                  |                   |                  |            |   |                   |               |                          |
| <b>(A) Promoter</b>                                      |   |            |                  |                   |                  |            |   |                   |               |                          |
| <b>(1) Indian</b>  |   |            |                  |                   |                  |            |   |                   |               |                          |
| (a) Individuals / Hindu Undivided Family                 | 67956397  | 0          | 67956397         | 30.60%            | 67956397         | 0          | 67956397                                  | 30.60%            | 0.00%         |                          |
| (b) Central Government / State Government                | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (c) Bodies Corporate                                     | 98547520  | 0          | 98547520         | 44.38%            | 98548520         | 0          | 98548520                                  | 44.38%            | 0.00%         |                          |
| (d) Financial Institutions / Banks                       | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (e) Any Other (Specify)                                  | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| <b>Sub-Total (A)(1)</b>                                  | <b>166503917</b>                                | <b>0</b>   | <b>166503917</b> | <b>74.98%</b>     | <b>166504917</b> | <b>0</b>   | <b>166504917</b>                          | <b>74.98%</b>     | <b>0.00%</b>  |                          |
| <b>(2) Foreign</b>                                       |   |            |                  |                   |                  |            |   |                   |               |                          |
| (a) Individuals  | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (Non-Resident individuals / Foreign Individuals)         |   |            |                  |                   |                  |            |   |                   |               |                          |
| (b) Bodies Corporate                                     | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (c) Institutions   | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (d) Any Other (Specify)                                  | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| <b>Sub-Total (A)(2)</b>                                  | <b>0</b>  | <b>0</b>   | <b>0</b>         | <b>0.00%</b>      | <b>0</b>         | <b>0</b>   | <b>0</b>                                  | <b>0.00%</b>      | <b>0.00%</b>  |                          |
| <b>Total Shareholding of Promoter and Promoter Group</b> |   |            |                  |                   |                  |            |   |                   |               |                          |
| <b>(A) = (A)(1)+(A)(2)</b>                               | <b>166503917</b>                                | <b>0</b>   | <b>166503917</b> | <b>74.98%</b>     | <b>166504917</b> | <b>0</b>   | <b>166504917</b>                          | <b>74.98%</b>     | <b>0.00%</b>  |                          |
| <b>(B) Public Shareholding</b>                           |   |            |                  |                   |                  |            |   |                   |               |                          |
| <b>(1) Institutions</b>                                  |   |            |                  |                   |                  |            |   |                   |               |                          |
| (a) Mutual Funds / UTI                                   | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (b) Financial Institutions / Banks                       | 15456807  | 300        | 15457107         | 6.96%             | 13324215         | 300        | 13324515                                  | 6.00%             | -0.96%        |                          |
| (c) Central Government / State Government(s)             | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (d) Venture Capital Funds                                | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (e) Insurance Companies                                  | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (f) Foreign Institutional Investors/Companies            | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (g) Foreign Venture Capital Investors                    | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (h) Qualified Foreign Investors                          | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| (i) Any Other (Specify)                                  | 0   | 0          | 0                | 0.00%             | 0                | 0          | 0   | 0.00%             | 0.00%         |                          |
| <b>Sub-Total (B)(1)</b>                                  | <b>15456807</b>                                 | <b>300</b> | <b>15457107</b>  | <b>6.96%</b>      | <b>13324215</b>  | <b>300</b> | <b>13324515</b>                           | <b>6.00%</b>      | <b>-0.96%</b> |                          |

| Category of Shareholders  | No. of Shares held at the beginning of the year |                |                  | No. of Shares held at the end of the year |                |                  | % change during the year |
|---|---|----------------|------------------|---|----------------|------------------|--------------------------|
|   | Demat   | Physical       | Total            | Demat                                     | Physical       | Total            |                          |
| <b>(2) Non-Institutions</b>   |   |                |                  |   |                |                  |                          |
| (a) Bodies Corporate  | 7228301   | 4550           | 7232851          | 6678556                                   | 4150           | 6682706          | 3.01%                    |
| (b) Individuals   |   |                |                  |   |                |                  |                          |
| i. Individual Shareholders holding nominal share capital upto Rs.2 lakhs.                   | 21018538  | 2273048        | 23291586         | 25336297                                  | 2241528        | 27577825         | 12.42%                   |
| ii. Individual Shareholders holding nominal share capital in excess of Rs.2 lakhs.          | 8951719   | 363994         | 9315713          | 7050395                                   | 360744         | 7411139          | 3.34%                    |
| (c) Qualified Foreign Investors   | 0   | 0              | 0                | 0   | 0              | 0                | 0.00%                    |
| (d) Any Other (Specify)   |   |                |                  |   |                |                  |                          |
| i. NRI with and without repatriation  | 223393  | 0              | 223393           | 483583                                    | 0              | 483583           | 0.22%                    |
| ii. Trusts/Overseas Body Corporates   | 4000  | 0              | 4000             | 2500                                      | 0              | 2500             | 0.00%                    |
| iii. Clearing Member  | 35873   | 0              | 35873            | 78255                                     | 0              | 78255            | 0.04%                    |
| Sub-Total (B)/(2)   | <b>37461824</b>                                 | <b>2641592</b> | <b>40103416</b>  | <b>39629586</b>                           | <b>2606422</b> | <b>42236008</b>  | <b>19.02%</b>            |
| Total Public Shareholding (B) = (B)/(1)+(B)/(2)   | <b>52918631</b>                                 | <b>2641892</b> | <b>55560523</b>  | <b>52953801</b>                           | <b>2606722</b> | <b>55560523</b>  | <b>25.02%</b>            |
| TOTAL (A)+(B)   | <b>219422548</b>                                | <b>2641892</b> | <b>222064440</b> | <b>219458718</b>                          | <b>2606722</b> | <b>222065440</b> | <b>100.00%</b>           |
| <b>(C) Shares held by Custodians and against which Depository Receipts have been issued</b> |   |                |                  |   |                |                  |                          |
| 1. Held by Promoter/promoters group   | 0   | 0              | 0                | 0   | 0              | 0                | 0.00%                    |
| 2. Held by Public   | 0   | 0              | 0                | 0   | 0              | 0                | 0.00%                    |
| TOTAL (C)   |   |                |                  |   |                |                  |                          |
| <b>GRAND TOTAL (A)+(B)+(C)</b>  | <b>219422548</b>                                | <b>2641892</b> | <b>222064440</b> | <b>219458718</b>                          | <b>2606722</b> | <b>222065440</b> | <b>100.00%</b>           |

## (ii) Shareholding of Promoters

| Sr. No. | Name of the Shareholder                              | Shareholding at the beginning of the year |                                  |  | Shareholding at the end of the year |                                  |  | % change in share holding during the year |
|---------|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|---|
|         |  | No. of Shares                             | % of total shares of the Company | % of shares pledged/encumbered to total shares | No. of Shares                       | % of total shares of the Company | % of shares pledged/encumbered to total shares |   |
| 1       | Vareli Trading Co. Ltd.                              | 77500000                                  | 34.90%                           | 0.00%  | 77500000                            | 34.90%                           | 0.00%  | 0.00%                                     |
| 2       | Shri Praful A. Shah (Ind)                            | 27910497                                  | 12.57%                           | 0.00%  | 27910497                            | 12.57%                           | 0.00%  | 0.00%                                     |
| 3       | Garden Silk Mills Ltd.                               | 14500000                                  | 6.53%                            | 0.00%  | 14500000                            | 6.53%                            | 0.00%  | 0.00%                                     |
| 4       | Shri Alok P. Shah                                    | 10015000                                  | 4.51%                            | 0.00%  | 10015000                            | 4.51%                            | 0.00%  | 0.00%                                     |
| 5       | Shri Suhail P. Shah                                  | 10015000                                  | 4.51%                            | 0.00%  | 10015000                            | 4.51%                            | 0.00%  | 0.00%                                     |
| 6       | Smt. Shilpa Shah                                     | 10001400                                  | 4.50%                            | 0.00%  | 10001400                            | 4.50%                            | 0.00%  | 0.00%                                     |
| 7       | Shri Praful A. Shah (HUF)                            | 10000450                                  | 4.50%                            | 0.00%  | 10000450                            | 4.50%                            | 0.00%  | 0.00%                                     |
| 8       | Palomar Textiles Ltd.                                | 6545820                                   | 2.95%                            | 0.00%  | 6545820                             | 2.95%                            | 0.00%  | 0.00%                                     |
| 9       | Smt. Shilpa Shah                                     | 14050                                     | 0.01%                            | 0.00%  | 14050                               | 0.01%                            | 0.00%  | 0.00%                                     |
| 10      | Introscope Properties Pvt. Ltd.                      | 1700                                      | 0.00%                            | 0.00%  | 1700                                | 0.00%                            | 0.00%  | 0.00%                                     |
| 11      | Prabhat Silk Mills Limited Partner Rayban Investment | 0   | 0.00%                            | 0.00%  | 1000                                | 0.00%                            | 0.00%  | 0.00%                                     |
|         | <b>Total</b>   | <b>166503917</b>                          | <b>74.98%</b>                    | <b>0.00%</b>                                   | <b>166504917</b>                    | <b>74.98%</b>                    | <b>0.00%</b>                                   | <b>0.00%</b>                              |

## (iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Sr. No. | Particulars   | Shareholding at the beginning of the year |                                  | Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.: |                    |          | Cumulative Shareholding during the year |                                  |
|---------|---|---|----------------------------------|--|--------------------|----------|---|----------------------------------|
|         |   | No. of Shares                             | % of total shares of the Company | Date   | Increase/ Decrease | Reason   | No. of Shares                           | % of total shares of the Company |
|         | At the beginning of the year                          | 166503917                                 | 74.98                            |  |                    |          |   |                                  |
|         | Prabhat Silk Mills Limited Partner Rayban Investments | 0   | 0.00                             |  | 1000               | Purchase | 1000                                    | 0.00                             |
|         | At the end of the year                                |   |                                  |  |                    |          | 166504917                               | 74.98                            |

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

| Sr. No.    | For each of the Top 10 Shareholders | Shareholding at the beginning of the year |                                  | Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.): |                    |        | Cumulative Shareholding during the year |                                  |
|------------|-------------------------------------|---|----------------------------------|---|--------------------|--------|---|----------------------------------|
|            |                                     | No. of Shares                             | % of total shares of the Company | Date  | Increase/ Decrease | Reason | No. of Shares                           | % of total shares of the Company |
| 1          | IDBI Bank Ltd.                      | 15456807                                  | 6.96%                            | 26/08/2016  | 5000               | Sold   | 15451807                                | 6.96%                            |
|            |                                     |   |                                  | 02/09/2016  | 40685              | Sold   | 15411122                                | 6.94%                            |
|            |                                     |   |                                  | 09/09/2016  | 54797              | Sold   | 15356325                                | 6.92%                            |
|            |                                     |   |                                  | 23/09/2016  | 70000              | Sold   | 15286325                                | 6.88%                            |
|            |                                     |   |                                  | 30/09/2016  | 35000              | Sold   | 15251325                                | 6.87%                            |
|            |                                     |   |                                  | 07/10/2016  | 40000              | Sold   | 15211325                                | 6.85%                            |
|            |                                     |   |                                  | 14/10/2016  | 16000              | Sold   | 15195325                                | 6.84%                            |
|            |                                     |   |                                  | 21/10/2016  | 12000              | Sold   | 15183325                                | 6.84%                            |
|            |                                     |   |                                  | 10/10/2016  | 341393             | Sold   | 14841932                                | 6.68%                            |
|            |                                     |   |                                  | 04/11/2016  | 282029             | Sold   | 14559903                                | 6.56%                            |
|            |                                     |   |                                  | 11/11/2016  | 503154             | Sold   | 14056749                                | 6.33%                            |
|            |                                     |   |                                  | 03/03/2017  | 130000             | Sold   | 13926749                                | 6.27%                            |
|            |                                     |   |                                  | 10/03/2017  | 159065             | Sold   | 13767684                                | 6.20%                            |
|            |                                     |   |                                  | 17/03/2017  | 270793             | Sold   | 13496891                                | 6.08%                            |
| 24/03/2017 | 54816                               | Sold                                      | 13442075                         | 6.05%   |                    |        |   |                                  |
| 31/03/2017 | 117860                              | Sold                                      | 13324215                         | 6.00%   |                    |        |   |                                  |
| 2          | Jamson Securities Pvt Ltd           | 2159654                                   | 0.97%                            | 17/06/2016  | 141621             | Sold   | 2018033                                 | 0.91%                            |
|            |                                     |   |                                  | 30/06/2016  | 239901             | Sold   | 1778132                                 | 0.80%                            |
|            |                                     |   |                                  | 08/07/2016  | 10500              | Sold   | 1767632                                 | 0.80%                            |
|            |                                     |   |                                  | 21/10/2016  | 58000              | Sold   | 1709632                                 | 0.77%                            |
|            |                                     |   |                                  | 28/10/2016  | 40500              | Sold   | 1669132                                 | 0.75%                            |
|            |                                     |   |                                  | 17/02/2017  | 14598              | Sold   | 1654534                                 | 0.75%                            |
| 3          | Madhuvan Securities Pvt. Ltd.       | 1824750                                   | 0.82%                            | --  | 0                  | --     | 1824750                                 | 0.82%                            |
| 4          | Neelam Nitinkumar Gheewala          | 1400000                                   | 0.63%                            | 02/12/2016  | 28716              | Sold   | 1371284                                 | 0.62%                            |
|            |                                     |   |                                  | 09/12/2016  | 130916             | Sold   | 1240368                                 | 0.56%                            |
|            |                                     |   |                                  | 16/12/2016  | 40368              | Sold   | 1200000                                 | 0.54%                            |
| 5          | Ilaben Nitinbhai Gheewala           | 1400000                                   | 0.63%                            | 09/12/2016  | 100000             | Sold   | 1300000                                 | 0.59%                            |
|            |                                     |   |                                  | 16/12/2016  | 43848              | Sold   | 1256152                                 | 0.57%                            |
|            |                                     |   |                                  | 23/12/2016  | 18452              | Sold   | 1237700                                 | 0.56%                            |
|            |                                     |   |                                  | 10/03/2017  | 19648              | Sold   | 1218052                                 | 0.55%                            |
|            |                                     |   |                                  | 17/03/2017  | 18052              | Sold   | 1200000                                 | 0.54%                            |
| 6          | Kushal Nitin Gheewala               | 1400000                                   | 0.63%                            | 02/12/2016  | 100000             | Sold   | 1300000                                 | 0.59%                            |
|            |                                     |   |                                  | 09/12/2016  | 100000             | Sold   | 1200000                                 | 0.54%                            |
| 7          | Vartik Choksi                       | 1384977                                   | 0.62%                            | 09/12/2016  | 112797             | Sold   | 1272180                                 | 0.57%                            |
|            |                                     |   |                                  | 16/12/2016  | 19127              | Sold   | 1253053                                 | 0.56%                            |
|            |                                     |   |                                  | 23/12/2016  | 11066              | Sold   | 1241987                                 | 0.56%                            |
|            |                                     |   |                                  | 17/03/2017  | 47987              | Sold   | 1194000                                 | 0.54%                            |
|            |                                     |   |                                  | 31/03/2017  | 47432              | Sold   | 1146568                                 | 0.52%                            |
| 8          | Madhuram Traders Pvt. Ltd.          | 1384977                                   | 0.62%                            | --  | 0                  | --     | 1384977                                 | 0.62%                            |
| 9          | Shreyas Vasantbhai Parikh           | 906000                                    | 0.41%                            | --  | 0                  | --     | 906000                                  | 0.41%                            |
| 10         | Uma Shreyas Parikh                  | 906000                                    | 0.41%                            | --  | 0                  | --     | 906000                                  | 0.41%                            |

**(v) Shareholding of Directors and Key Managerial Personnel:**

| Sr. No. | For each of the Directors and KMP  | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|--|---|----------------------------------|---|----------------------------------|
|         |  | No. of Shares                             | % of total shares of the Company | No. of Shares                           | % of total shares of the Company |
|         | At the beginning of the year   | 0   | 0.00                             | 0                                       | 0.00                             |
|         | Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | 0   | 0.00                             | 0                                       | 0.00                             |
|         | At the end of the year   | 0   | 0.00                             | 0                                       | 0.00                             |

**V INDEBTEDNESS****Indebtedness of the Company including interest outstanding/acrued but not due for payment****(Rs. in Lacs)**

|  | Secured Loans excluding deposits | Unsecured Loans | Deposits      | Total Indebtedness |
|--|----------------------------------|-----------------|---------------|--------------------|
| <b>Indebtedness at the beginning of the financial year</b> |                                  |                 |               |                    |
| i) Principal Amount  | 121.03                           | 0.00            | 123.14        | 244.17             |
| ii) Interest due but not paid                              | 0.00                             | 0.00            | 0.00          | 0.00               |
| iii) Interest accrued but not due                          | 0.00                             | 0.00            | 0.00          | 0.00               |
| <b>Total (i+ii+iii)</b>                                    | <b>121.03</b>                    | <b>0.00</b>     | <b>123.14</b> | <b>244.17</b>      |
| <b>Change in Indebtedness during the financial year</b>    |                                  |                 |               |                    |
| • Addition   | 0.00                             | 0.00            | 0.00          | 0.00               |
| • Reduction  | 69.86                            | 0.00            | 10.17         | 80.03              |
| <b>Net Change</b>  | <b>-69.86</b>                    | <b>0.00</b>     | <b>-10.17</b> | <b>-80.03</b>      |
| <b>Indebtedness at the end of the financial year</b>       |                                  |                 |               |                    |
| i) Principal Amount  | 51.17                            | 0.00            | 112.97        | 164.14             |
| ii) Interest due but not paid                              | 0.00                             | 0.00            | 0.00          | 0.00               |
| iii) Interest accrued but not due                          | 0.00                             | 0.00            | 0.00          | 0.00               |
| <b>Total (i+ii+iii)</b>                                    | <b>51.17</b>                     | <b>0.00</b>     | <b>112.97</b> | <b>164.14</b>      |

## VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Rs. In Lacs)

| Sr. No.  | Particulars of Remuneration   |   | Name of MD/WTD/ Manager                |  | Total Amount   |
|----------|-------------------------------|---|--|--|----------------|
|          |                               |   | Shri M. R. Momaya<br>Managing Director | Shri Yogesh C. Papaiya<br>Wholetime Director |                |
| <b>1</b> | <b>Gross salary</b>           |   |  |  |                |
|          | (a)                           | Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 8.40                                   | 16.65  | 25.05          |
|          | (b)                           | Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 0.00                                   | 0.00   | 0.00           |
|          | (c)                           | Profits in lieu of salary under section 17(3) Income-tax Act, 1961              | 0.00                                   | 0.00   | 0.00           |
| <b>2</b> | <b>Stock Option</b>           |   | 0.00                                   | 0.00   | 0.00           |
| <b>3</b> | <b>Sweat Equity</b>           |   | 0.00                                   | 0.00   | 0.00           |
| <b>4</b> | <b>Commission</b>             |   |  |  |                |
|          | -                             | as % of profit  | 0.00                                   | 0.00   | 0.00           |
|          | -                             | others, specify...  | 0.00                                   | 0.00   | 0.00           |
| <b>5</b> | <b>Others, please specify</b> |   | 0.00                                   | 0.00   | 0.00           |
|          | <b>Total (A)</b>              |   | <b>8.40</b>                            | <b>16.65</b>                                 | <b>25.05</b>   |
|          | <b>Ceiling as per the Act</b> |   | Not applicable                         | Not applicable                               | Not applicable |

### B. Remuneration to other Directors:

(Rs. In Lacs)

| Sl. No.  | Particulars of Remuneration           |  | Name of Directors              |                        |                        | Total Amount |
|----------|---------------------------------------|--|--------------------------------|------------------------|------------------------|--------------|
|          |                                       |  | Shri Harishchandra<br>Bharucha | Shri Ketan<br>Jariwala | Smt.Anita<br>Mandrekar |              |
| <b>1</b> | <b>Independent Directors</b>          |  |                                |                        |                        |              |
|          | •                                     | Fee for attending board committee meetings | 1.10                           | 1.10                   | 0.40                   | 2.60         |
|          | •                                     | Commission                                 | 0.00                           | 0.00                   | 0.00                   | 0.00         |
|          | •                                     | Others, please specify                     | 0.00                           | 0.00                   | 0.00                   | 0.00         |
|          | <b>Total (1)</b>                      |  | <b>1.10</b>                    | <b>1.10</b>            | <b>0.40</b>            | <b>2.60</b>  |
| <b>2</b> | <b>Other Non-Executive Directors</b>  |  |                                |                        |                        |              |
|          | •                                     | Fee for attending board committee meetings | 0.00                           | 0.00                   | 0.00                   | 0.00         |
|          | •                                     | Commission                                 | 0.00                           | 0.00                   | 0.00                   | 0.00         |
|          | •                                     | Others, please specify                     | 0.00                           | 0.00                   | 0.00                   | 0.00         |
|          | <b>Total (2)</b>                      |  | <b>0.00</b>                    | <b>0.00</b>            | <b>0.00</b>            | <b>0.00</b>  |
|          | <b>Total (B) = (1 + 2)</b>            |  | <b>1.10</b>                    | <b>1.10</b>            | <b>0.40</b>            | <b>2.60</b>  |
|          | <b>Total Remuneration</b>             |  | <b>1.10</b>                    | <b>1.10</b>            | <b>0.40</b>            | <b>2.60</b>  |
|          | <b>Overall Ceiling as per the Act</b> |  | Not applicable                 | Not applicable         | Not applicable         |              |

## C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(Rs. In Lacs)

| Sl. No. | Particulars of Remuneration   |   | Key Managerial Personnel |                             | Total Amount |
|---------|-------------------------------|---|--------------------------|-----------------------------|--------------|
|         |                               |   | Company Secretary        | Whole-time Director and CFO |              |
|         |                               |   | Hanisha Arora            | Shri Yogesh C. Papaiya      |              |
| 1       | <b>Gross salary</b>           |   |                          |                             |              |
|         | (a)                           | Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 1.95                     | 16.65                       | 18.60        |
|         | (b)                           | Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 0.00                     | 0.00                        | 0.00         |
|         | (c)                           | Profits in lieu of salary under section 17(3) Income-tax Act, 1961              | 0.00                     | 0.00                        | 0.00         |
| 2       | <b>Stock Option</b>           |   | 0.00                     | 0.00                        | 0.00         |
| 3       | <b>Sweat Equity</b>           |   | 0.00                     | 0.00                        | 0.00         |
| 4       | <b>Commission</b>             |   |                          |                             |              |
|         | -                             | as % of profit  | 0.00                     | 0.00                        | 0.00         |
|         | -                             | others, specify...  | 0.00                     | 0.00                        | 0.00         |
| 5       | <b>Others, please specify</b> |   | 0.00                     | 0.00                        | 0.00         |
|         | <b>Total</b>                  |   | <b>1.95</b>              | <b>16.65</b>                | <b>18.60</b> |

## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

| Type                                | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCL1 / COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|-------------------------------|------------------------------------|
| <b>A. COMPANY</b>                   | Not Applicable               | Not Applicable    | Not Applicable  | Not Applicable                | Not Applicable                     |
| Penalty                             |                              |                   |   |                               |                                    |
| Punishment                          |                              |                   |   |                               |                                    |
| Compounding                         |                              |                   |   |                               |                                    |
| <b>B. DIRECTORS</b>                 | Not Applicable               | Not Applicable    | Not Applicable  | Not Applicable                | Not Applicable                     |
| Penalty                             |                              |                   |   |                               |                                    |
| Punishment                          |                              |                   |   |                               |                                    |
| Compounding                         |                              |                   |   |                               |                                    |
| <b>C. OTHER OFFICERS IN DEFAULT</b> | Not Applicable               | Not Applicable    | Not Applicable  | Not Applicable                | Not Applicable                     |
| Penalty                             |                              |                   |   |                               |                                    |
| Punishment                          |                              |                   |   |                               |                                    |
| Compounding                         |                              |                   |   |                               |                                    |

For and on behalf of the Board of Directors

Sd/-

M. R. Momaya  
Managing Director  
(DIN 0023993)

Surat, 29th May, 2017



**Annexure - H****REPORT ON CORPORATE GOVERNANCE**

The Directors present the Company's Report on Corporate Governance for the year ended 31st March, 2017, in terms of regulation 34 read with Schedule – V of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ('Listing Regulations')

**1. Company's philosophy on Corporate Governance**

The Company believes that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

The philosophy of Corporate Governance is a principle based approach as codified in Regulation 34(3) of SEBI Listing Regulations, 2015, encompassing the fundamentals of rights and roles of various shareholders of the Company, disclosure, transparency and board responsibility.

Your Company has complied with all the requirements of Corporate Governance in terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as SEBI Listing Regulations, 2015) and the best practices are followed to achieve its goals on Corporate Governance.

**2. Board of Directors****(a) Composition:**

Your Company has the combination of Executive and Non-Executive Directors in conformity with Regulation 34 of SEBI Listing Regulations, 2015. The Board of Directors comprises of professionals drawn from diverse fields that bring with them a wide range of skills and experience to the Board which enhances the quality of Board's decision making process.

Non-Executive Directors are having diverse backgrounds with considerable professional proficiency, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enable them to contribute effectively to the Company in their capacity as member of the Board.

The present strength of the Board of Directors is a mix of two Executive Directors and three Non-Executive Independent Directors. The composition of the Board is in conformity with Regulation 17 of the Listing Regulations.

As per the declarations received by the Company from each of the Directors, none of them are disqualified under Section 164(2) of the Companies Act, 2013.

The Independent Directors of the Company are in compliance with the provision of Regulation 16(2) of SEBI Listing Regulations, 2015. Further, disclosures have been made by the Directors regarding their Chairmanship / Membership of the mandatory Committees of the Board and that the same are within the maximum permissible limit as stipulated under Regulation 16(2) of SEBI Listing Regulations, 2015.

Transactions with related parties are disclosed in Note No.29 of 'Notes to the Financial Statements' for the year ended 31st March, 2017. There has been no material pecuniary transaction or relationship between the Company and its Non-executive and/or independent Directors during the year 2016-17.

The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company, which could have potential conflict of interest with the Company at large.

**(b) Board Meetings.**

The Board oversees the entire functioning of the Company and is involved in strategic decision-making on a collective basis. The Board meets at least four times a year and the interval between any such two meetings has not been more than one hundred and twenty days. The Company Secretary under the direction of the Chairman and in consultation with Chief Financial Officer (CFO) prepares the agenda along with the explanatory notes thereto and circulates it to the Directors, along with the notice of the meeting.

During the year under review, 6 Board Meetings were held on 25/05/2016, 09/08/2016, 24/10/2016, 09/11/2016, 16/12/2016 and 08/02/2017. Additionally a separate meeting of Independent Directors was held on 08/02/2017. All the Independent Directors attended the said meeting.

The details of the composition of the Board, number of Board meetings held, attendance thereat and at the last annual general meeting and the number of other Directorship, Memberships and/or Chairmanship held by each Director of the Board as on 31st March, 2017, are set out below:

| Name                           | Category                   | No. of Board Meetings attended # | Attendance at the last AGM held on 31.08.2016 | No. of Directorships in other public limited companies | No. of Committee positions held in other public limited companies |
|--------------------------------|----------------------------|----------------------------------|---|--|---|
| Shri M. R. Momaya              | Managing Director          | 05                               | Yes   | N.A.   | N.A.  |
| Shri Yogesh C. Papaiya         | Wholetime Director & CFO   | 05                               | Yes   | N.A.   | N.A.  |
| Shri Sanjay S. Shah *          | Non-executive              | —                                | N.A.  | N.A.   | N.A.  |
| Shri Harishchandra B. Bharucha | Non-executive, Independent | 06                               | Yes   | 03   | N.A.  |
| Shri Ketan Jariwala            | Non-executive, Independent | 06                               | Yes   | 02   | N.A.  |
| Smt. Anita Mandrekar           | Non-executive, Independent | 05                               | No  | 01   | 01  |

# excluding Independent Directors meeting.

\* Shri Sanjay S. Shah resigned as member of the Board of Directors w.e.f. 01/07/2016.

### (c) Board Meeting Procedures

The agenda papers with relevant explanatory notes and material documents relating to matters for perusal of the Board / Committee are circulated in advance, so as to facilitate discussion and informed decision-making in the meeting.

The routine business brought to the relevant meetings includes, inter alia Annual business plans and budget, Quarterly results and update on operations, Financial results for the relevant period along with limited review report thereon, Minutes of various committee meetings, Shareholding pattern as per Regulation 31 of SEBI Listing Regulations, 2015, the information on recruitment and remuneration of senior officers just below the Board level and approval of Related Party Transaction etc.

The information as required to be placed before Board of Directors as per Code of Corporate Governance is being made available to the Board as and when applicable. The Board periodically reviews compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliance.

### (d) Directors' Tenure, Appointment / Re-appointment and Remuneration

In terms of Section 152 read with Section 149(13) of the Companies Act, 2013 Shri Yogesh C. Papaiya is liable to retire by rotation. The said Director has offered himself for reappointment and resolution for his reappointment is incorporated in the Notice of the ensuing Annual General Meeting.

The brief profile and other information as required under Regulation 36(3) of SEBI Listing Regulations, 2015 relating to Directors being appointed / reappointed, forms part of the Notice of ensuing Annual General Meeting.

### (e) Separate Meeting of Independent Directors

As per stipulations in Section VII of the Code for Independent Director in Schedule IV of the Act and Regulation 25 of the SEBI Listing Regulation, 2015, a separate meeting of the Company's Independent Directors was held on 8rd February, 2017 to review the performance of the Board as a whole on parameters of effectiveness and to assess the quality, quantity and timeliness of flow of information between the management and the Board. Shri Ketan A. Jariwala, Chairman of the Meeting presented the views of the Independent Directors on matter relating to Board processes and overall affairs of the Company to the full Board. All the Independent Directors attended the meeting.

### (f) Familiarization Programme for Independent Directors

Periodically, the Company provides familiarization programme to the Independent Directors to enable them to understand the business of the Company. Moreover, the Management has also endeavoured to appraise the Directors regarding their responsibilities under the new Listing Regulations vis-a-vis those contained in the erstwhile Listing Agreements. The details of the familiarization programme has been displayed on the Company's website.

## 3. BOARD COMMITTEES:

During the financial year under review, the Board had five committees viz., Audit Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Nomination and Remuneration Committee. The Board decides the term of reference of these committees and assignment of its Members thereof.

### (a) Audit Committee

Presently the Audit Committee comprises of Shri Harishchandra Bharucha, Independent Director as Chairman, Shri Yogesh C. Papaiya, Wholetime Director and Shri Ketan Jariwala, Independent Director as its Members. Shri Sanjay S. Shah resigned as a member of the Committee and Board of Directors with effect from 01/07/2016. All the members of the Committee are professionals and financially literate within the meaning of Regulation 18 of SEBI Listing Regulations, 2015.

The terms of reference of the Audit Committee includes the matters specified under Regulation 18 of SEBI Listing Regulations, 2015 with the Stock Exchanges as well as Section 177 of the Companies Act, 2013.

The Audit Committee may call for the Comments of the Auditors about internal control systems, the scope of Audit, including observations and review of financial statements before their submission to the Board and any related issues with internal and statutory auditors and management of the Company.

The Audit Committee also assures the Board about the adequate internal control procedures and financial disclosures commensurate with the size of the Company and in conformity with the requirements of the new Listing Regulations. The Finance Head, Internal Auditor and Statutory Auditors are invitees to the Meeting.

The Chairman of the Audit Committee was present at the 70th Annual General Meeting of the Company held on 31st August, 2016. The Minutes of the Audit Committee Meetings were noted at the Board Meetings.

### Meetings and attendance

During the financial year 2016-17, the Audit Committee of the Company met four times on 25/05/2016, 09/08/2016, 09/11/2016 and 08/02/2017. The gap between two Audit Committee meetings did not exceed four months. The Committee, in its meeting held on 25/05/2016 reviewed the Annual Accounts for the year ended 31st March, 2016.

The Committee, in addition to other business reviews the quarterly (unaudited) financial results, annual accounts and cost audit report etc. before submitting to the Board of Directors.

The details of composition of the Audit Committee and the attendance of the Members at the Audit Committee Meetings are as under:

| Sr. No. | Name                        | Category                   | No. of Meeting attended |
|---------|-----------------------------|----------------------------|-------------------------|
| 1       | Shri Harishchandra Bharucha | Non-Executive, Independent | 04                      |
| 2       | Shri Yogesh C. Papaiya      | Executive                  | 03                      |
| 3       | Shri Ketan Jariwala         | Non-Executive, Independent | 04                      |

### (b) Stakeholders' Relationship Committee

The Company has constituted the Stakeholders' Relationship and Investors' Grievance Committee in accordance with the provisions of the Companies Act, 2013 and the Listing Regulations (erstwhile Listing Agreements). The Stakeholder Relationship Committee oversee investors' grievances and redressal mechanism and recommends measures to improve the level of Investor's Services.

Presently, the Stakeholder Relationship Committee comprises of Shri Harishchandra Bharucha, Independent Director as Chairman and Shri Yogesh C. Papaiya, Wholetime Director, and Shri Ketan Jariwala, Independent Director as its Members.

The said Committee also approves cases such as the transfer of shares in physical form, issue of duplicate share certificates and requests regarding Transmission / Consolidation / Split of Share Certificates etc. The powers for the aforesaid has been delegated to the Registrar & Transfer Agents who approves the documents fortnightly. The transfer registers duly signed by the authorised person is placed before the meeting of Stakeholders' Relationship Committee meetings on quarterly basis.

The terms of reference of the Stakeholders' Relationship Committee covers the matters specified under Regulation 20 of SEBI Listing Regulations, 2015 with the Stock Exchanges. The minutes of the Stakeholders' Relationship Committee were noted at the Board Meeting.

Further, as per regulation 40(2) of the Listing Regulation, a report on transfer of shares / deletion of name / issue of duplicate share certificates / transmission of securities is also placed at each meeting of the Board of Directors.

A summary of the complaints received, cleared / pending during the financial year under review are given below:

| Nature of Complaints   | Number of Complaints  |                                    |  |                                |
|--|-----------------------|------------------------------------|--|--------------------------------|
|  | As on 1st April, 2016 | Received during the financial year | Cleared / attended during the financial year | Pending as on 31st March, 2017 |
| Non-receipt of dividend warrants   | Nil                   | 26                                 | 26   | Nil                            |
| Non-receipt of share certificates after transfer, deletion of name, transmission, transposition, consolidation of folios & share certificates, correction of name etc. | Nil                   | 09                                 | 09   | Nil                            |
| Non-receipt of Annual Report   | Nil                   | 18                                 | 18   | Nil                            |
| Letters from SEBI, Stock Exchanges and Ministry of Corporate Affairs   | Nil                   | 1                                  | 1  | Nil                            |
| Total  | Nil                   | 54                                 | 54   | Nil                            |

During the Financial Year under review, 54 complaints were received and as on date all of them have been redressed / answered to the satisfaction of the shareholders. No investor grievance remained unattended / pending for resolution for more than 30 days and no request for share transfers and dematerialization received for the financial year under review was pending for more than the time limit prescribed under the Listing Agreement with the Stock Exchanges.

**(c) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is fully empowered to determine / approve and revise, subject to necessary approvals, the remuneration of managerial personnel including Managing Director after taking into account the financial position of the Company, trends in the industry, qualifications, experience, past performance and past remuneration etc. The terms of reference of the Nomination and Remuneration Committee includes the matters specified under Regulation 19 of SEBI Listing Regulations, 2015 with the Stock Exchanges as well as under Section 178 of the Act.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors have formulated and adopted Nomination and Remuneration Policy. The details of the remuneration policy are available on the website of the Company [www.surattextilemills.com](http://www.surattextilemills.com). The Non-Executive Directors are paid sitting fees for every meeting of the Board and its Committees attended by them.

Presently the Nomination and Remuneration Committee comprises of Shri Harishchandra Bharucha as Chairman, Shri Ketan Jariwala, Independent Director and Smt. Anita Mandrekar, Independent Director as its Members. Shri Sanjay S. Shah resigned as a member of the Committee and Board of Directors with effect from 01/07/2016. No Nomination and Remuneration Committee meeting was held during the financial year under review.

**Nomination and Remuneration Policy**

On recommendation of Nomination and Remuneration Committee, the Board of Directors have approved a Nomination and Remuneration Policy for the appointment and remuneration of the director, key managerial personnel (KMP) and other employees. The key objectives of the Policy are to lay down the criteria for appointment and remuneration of Directors, Key Managerial Personnel and Executives at Senior Management level and recommend to the Board their appointment, and also to formulate criteria for evaluation of performance of Independent Directors and the Board and to devise a policy on Board diversity. The Policy, inter-alia, includes criteria for determining qualifications, positive attributes, independence of a director, and expertise and experience required for appointment of Directors, KMP and Senior Management.

As per the Policy, the remuneration / compensation to the Whole-time Directors shall be recommended by the Nomination and Remuneration Committee to the Board for its approval. However, the remuneration compensation to Whole-time Directors shall be subject to the approval of the shareholders of the Company and Central Government, wherever required. Further, the Non-Executive Directors shall be entitled to the fees for attending meetings of Board and Committees within the limits prescribed in the Companies Act, 2013. The Nomination and Remuneration Policy is available on the company's website.

**Remuneration to Directors**

There has been no materially significant related party transactions, pecuniary relationships or transactions between the Company and its Directors for the financial year under review that may have a potential conflict with the interest of the Company at large.

**Remuneration paid to Executive Directors**

| Name of Director       | Salary & Perquisites | Sitting fees   | Commission     |
|------------------------|----------------------|----------------|----------------|
| Shri M. R. Momaya      | Rs.8,40,240/-        | Not applicable | Not applicable |
| Shri Yogesh C. Papaiya | Rs.16,64,536 /-      | Not applicable | Not applicable |

**Remuneration paid to Non-Executive Directors**

The Company has paid sitting fees to Non-Executive directors for attending meetings of the Board, Audit Committee and Share Transfer Committee meetings. The aggregate amount of sitting fees paid during the financial year 2016-17 was Rs.2,60,000/-.

The Company has no stock option plans and hence such instrument does not form part of the remuneration package to any Executive Director and/or Non-Executive Director.

**(d) Other Committees of Directors**

**Management Committee of the Board**

The Board of Directors has constituted Management Committee of Directors to approve routine and specific matters delegated by the Board. The composition of the Committee of Directors comprises Shri Yogesh C. Papaiya, Chairman and Shri Harishchandra Bharucha as Member.

**(e) Corporate Social Responsibility Committee**

The Corporate Social Responsibility Committee was constituted on 11th August, 2014. The composition of the Committee of Directors comprises Shri Ketan Jariwala, Chairman, (Independent Director), Shri Harishchandra Bharucha, Independent Director and Shri Yogesh C. Papaiya, Wholetime Director as Members. During the year 2016-17 the Committee met once on 29th March, 2017 to discuss the matters coming within the Committee's purview.

The terms of reference of the Corporate Social Responsibility (CSR) Committee broadly comprises:

- To review the Company's existing CSR Policy and to supervise and monitor the activities undertaken by the Company as specified in CSR Policy and Schedule VII of the Companies Act, 2013.
- To provide guidance on various CSR activities undertaken by the Company.

The Company has also adopted CSR policy in compliance with the aforesaid provisions and the same is placed on the Company's website at [www.surattextilemillsltd.com](http://www.surattextilemillsltd.com).

**4. MD/CEO/CFO Certification**

As required under Regulation 17(8) of SEBI Listing Regulations, 2015, the CEO and CFO certification of the Financial Statements, the Cash Flow Statement and the Internal Control Systems for financial reporting for the financial year ended was placed before Board of Directors at its Meeting held on 29th May, 2017.

**5. Compliance officer**

The Company Secretary is the Compliance Officer under Regulation 6 of the SEBI Listing Regulations, 2015 and other applicable SEBI Regulations and Rules.

**6. General Body Meetings**

**(a) The details of last 3 Annual General Meetings held are as under:**

| Year    | Location                                       | Date              | Time       |
|---------|--|-------------------|------------|
| 2013-14 | Garden Mills Complex, Sahara Gate, Surat.      | 23rd July, 2014   | 11.00 a.m. |
| 2014-15 | Tulsi Krupa Arcade, Puna-Kumbharia Road, Surat | 26th August, 2015 | 11.00 a.m. |
| 2015-16 | Tulsi Krupa Arcade, Puna-Kumbharia Road, Surat | 31st August, 2016 | 11.00 a.m. |

All the resolutions set out in the respective Notices were passed by the requisite majority of the Members.

**(b) Special Resolutions passed at the last 3 Annual General Meetings:**

A Special Resolution was passed at the 68th Annual General Meeting of the Company held on 23rd July, 2014, for appointment of Shri M. R. Momaya as Managing Director of the Company in accordance with the provisions of Section 196, 197, 203 read with Schedule V of the Companies Act, 2013 and a Special Resolution was passed at the 69th Annual General Meeting of the Company held on 26th August, 2015 for approval of Related Party Transactions.

**(c) Passing of Special Resolutions by Postal Ballot:**

Pursuant to Section 108 and other applicable provisions of the Act read with Rule 22 of the Companies (Management and Administration) Rules, 2014, as amended no postal ballot were held during 2016-17.

A Special Resolution is proposed at the 71st Annual General Meeting of the Company, for related party transactions.

**7. DISCLOSURES**

**(a) Related Party Transactions**

There are no materially significant related party transactions made by the Company with its Promoters, Directors, Senior Management, their subsidiaries or relative etc; which may have potential conflict with the interests of the Company at large.

Your Company has formulated a Policy on materiality of Related Party Transactions and also dealing with Related Party Transactions. The policy on Related Party Transactions is hosted on the website of the Company.

Particulars of transactions between the Company and related parties as per Accounting Standard (AS) 18 – 'Related Party Disclosures' notified under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Audit and Accounts) Rules, 2014 are given under notes No.29 of the annual accounts for the financial year 2016-17.

**(b) Disclosure of Accounting Treatments**

Your Company not adopted any alternative accounting treatment prescribed differently from the Accounting Standards.

**(c) Subsidiary Company**

The Company does not have any material unlisted Indian subsidiary, and hence, is not required to nominate an Independent Director of the Company on the Board of any subsidiary. Your Company has voluntarily formulated a Policy on Material Subsidiary as required under Regulation 24 of the SEBI Listing Regulations, 2015 and the Policy is hosted on the website of the Company.

**(d) Risk Management**

Your Company has laid down procedure to inform Board members about risk assessment and minimization and has implemented the Risk Management plan and continuously monitors it. Details of Risk Management by the Company have been provided in the Directors' Report and Management Discussion and Analysis.

**(e) Statutory Compliance, Penalties and Strictures**

There has neither been any non-compliance of any of the provisions of law by the Company nor any penalty or structure imposed by the Stock Exchange or SEBI or any other statutory authorities on any matters related to capital market during the last 3 years, except a fine of Rs.50,000/- plus service tax imposed by BSE Limited during the year 2015-16, for delay in compliance with respect to appointment of Woman Director on the Board of the Company.

**(f) Code of Business Conduct & Ethics**

The Company has adopted Code of Business Conduct & Ethics ("the Code") which is applicable to the Board of Directors and Senior Management Team (one level below the Board of Directors) of the Company. The Board of Directors and the members of Senior Management Team are required to affirm semi-annual Compliance of this Code. The Code requires Directors and Employees to act honestly, fairly, ethically, and with integrity, conduct themselves in professional, courteous and respectful manner. The Code is displayed on the Company's website.

**(g) Whistle Blower Policy / Vigil Mechanism:**

The Company has established a Whistle Blower / Vigil Mechanism through which its Directors, Employees and Stakeholders can report their genuine concerns about unethical behaviours, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The said policy provides for adequate safeguard against victimization and also direct access to the higher levels of supervisors.

**(h) Preventing Conflict of Interests**

Members of Board and Senior Management Team while discharging their duties, avoid their conflict of interest in the decision making process. The members of Board refrain themselves from any discussions and voting in transactions where they have concern or interest.

**(i) Insider Trading Code**

The Securities and Exchange Board of India (SEBI) has promulgated the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("The PIT Regulations"). The PIT Regulations has come into effect from May 15, 2015 and replaced the earlier Regulations. The object of the PIT Regulations is to curb the practice of insider trading in the securities of a listed company.

The Company has adopted an 'Internal Code of Conduct for Regulating, Monitoring and Reporting of Trades by Insiders' ("the Code") in accordance with the requirements of the PIT Regulations.

The Code is applicable to Promoters and Promoter's Group, all Directors and such Designated Employees who are expected to have access to unpublished price sensitive information relating to the Company. The Company Secretary is the Compliance Officer for monitoring adherence to the said Regulations.

The Company has also formulated 'The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI)' in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015. This Code is displayed on the Company's website.

**(j) Reconciliation of Share Capital Audit**

A qualified Practicing Company Secretary carries out reconciliation of share capital Audit, on half-yearly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**8. MEANS OF COMMUNICATION:**

- (a) The Quarterly (Unaudited) Financial Results are sent to Stock Exchanges where the Company's shares are listed and are normally published in The Time of India (English) and Dhabkar (Vernacular), both Surat editions.
- (b) Management Discussion and Analysis report forms part of the Directors Report.

## 9. GENERAL SHAREHOLDER INFORMATION:

### (a) 71st Annual General Meeting:

Date : Wednesday, 2nd August 2017

Time : 11:00 a.m.

Venue : Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010.

### (b) Financial Calendar (2017-18)

Results for the quarter ending June 30, 2017 : July/August, 2017.

Results for the quarter ending September 30, 2017 : October/November, 2017

Results for the quarter ending December 31, 2017 : January/February, 2018

Results for the year ending March 31, 2018 : April/May, 2018

### (c) Book closure dates : Friday, 28th July, 2017 to Wednesday, 2nd August, 2017. (Both days inclusive)

### (d) Listing on Stock Exchange

: **Stock Code**

Bombay Stock Exchange Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400001

: 530185

Demat ISIN for NSDL & CDSL.

: INE 936A01025

### (e) Annual Listing Fees: The Company has paid the Annual Listing fee to the above stock exchange for the financial year 2017-2018.

### (f) Market Price Data

The High/Low market price of the shares during the year 2016-17 at the Bombay Stock Exchange (BSE) are as under.

| Month           | High (Rs.) | Low (Rs.) |
|-----------------|------------|-----------|
| April, 2016     | 2.52       | 2.12      |
| May, 2016       | 3.26       | 2.71      |
| June, 2016      | 4.49       | 2.43      |
| July, 2016      | 5.35       | 3.62      |
| August, 2016    | 4.48       | 3.30      |
| September, 2016 | 5.20       | 3.11      |
| October, 2016   | 5.40       | 3.58      |
| November, 2016  | 5.38       | 3.40      |
| December, 2016  | 4.50       | 3.60      |
| January, 2017   | 4.20       | 3.21      |
| February, 2017  | 5.19       | 3.75      |
| March, 2017     | 4.77       | 3.82      |

### (g) Registrar and Share Transfer Agents:

Karvy Computershare Pvt. Ltd.

(Unit: Surat Textile Mills Limited),

Karvy Selenium, Tower B, Plot 31-32, Financial District, Gachibowli, Nanakramguda, Hyderabad 500032.

State: Telengana, India.

Phone No. 040 67162222, Fax No. 040 23420814, Email: einward.ris@karvy.com

### (h) Share Transfer System:

All the share related work is being undertaken by the company's Registrar & Transfer Agent. A Stakeholders Relationship Committee has been constituted to approve the share transfer, transmission, split and consolidation etc. of shares. The transfers which are complete in all respects are taken up for approval at least once in a fortnight and the transferred securities dispatched to the transferee within 21 days. The details of transfer / transmission approved by the Committee are noted by the Board at its next meeting.

**(i) Distribution of shareholding as on 31st March, 2017:**

| Sr. No. | Category of Members                                 | No. of Shares held | % of total Shares |
|---------|---|--------------------|-------------------|
| 1.      | Promoters   | 166504917          | 74.98             |
| 2.      | Indian Public                                       | 34988964           | 15.75             |
| 3.      | Banks, Financial Institutions & Insurance Companies | 13324515           | 6.00              |
| 4.      | NRI's / Overseas Body Corporates                    | 483583             | 0.22              |
| 5.      | Bodies Corporate                                    | 6682706            | 3.01              |
| 6.      | NBFC Registered with RBI                            | 2500               | 0.00              |
| 7.      | Others (NSDL+CDSL) Clearing Members                 | 78255              | 0.04              |
|         | <b>TOTAL</b>  | <b>222065440</b>   | <b>100.00</b>     |

**(j) Categorywise Summary of Holders / Holdings as on 31st March, 2017:**

| No. of Equity Shares | No. of Shareholders | % of total Shareholders | No. of Shares held | % of total Shares |
|----------------------|---------------------|-------------------------|--------------------|-------------------|
| 1 - 5000             | 33413               | 97.19                   | 11582248           | 5.22              |
| 5001 - 10000         | 419                 | 1.43                    | 3872059            | 1.74              |
| 10001 - 20000        | 220                 | 0.64                    | 3257945            | 1.47              |
| 20001 - 30000        | 99                  | 0.29                    | 2480166            | 1.12              |
| 30001 - 40000        | 25                  | 0.07                    | 882373             | 0.40              |
| 40001 - 50000        | 37                  | 0.11                    | 1748057            | 0.79              |
| 50001 - 100000       | 59                  | 0.17                    | 4207375            | 1.89              |
| 100001 & above       | 35                  | 0.10                    | 194034217          | 87.38             |
| <b>TOTAL</b>         | <b>34379</b>        | <b>100.00</b>           | <b>222064440</b>   | <b>100.00</b>     |

**(k) Depository Services:**

The Equity Shares of your Company are traded in compulsory dematerialised form by all the investors. The company has entered into agreements with both the depositories viz., National Securities Depositories Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), enabling the investors to hold shares of the Company in electronic form through the depository of their choice.

**(l) Dematerialisation of Shares:**

219457718 Equity Shares aggregating to 98.83% of the total Equity Capital is held in dematerialized form as on 31/03/2017 of which 91.56% (203319759 Equity Shares) of total equity capital is held with NSDL and 7.27% (16137959 Equity Shares) of total equity capital is held with CDSL as on 31/03/2017.

**(m) Nomination:**

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in case of death of the registered shareholder(s). Nomination facility in respect of shares held in electronic form is also available with the depository participants as per the bye-laws and business rules applicable to NSDL and CDSL. Nomination form can be obtained from the Company's Registrar and Transfer Agent.

**(n) Address for Correspondence:**

For Transfer / Dematerialisation of Shares, Payment of Dividend on Shares and any other query relating to the shares of the Company.



|       |                                  |   |
|-------|----------------------------------|---|
| (i)   | For Shares held in Physical Form | Karvy Computershare Pvt. Ltd.<br>(Unit: Surat Textile Mills Limited),<br>Karvy Selenium, Tower B, Plot 31-32,<br>Financial District, Gachibowli,<br>Nanakramguda,<br>Hyderabad 500032.<br>State: Telengana, India.<br>Phone No. 040 67162222<br>Fax No. 040 23420814<br>Email: einward.ris@karvy.com<br>Karvy Computershare Pvt. Ltd. |
| (ii)  | For query on Annual Report       | Secretarial Department,<br>Tulsi Krupa Arcade, 3rd Floor,<br>Puna-Kumbharia Road,<br>Dumbhal, Surat 395010  |
| (iii) | For Shares held in Demat Form    | Respective Depository Participants of the shareholders.   |

**(o) Eliminate Duplicate Mailing**

If you hold the Equity Shares of the Company in more than one Folio in your name or with the same address as other shareholders of the Company, you may authorize the Company to discontinue mailing of multiple Annual Reports.

**(p) Equity Shares in the suspense account**

In accordance with the requirement of Clause 34(3) of the SEBI (LODR) Regulations, 2015, the Company reports the following details in respect of equity shares lying in the suspense account which were issued in physical form pursuant to the public issue of the Company:

| Particulars  | Number of shareholders | Number of Equity shares |
|--|------------------------|-------------------------|
| Aggregate number of shareholders and the outstanding shares credited in the suspense account as on 30th July, 2016 | 3152                   | 363994                  |
| Shareholders who approached the Company for transfer of shares from suspense account during the year               | 21                     | 3250                    |
| Shareholders to whom shares were transferred from the suspense account during the year                             | 21                     | 3250                    |
| Aggregate number of shareholders and the outstanding shares in the suspense account lying as on 31st March, 2017   | 3131                   | 360744                  |

The voting rights on the shares outstanding in the suspense account as on 31st March, 2017 shall remain frozen till the rightful owner of such shares claims the shares.

**(q) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements**

The Company has complied with all the mandatory requirements and have not adopted non-mandatory requirements.

**(r) The Company does not have any material subsidiary company.**

**(s) Policy on dealing with related party transactions is available on the website of the Company.**

**(t) The Company does not have any foreign exchange exposure, therefore the company has not framed any such policy for activities related thereto.**

**10. The Company has complied with the requirements of Corporate Governance report as disclosed in paras 1 to 8 above.**

**11. Compliance of Discretionary requirements under Part E of Schedule II of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

1. The Board: The Chairperson does not maintain his separate office at the Company's expense.
2. Shareholder Rights: The Company publishes the financial results in news papers and places on its website and does not send it to shareholders.

3. Modified opinion(s) in audit report: The Audit opinion received by the Company has not been modified.
4. Separate posts of chairperson and chief executive officer: The Company has a Managing Director and a Wholetime Director designated as Executive Director and CFO of the Company.
5. Reporting of internal auditor: The Internal Auditor of the Company directly reports to the Audit Committee of the Company and their Internal Audit Reports are presented in the meeting of the Audit Committee.

**12. Compliance with Corporate Governance requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the SEBI (LODR) Regulations, 2015.**

The Company has complied with Corporate Governance requirements as specified in regulations 17 to 27 relating to Board of Directors; Audit Committee; Nomination and Remuneration Committee; Stakeholders Relationship Committee; Risk Management Committee (voluntarily constituted); Vigil Mechanism, Related Party Transactions, Corporate Governance Requirements, obligations with respect to Independent Directors, other Directors and Sr. Management. The information and documents specified under clause (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have been placed on the website of the Company.

**13. Non-Mandatory Requirements**

**Shareholders' Rights**

The half yearly financial results are published in the newspapers as mentioned above and also they are displayed under the investor relations section on the Company's website 'www.surattextilemills.com'. Therefore, the results were not separately circulated to all shareholders.

**For Surat Textile Mills Limited**

Place: Surat, 29th May, 2017

**M. R. Momaya**  
**Managing Director**  
**DIN: 00023993**

**CEO/CFO CERTIFICATION  
(under Regulation 17(8) of SEBI (LODR) Regulations, 2015)**

We the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of Surat Textile Mills Limited (“the Company”) to the best of our knowledge and belief certify that:

- (a) We have reviewed financial statement and the cash flow statement for the year ended 31st March, 2017 and that to the best of our knowledge and belief, we state that:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statement together present a true and fair view of the Company’s affair and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) We further state that to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company’s Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these efficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
  - (i) significant changes, if any, in internal control over financial reporting during the year;
  - (ii) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company’s internal control systems over financial reporting.

**For Surat Textile Mills Limited**

Place: Surat, 29th May, 2017

**M. R. Momaya**  
Managing Director  
DIN: 00023993

**Yogesh C. Papaiya**  
Wholtime Director & CFO  
DIN 00023985

**CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT POLICY  
(Regulation 34(3) read with Schedule V (Part D) of the  
SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)**

This is to confirm and certify that the Company has adopted a Code of Conduct for Board member and Senior Management Personnel. As provided under sub-regulation (3) of Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Board member and Senior Management have confirmed compliance with the Code of Conduct and Ethics for the year ended 31st March, 2017.

**For Surat Textile Mills Limited**

Place: Surat, 29th May, 2017

**M. R. Momaya**  
Managing Director  
DIN: 00023993

**AUDITORS CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE****To the Members of  
Surat Textile Mills Limited**

1. We have examined the compliance of conditions of Corporate Governance by Surat Textile Mills Limited ("the Company"), for the year ended 31st March, 2017, as per Regulations 17 - 27, clauses (b) to (i) of Regulation 46(2) and paragraph C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India.
4. In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as specified in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraph C, D and E of Schedule V of Listing Regulations, as applicable.
5. We state that such compliance is neither an assurance as to the future viability of the Company nor as to the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For NATVARLAL VEPARI & CO.**Chartered Accountants  
Firm Registration Number: 123626W**R. N. VEPARI**

Partner

Membership No.: 6728

Place: Surat  
29th May, 2017

## INDEPENDENT AUDITORS' REPORT

### To the Members of Surat Textile Mills Limited

#### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Surat Textile Mills Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation

of the standalone financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

#### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March, 2017, its profit, and its cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.

10. As required by Section 143 (3) of the Act, we report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A; and

- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:-
- i. the Company has, in accordance with the generally accepted accounting principal, disclosed the impact, if any, of pending litigations as at 31st March, 2017 on its financial position in its standalone financial statements -Refer Note 32;
  - ii. the Company did not have any long-term contracts including derivatives contracts as at 31st March, 2017, hence the question of commenting on any material foreseeable losses thereon does not arise;
  - iii. no dividend has been declared in previous 7 financial years, therefore there is no dividend amount due to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2017; and
  - iv. the Company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management that refer Note 31 to the standalone financial statements.

**For NATVARLAL VEPARI & CO.**

Chartered Accountants  
FRN: 123626W

**R. N. VEPARI**

Partner  
Membership No.: 6728

Surat, 29th May, 2017

## Annexure A to the Independent Auditors' Report

**Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Surat Textile Mills Limited on the standalone financial statements as at and for the year ended 31st March, 2017, we report that:**

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the Management at reasonable intervals. According to the information and explanations given to us, no material discrepancies have been noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties, as disclosed in note 11 on fixed assets to the financial statements, are held in the name of the Company.
- (ii) As per the information and explanations given to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on physical verification of inventory as compared to book records were not material in relation to the operations of the Company and the same have been appropriately dealt with in the books of accounts.
- (iii) The company has not granted any loans, secured or unsecured to companies / firms / Limited Liability Partnerships / Other parties covered in the register maintained under section 189 of the Act. Therefore, the provisions of clause 3(iii), (iii)(a) and (iii)(b) of the said Order are not applicable to the Company.
- (iv) The Company has neither granted any loans nor provided any guarantees or security to the party covered under section 185 of the Act nor made any investment covered under section 186 of the Act.
- (v) The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act in respect of its products to which the said rules are made applicable, and are of the opinion that, prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (vii) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, value added tax, customs duty, excise duty, service tax, cess and other material statutory dues, as applicable, with the appropriate authorities.
- b) According to the information and explanations given to us and the records of the Company examined by us, there were no undisputed amounts payable in respect of provident fund, employees' state insurance, sales tax, value added tax, customs duty, cess and other material statutory dues in arrears as at 31st March, 2017, for a period of more than six months from the date they became payable. The particulars of dues of Excise Duty / Service Tax as at 31st March, 2017 which have not been deposited on account of disputes, are given below:

| Name of Statute          | Nature of dues           | Amount<br>(Rs. In Lacs) | Period to which the amount relates | Forum where the dispute is pending                            | Amount deposited against the dispute<br>(Rs. In Lacs) |
|--------------------------|--------------------------|-------------------------|------------------------------------|---|---|
| Central Excise Act, 1944 | Excise duty /Service tax | 40.22                   | 2008-09 & 2010-11                  | Customs Excise and Service Tax Appellate Tribunal (Ahmedabad) | 5.00  |

- (viii) According to the records of the Company examined by us and the information and explanation given by the management, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank.
- (ix) The Company has not raised any monies by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of clause 3 (ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- (xi) According to the information and explanations given by the management, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- (xiii) The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (xiv) The Company has not made any preferential allotment / private placement of shares or fully or partly convertible debentures during the year under review, in compliance with the requirement of Section 42 of the Act. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the Order are not applicable to the Company.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For NATVARLAL VEPARI & CO.**

Chartered Accountants

FRN: 123626W

**R. N. VEPARI**

Partner

Membership No.: 6728

Surat, 29th May, 2017



## Annexure B to the Independent Auditor's Report

**Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Surat Textile Mills Limited on the standalone financial statements for the year ended 31st March, 2017.**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. We have audited the internal financial controls over financial reporting of Surat Textile Mills Limited ("the Company") as of 31st March, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, and deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For NATVARLAL VEPARI & CO.**  
Chartered Accountants  
FRN: 123626W

**R. N. VEPARI**  
Partner

Surat, 29th May, 2017

Membership No.: 6728

## BALANCE SHEET AS AT 31ST MARCH, 2017

(Rs. in Lacs)

|  | Note No. | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|----------|---------------------------|---------------------------|
| <b>I. EQUITY AND LIABILITIES</b>   |          |                           |                           |
| <b>(1) Shareholders' Funds</b>   |          |                           |                           |
| a) Share Capital   | 2        | 2220.64                   | 2220.64                   |
| b) Reserves and Surplus  | 3        | 8113.35                   | 6450.93                   |
|  |          | <b>10333.99</b>           | 8671.57                   |
| <b>(2) Non-Current liabilities</b>   |          |                           |                           |
| a) Long-Term Borrowings  | 4        | 21.59                     | 51.16                     |
| b) Other Long-Term Liabilities   | 5        | 112.97                    | 123.14                    |
| c) Long-Term Provisions  | 6        | 72.60                     | 67.09                     |
|  |          | <b>207.16</b>             | 241.39                    |
| <b>(3) Current Liabilities</b>   |          |                           |                           |
| a) Short-Term Borrowings   | 7        | 0.00                      | 30.81                     |
| b) Trade Payables  | 8        | 297.57                    | 119.22                    |
| c) Other Current Liabilities   | 9        | 257.29                    | 582.26                    |
| d) Short-Term Provisions   | 10       | 690.87                    | 628.94                    |
|  |          | <b>1245.73</b>            | 1361.23                   |
| <b>TOTAL</b>   |          | <b>11786.88</b>           | 10274.19                  |
| <b>II. ASSETS</b>  |          |                           |                           |
| <b>(1) Non-Current Assets</b>  |          |                           |                           |
| a) Fixed Assets  |          |                           |                           |
| (i) Tangible Assets  | 11       | 1684.16                   | 768.81                    |
| (ii) Capital Work-in-Progress  |          | 0.00                      | 0.00                      |
|  |          | <b>1684.16</b>            | 768.81                    |
| b) Non-Current Investments   | 12       | 824.73                    | 824.74                    |
| c) Deferred Tax Assets (Net)   | 13       | 862.38                    | 350.49                    |
| d) Long-Term Loans and Advances  | 14       | 139.08                    | 189.40                    |
|  |          | <b>3510.35</b>            | 2133.44                   |
| <b>(2) Current Assets</b>  |          |                           |                           |
| a) Current Investment  | 15       | 2101.86                   | 2435.00                   |
| b) Inventories   | 16       | 4488.85                   | 4874.34                   |
| c) Trade Receivables   | 17       | 763.48                    | 160.90                    |
| d) Cash and Bank Balances  | 18       | 89.24                     | 16.88                     |
| e) Short-Term Loans and Advances   | 19       | 833.10                    | 653.63                    |
|  |          | <b>8276.53</b>            | 8140.75                   |
| <b>TOTAL</b>   |          | <b>11786.88</b>           | 10274.19                  |
| <b>Significant Accounting Policies</b>   | 1        |                           |                           |
| <b>The accompanying notes are an integral part of the financial statements</b> |          |                           |                           |

As per our attached report of even date

For and on behalf of the Board

**For NATVARLAL VEPARI & CO.**  
Firm Registration Number: 123626W  
Chartered Accountants

**M. R. MOMAYA**  
Managing Director

**R. N. VEPARI**  
Partner  
Membership No.6728

**YOGESH C. PAPAIIYA**  
Whole-time Director & CFO

**HANISHA ARORA**  
Company Secretary

Surat, 29th May, 2017

Surat, 29th May, 2017

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs. in Lacs)

|  | Note No. | 2016-17         | 2015-16         |
|--|----------|-----------------|-----------------|
| <b>Income</b>  |          |                 |                 |
| Revenue from Operations (Gross)  | 20       | 15682.12        | 13229.70        |
| Other Income   | 21       | 264.74          | 177.43          |
| <b>Total Revenue</b>   |          | <b>15946.86</b> | 13407.13        |
| <b>Expenses</b>  |          |                 |                 |
| Cost of Materials Consumed   | 22       | 10452.70        | 8738.44         |
| Purchases of Stock-in-Trade  | 23       | 379.69          | 177.44          |
| Changes in Inventories of Finished Goods, Stock-in-Process and Stock-in-Trade            | 24       | (246.14)        | (327.36)        |
| Employee Benefits Expense  | 25       | 253.12          | 267.93          |
| Other Expenses   | 27       | 3544.54         | 3901.23         |
| <b>Total Expenses</b>  |          | <b>14383.91</b> | <b>12757.68</b> |
| <b>Profit / (Loss) Before Interest, Tax &amp; Depreciation and Amortization (EBITDA)</b> |          | <b>1562.95</b>  | 649.45          |
| Finance Costs  | 26       | 38.84           | 74.16           |
| Depreciation and Amortisation Expense  | 11       | 78.93           | 115.68          |
| <b>Profit Before Tax</b>   |          | <b>1445.18</b>  | 459.61          |
| <b>Tax Expenses</b>  |          |                 |                 |
| Current Tax  |          | 294.66          | 148.86          |
| Deferred Tax   |          | (511.90)        | 57.77           |
| Tax in respect of earlier years  |          | 0.00            | (360.28)        |
| <b>Profit for the year</b>   |          | <b>1662.42</b>  | 613.26          |
| <b>Earnings per share (Face Value Rs.1 each)</b>   |          |                 |                 |
| <b>Basic and Diluted (In Rs.)</b>  | 28       | <b>0.75</b>     | 0.28            |
| <b>Significant Accounting Policies</b>   | 1        |                 |                 |
| <b>The accompanying notes are an integral part of the financial statements</b>           |          |                 |                 |

As per our attached report of even date

**For NATVARLAL VEPARI & CO.**

Firm Registration Number: 123626W

Chartered Accountants

**R. N. VEPARI**

Partner

Membership No.6728

Surat, 29th May, 2017

For and on behalf of the Board

**M. R. MOMAYA**

Managing Director

**YOGESH C. PAPAIIYA**

Whole-time Director &amp; CFO

**HANISHA ARORA**

Company Secretary

Surat, 29th May, 2017

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs. in Lacs)

|   | Year ended<br>31st March, 2017 | Year ended<br>31st March, 2016 |
|---|--------------------------------|--------------------------------|
| <b>A. Cash flow from Operating Activities</b>                         |                                |                                |
| <b>Profit before tax</b>  | <b>1445.18</b>                 | 459.61                         |
| <b>Adjustments for:</b>   |                                |                                |
| Depreciation and Amortisation Expense                                 | <b>78.93</b>                   | 115.68                         |
| Finance Costs   | <b>38.84</b>                   | 74.16                          |
| Interest Income   | <b>(34.41)</b>                 | (16.26)                        |
| Dividend Income   | <b>0.00</b>                    | (0.27)                         |
| Diminution in value of investment                                     | <b>0.00</b>                    | 270.73                         |
| (Profit)/Loss on sale of Investments                                  | <b>(125.21)</b>                | 127.56                         |
| Share of Loss in Partnership Firm                                     | <b>0.01</b>                    | 0.01                           |
| Bad debts and advance written off                                     | <b>14.03</b>                   | 200.00                         |
| Net surplus on disposal of fixed assets                               | <b>(64.36)</b>                 | (156.07)                       |
|   | <b>(92.17)</b>                 | 615.54                         |
| <b>Operating Profit before Working Capital Changes</b>                | <b>1353.01</b>                 | 1075.15                        |
| (Increase) / Decrease in Trade and other Receivables                  | <b>(741.47)</b>                | 1630.93                        |
| (Increase) / decrease in Inventories                                  | <b>(608.37)</b>                | (652.45)                       |
| (Decrease) / Increase in Trade and Other Payable                      | <b>(156.50)</b>                | 203.03                         |
|   | <b>(1506.34)</b>               | 1181.51                        |
| <b>Cash Generated from Operations</b>                                 | <b>(153.33)</b>                | 2256.66                        |
| Direct Taxes ( Paid ) / Refund.                                       | <b>(218.02)</b>                | (236.54)                       |
| <b>Net Cash Flow from Operating Activities (A)</b>                    | <b>(371.35)</b>                | 2020.12                        |
| <b>B. Cash Flow from Investing Activities</b>                         |                                |                                |
| Purchase of Fixed Assets  | <b>(0.52)</b>                  | (0.11)                         |
| Sale of Fixed Assets  | <b>64.46</b>                   | 287.84                         |
| Purchase of Investments   | <b>(2355.00)</b>               | (2435.00)                      |
| Sale of Investment  | <b>2813.35</b>                 | 70.50                          |
| Dividend Income   | <b>0.00</b>                    | 0.27                           |
| Investment In Partnership Firm  | <b>(0.01)</b>                  | (0.01)                         |
| <b>Net Cash Inflow from Investing Activities (B)</b>                  | <b>522.28</b>                  | (2076.51)                      |
| <b>C. Cash Flow from Financing Activities</b>                         |                                |                                |
| Proceeds from Short Term Borrowings                                   | <b>(30.81)</b>                 | 6.92                           |
| Repayment of Long Term Borrowings                                     | <b>(39.06)</b>                 | (47.06)                        |
| Interest Paid   | <b>(8.70)</b>                  | 91.03                          |
| <b>Net Cash Outflow from Financing Activities (C)</b>                 | <b>(78.57)</b>                 | 50.89                          |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)</b> | <b>72.36</b>                   | (5.50)                         |
| <b>Cash and Cash Equivalents at the beginning of the year</b>         | <b>16.88</b>                   | 22.38                          |
| <b>Cash and Cash Equivalents at the end of the year</b>               | <b>89.24</b>                   | 16.88                          |

As per our attached report of even date

For and on behalf of the Board

**For NATVARLAL VEPARI & CO.**  
Firm Registration Number: 123626W  
Chartered Accountants

**M. R. MOMAYA**  
Managing Director

**R. N. VEPARI**  
Partner  
Membership No.6728

**YOGESH C. PAPAIIYA**  
Whole-time Director & CFO

**HANISHA ARORA**  
Company Secretary

Surat, 29th May, 2017

Surat, 29th May, 2017

## Notes annexed to and forming part of the Financial Statements

### Note 1 : Significant Accounting Policies:

#### (a) Basis of Preparation of Financial Statements

The financial statements are prepared and presented under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) and the provisions of the Companies Act, 2013. The Company follows the mercantile system of accounting and recognizes Income and Expenditure on accrual basis. Accounting policies not referred to otherwise are consistent with the GAAP.

#### (b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements, the reported amounts of revenues and expenses during the reported period and the disclosures relating to contingent liabilities as of the date of the financial statements. Difference between actual results and estimates are recognised in the period in which the results are known or materialise.

#### (c) Fixed Assets

Fixed Assets are recorded at cost of acquisition or construction, net of CENVAT \ VAT and include amounts added /reduced on revaluation, less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date. Fixed Assets acquired and put to use for project purpose are capitalised Project under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### (d) Depreciation and Amortisation

- (i) Depreciation is provided as per the useful life specified in the Act or as re-assessed by the Company. Consequently, the Company has followed useful life specification as per Schedule II to the Companies Act, 2013.
- (ii) Wherever the assets are impaired or significantly impaired and the written down value of those assets have been brought down to a level based on the provision for impairment of assets made as per Accounting Standards (AS) 28 on "Impairment of Assets" issued by The Institute of Chartered Accountants of India, depreciation has been worked out after reassessing the useful life of the assets from the brought down level and accordingly charged, considering brought down level as a base.

#### (e) Investments

Investments are classified into Current and Long-term Investments. Current investments are stated at lower of cost and fair value. Long-term investments are stated at cost. Provision for diminution in the value of Long-term investments is made only if such a decline is other than temporary.

#### (f) Impairment of Assets

The carrying amount of assets are reviewed at each balance sheet date in respect of Cash Generating Unit if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's selling price and value in use.

Reversal of an impairment loss for an asset is recognised as income in the statement of profit and loss, which was earlier shown as an expense.

#### (g) Valuation of Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard (AS) 2 on "valuation of inventories" issued by The Institute of Chartered Accountants of India (ICAI). Mode of working of cost is weighted average while any item of inventory is valued at Net Realisable Value if the same is less than cost. Inventories are specifically identified, wherever possible in respect of traded goods.

Inventory valuation is determined on the following basis :

- (i) Raw Materials, Stock in Process, Finished goods, Stock in Trade and Stores Spares & Chemicals are valued at cost or Net realisable value whichever is lower.
- (ii) Waste is valued at net realisable value.
- (iii) By product is valued at net realisable value.
- (iv) Property under Development is valued at revalued cost of land and construction thereon at cost.

## Notes annexed to and forming part of the Financial Statements (Contd.)

### (h) Revenue Recognition

Revenue from operations includes sale value of goods, net of sales returns, discounts, rate difference and Sales Tax / Value Added Tax (VAT). Sales also include, sales of scrap, waste, rejection etc. and profits from property held as stock in trade.

### (i) Accounting for Excise Duty / Service Tax and Sales Tax / Value Added Tax

(i) Excise Duty / Service tax has been accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses and the same has been treated as part of the cost of respective stock as per the revised Guidance Note on Accounting treatment for Excise Duty. However, this has no effect on the Profit for the year. Amount of Excise Duty shown as deduction from Sales is the total Excise Duty for the year except the duty related to difference between Closing Stock & Opening Stock. Excise duty related to the difference between Closing Stock & Opening Stock is recognised separately in the Profit & Loss Account.

### (j) Cenvat.

(i) The purchase cost of raw materials and other expenses have been considered net of cenvat available on inputs.  
 (ii) The CENVAT benefits attributable to acquisition / construction of fixed assets are netted off against the cost of fixed assets in accordance with the guidance note issued by the ICAI.

### (k) Expenses

All material known liabilities are provided for, on the basis of available information / estimates.

### (l) Employee Benefits :

(i) Short Term Employee Benefits

All employee benefits falling due within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, bonus, leave salary ex-gratia are recognised in the period in which employee renders the related services.

(ii) For Defined Contribution Plans (PF, FPF and ESI)

Contributions to Defined Contribution Plans are recognized as expenses in the Profit and Loss Account as they are incurred.

(iii) For Defined Benefit Plans

As per requirement defined in Accounting Standard 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India, the entity has relied on the Actuarial valuation undertaken by the certified actuary for the present value of obligation and the same is unfunded.

### (m) Borrowing Cost

Interest and other borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other interest and borrowing costs are charged to revenue.

### (n) Provision for Current and Deferred Tax

Provision for current tax is made on the basis of the assessable income at the tax rate which is applicable to the relevant assessment year as per the Income Tax Act, 1961. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of their realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of their realisation. Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed for reassessment.

### (o) Foreign Currency Transactions

(i) Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the dates when the relevant transactions take place.

(ii) At each Balance Sheet date, unrealized gains or losses on foreign currency transactions on account of increase or decrease in rupee liability / asset as a result of exchange difference between the Balance sheet date rate and the transaction Date rate to items of assets and liabilities are recognised in the Statement of Profit and Loss and accordingly, related assets or liabilities are adjusted.

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|---|---------------------------|---------------------------|
| <b>Note 2 : Share Capital</b>   |                           |                           |
| <b>Authorised Share Capital</b>   |                           |                           |
| 75,00,00,000 (75,00,00,000) Equity Shares of Rs.1/- each                | <b>7500.00</b>            | 7500.00                   |
| <b>Issued, Subscribed and Paid up</b>                                   |                           |                           |
| 22,20,64,440 (22,20,64,440) Equity Shares of Rs. 1/- each fully paid up | <b>2220.64</b>            | 2220.64                   |

### 2.1 Reconciliation of Shares Outstanding

|                                      | As at<br>31st March, 2017 |                | As at<br>31st March, 2016 |             |
|--------------------------------------|---------------------------|----------------|---------------------------|-------------|
|                                      | No. of Shares             | Rs. in Lacs    | No. of Shares             | Rs. in Lacs |
| Balance at the beginning of the year | <b>222064440</b>          | <b>2220.64</b> | 222064440                 | 2220.64     |
| Shares issued during the year        | <b>0</b>                  | <b>0.00</b>    | 0                         | 0.00        |
| Outstanding at the end of the year   | <b>222064440</b>          | <b>2220.64</b> | 222064440                 | 2220.64     |

### 2.2 The details of Shareholders holding more than 5% of Paid-up Equity Share Capital

| Name of the Shareholder          | As at<br>31st March, 2017 |               | As at<br>31st March, 2016 |        |
|----------------------------------|---------------------------|---------------|---------------------------|--------|
|                                  | No. of Shares             | % held        | No. of Shares             | % held |
| Shri Praful A. Shah (Individual) | <b>27910497</b>           | <b>12.57%</b> | 27910497                  | 12.57% |
| Vareli Trading Company Ltd.      | <b>77500000</b>           | <b>34.90%</b> | 77500000                  | 34.90% |
| IDBI Bank Ltd.                   | <b>13324215</b>           | <b>6.00%</b>  | 15456807                  | 6.96%  |
| Garden Silk Mills Limited        | <b>14500000</b>           | <b>6.53%</b>  | 14500000                  | 6.53%  |

### 2.3 Rights, Preferences and Restrictions attached to Shares

#### Equity Shares:

The Company has one class of shares referred to as equity shares having a par value of Rs.1 each. Each shareholder is entitled to one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting. In the event of liquidation, Equity Shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 3 : Reserves and Surplus</b>           |                           |                           |
| <b>Surplus in Statement of Profit and Loss</b> |                           |                           |
| Balance as per last Balance Sheet              | <b>6450.93</b>            | 5837.67                   |
| Add: Profit for the Year                       | <b>1662.42</b>            | 613.26                    |
| <b>TOTAL</b>                                   | <b>8113.35</b>            | 6450.93                   |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 4 : Long-Term Borrowings</b>                           |                           |                           |
| <b>Secured</b>   |                           |                           |
| Long-Term Maturities of Term Loans from Banks (Refer Note 4.1) | 21.59                     | 51.16                     |
| <b>TOTAL</b>   | <b>21.59</b>              | <b>51.16</b>              |

## Nature of Security and terms of repayment for Long Term secured borrowings:

## Note:

4.1 Term loan from Kotak Mahindra Prime Limited aggregating to Rs.21.59 Lacs (Previous year Rs.51.16 Lacs) under vehicle finance scheme are secured by an exclusive charge by way of hypothecation of specific vehicles purchased under the arrangements. Interest rate on term loan is 10.93 %.

## 4.2 Maturity profile of Secured Term Loan is set out as below :

(Rs. In Lacs)

|  | Maturity Profile as at 31/03/2017                       |              |              |
|--|---|--------------|--------------|
|  | Rate of Interest<br>ranged between<br>during 31/03/2017 | 2017-18      | 2018-19      |
| <b>Secured Term Loans</b>                    |   |              |              |
| Rupee Loan:                                  |   |              |              |
| Vehicle Loans from Kotak Mahindra Prime Ltd. | 10.93%  | 29.58        | 21.59        |
| <b>Total</b>                                 |   | <b>29.58</b> | <b>21.59</b> |

(Rs. in Lacs)

|   | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|---|---------------------------|---------------------------|
| <b>Note 5 : Other Long-Term Liabilities</b> |                           |                           |
| Trade Deposits                              | 112.97                    | 123.14                    |
| <b>TOTAL</b>                                | <b>112.97</b>             | <b>123.14</b>             |

(Rs. in Lacs)

|                                      | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--------------------------------------|---------------------------|---------------------------|
| <b>Note 6 : Long-Term Provisions</b> |                           |                           |
| Provision for employee benefits      | 72.60                     | 67.09                     |
| <b>TOTAL</b>                         | <b>72.60</b>              | <b>67.09</b>              |



## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|---|---------------------------|---------------------------|
| <b>Note 7 : Short-term Borrowings</b>     |                           |                           |
| <b>Secured</b>                            |                           |                           |
| Loan repayable on demand                  |                           |                           |
| - Cash Credit Facilities (Refer Note 7.1) | 0.00                      | 30.81                     |
| <b>TOTAL</b>                              | <b>0.00</b>               | <b>30.81</b>              |

### Note:

- 7.1** Cash Credit facilities availed from Bank of Baroda is secured by hypothecation by way of first pari passu charge on all its current assets and by way of second pari passu charge on immovable and all movable properties (excluding current assets) of the Company. Rate of Interest on Cash Credit facility is 12.35% (Previous year: 12.40%).

(Rs. in Lacs)

|                                     | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|-------------------------------------|---------------------------|---------------------------|
| <b>Note 8 : Trade Payables</b>      |                           |                           |
| <b>Acceptances:</b>                 |                           |                           |
| Under usance Letter of Credit       | 143.15                    | 0.00                      |
| <b>Sundry creditors:</b>            |                           |                           |
| Micro, Small and Medium Enterprises | 1.22                      | 0.03                      |
| Others                              | 153.20                    | 119.19                    |
| <b>TOTAL</b>                        | <b>297.57</b>             | <b>119.22</b>             |

### Note:

- 8.1** The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under:

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| Principal amount due and remaining unpaid                                | 0.00                      | 0.00                      |
| Interest due on above and the unpaid interest                            | 0.00                      | 0.00                      |
| Interest paid  | 0.00                      | 0.00                      |
| Payment made beyond the appointed day during the year                    | 0.00                      | 0.00                      |
| Interest due and payable for the period of delay                         | 0.00                      | 0.00                      |
| Interest accrued and remaining unpaid                                    | 0.00                      | 0.00                      |
| Amount of further interest remaining due and payable in succeeding years | 0.00                      | 0.00                      |

(Rs. in Lacs)

|   | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|---|---------------------------|---------------------------|
| <b>Note 9 : Other Current Liabilities</b> |                           |                           |
| Current maturities of long term debt      | 29.58                     | 39.06                     |
| Creditors for Capital Expenditure         | 0.00                      | 0.11                      |
| Advance Received                          | 0.30                      | 96.17                     |
| Other Payables                            | 227.41                    | 446.92                    |
| <b>TOTAL</b>                              | <b>257.29</b>             | <b>582.26</b>             |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 10 : Short-Term Provisions</b> |                           |                           |
| Provision for employee benefits.       | 7.95                      | 5.96                      |
| Provision for taxation                 | 656.94                    | 580.31                    |
| Other Provisions (Refer Note 10.1)     | 25.98                     | 42.67                     |
| <b>TOTAL</b>                           | <b>690.87</b>             | <b>628.94</b>             |

**Note:**

**10.1** The Company had recognised liability based on substantial degree of estimation for excise duty payable on clearance of goods lying in stock as on 31st March, 2016 of Rs.42.67 Lacs as per the estimated pattern of dispatches. During the year, Rs.42.67 Lacs was utilised for clearance of goods. Provision recognised under this class for the year is Rs.25.98 Lacs, which is outstanding as on 31st March, 2017. Actual outflow is expected in the next Financial Year.

**Note 11 : Fixed Assets**

(Rs. in Lacs)

| Particulars                           | Gross Block         |                                 |                                  |                     | Depreciation        |                 |                                  | Net Block           |                     |                     |
|---------------------------------------|---------------------|---------------------------------|----------------------------------|---------------------|---------------------|-----------------|----------------------------------|---------------------|---------------------|---------------------|
|                                       | As at<br>01/04/2016 | Additions<br>during<br>the Year | Adjustment<br>during<br>the Year | Total<br>31/03/2017 | As at<br>01/04/2016 | For the<br>Year | Adjustment<br>during<br>the Year | Total<br>31/03/2017 | As at<br>31/03/2017 | As at<br>31/03/2016 |
| 1                                     | 2                   | 3                               | 4                                | 5                   | 6                   | 7               | 8                                | 9                   | 10                  | 11                  |
| <b>Tangible Assets</b>                |                     |                                 |                                  |                     |                     |                 |                                  |                     |                     |                     |
| Land                                  | 196.54              | 993.86                          | 0.10                             | 1190.30             | 123.84              | 0.00            | 0.00                             | 123.84              | 1066.46             | 72.70               |
| Building                              | 2012.39             | 0.00                            | 0.00                             | 2012.39             | 1708.02             | 11.18           | 0.00                             | 1719.20             | 293.19              | 304.37              |
| Plant and Machinery                   | 10749.36            | 0.00                            | 0.00                             | 10749.36            | 10606.28            | 0.50            | 0.00                             | 10606.78            | 142.58              | 143.08              |
| Electrical Installations & Equipments | 353.89              | 0.00                            | 0.00                             | 353.89              | 344.84              | 0.00            | 0.00                             | 344.84              | 9.05                | 9.05                |
| Furniture                             | 13.47               | 0.00                            | 0.00                             | 13.47               | 11.80               | 0.17            | 0.00                             | 11.97               | 1.50                | 1.67                |
| Office Equipment                      | 190.45              | 0.00                            | 0.00                             | 190.45              | 152.54              | 28.32           | 0.00                             | 180.86              | 9.59                | 37.91               |
| Vehicles                              | 312.39              | 0.00                            | 0.00                             | 312.39              | 113.89              | 38.41           | 0.00                             | 152.30              | 160.09              | 198.50              |
| Computer                              | 27.87               | 0.52                            | 0.00                             | 28.39               | 26.34               | 0.35            | 0.00                             | 26.69               | 1.70                | 1.53                |
| <b>Total</b>                          | <b>13856.36</b>     | <b>994.38</b>                   | <b>0.10</b>                      | <b>14850.64</b>     | <b>13087.55</b>     | <b>78.93</b>    | <b>0.00</b>                      | <b>13166.48</b>     | <b>1684.16</b>      | <b>768.81</b>       |
| Previous Year                         | 15188.71            | 0.11                            | 1332.46                          | 13856.36            | 14172.56            | 115.68          | 1200.69                          | 13087.55            | 768.81              | 1016.15             |
| Capital Work-in-Progress              |                     |                                 |                                  |                     |                     |                 |                                  |                     | 0.00                | 0.00                |

**Notes:**

11.1 During the year, the Company converted 22637 Sq.mtrs. of Land at Varachha Road from "Property under development to "Fixed Assets" at Book Value, and Land at Vareli from "stock in trade" to "Fixed Assets".

11.2 Total of depreciation fund as on 31/03/2017 amounting to Rs.13166.48 Lacs includes Impairment Loss of Rs.6747.22 Lacs (Previous year Rs.6747.22 Lacs)

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 12 : Non-Current Investments</b>   |                           |                           |
| <b>Long Term Investments (At Cost)</b>   |                           |                           |
| <b>Other Investments</b>   |                           |                           |
| <b>In Equity Shares of Group Company - (Quoted, Fully paid-up)</b>                       |                           |                           |
| 480878 (480878) Equity Shares of Garden Silk Mills Limited of Rs. 10 each fully paid up. | 946.84                    | 946.84                    |
| <b>Other Investments in Equity Shares- (Quoted, Fully paid-up)</b>                       |                           |                           |
| 16600 (16600 ) Equity Shares of Dena Bank Ltd. of Rs. 10 each fully paid up              | 4.98                      | 4.98                      |
| 15900 (15900) Equity Shares of IDBI Ltd. of Rs. 10 each fully paid up                    | 13.46                     | 13.46                     |
| <b>In Government Securities - Unquoted</b>   |                           |                           |
| National Saving Certificate  | 0.01                      | 0.01                      |
| <b>Investment in Partnership Firm</b>  |                           |                           |
| M/s. Isha Enterprises  | 701.93                    | 701.94                    |
|  | <b>1667.22</b>            | 1667.23                   |
| Less : Provision for Diminution in value of Investments                                  | <b>842.49</b>             | 842.49                    |
| <b>TOTAL</b>   | <b>824.73</b>             | 824.74                    |
| Aggregate amount of quoted investments (Net)   | <b>122.79</b>             | 122.79                    |
| Market Value of quoted investments   | <b>172.68</b>             | 120.17                    |
| Aggregate Amount of unquoted investments   | <b>701.94</b>             | 701.95                    |

### Note:

**12.1** Diminution in value of Investments is in respect of Investment in Equity Shares of Garden Silk Mills Limited.

**12.2** Details of Investment in Partnership Firm:

The Company is a partner in M/s.Isha Enterprises. The other partners are Armorax Business Centre Pvt. Ltd., Intro Scope Properties Pvt. Ltd. and Praful Amichand Shah. The share of each partners in the firm is 49%, 2%, 39% and 10% respectively. The total capital of the firm is Rs.1402.92 Lacs (Previous year Rs.1402.93 Lacs)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 13 : Deferred Tax Assets (Net)</b>                         |                           |                           |
| <b>(a) Deferred Tax Liability</b>                                  | <b>3.54</b>               | 0.00                      |
| <b>Total</b>   | <b>3.54</b>               | <b>0.00</b>               |
| <b>(b) Deferred Tax Asset on account of :</b>                      |                           |                           |
| Difference between book and tax written Down Value of Fixed Assets | <b>0.00</b>               | 3.66                      |
| Disallowances under the income Tax Act, 1961                       | <b>5.29</b>               | 13.22                     |
| Unabsorbed depreciation  | <b>860.63</b>             | 1385.06                   |
| <b>Total</b>   | <b>865.92</b>             | 1401.94                   |
| <b>Net Deferred Tax Assets</b>                                     | <b>862.38</b>             | 1401.94                   |
| <b>Deferred Tax asset recognised at 25%</b>                        | <b>0.00</b>               | 350.49                    |
| <b>Deferred Tax asset recognised at 100%</b>                       | <b>862.38</b>             | 0.00                      |
| <b>Current year (Credit)/ Charge</b>                               | <b>(511.89)</b>           | 57.77                     |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|---|---------------------------|---------------------------|
| <b>Note 14 : Long Term Loans and Advances</b> |                           |                           |
| <b>Unsecured</b>                              |                           |                           |
| <b>Considered good:</b>                       |                           |                           |
| Security Deposits                             | 137.84                    | 187.84                    |
| Loans and advances to employees               | 1.24                      | 1.56                      |
| <b>TOTAL</b>                                  | <b>139.08</b>             | <b>189.40</b>             |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 15: Current Investment</b>   |                           |                           |
| <b>Investment in Mutual Funds</b>  |                           |                           |
| Nil (798110.763) Units of Birla Sun Life short term fund Growth regular plan of Rs. 10/- each  | 0.00                      | 450.00                    |
| 3837521.732 (3837521.732) Units of L & T short term Opportunities Fund-growth of Rs. 10/- each | 550.00                    | 550.00                    |
| 23145.224 (9701.170) Units of L & T liquid fund-growth of Rs 100/- each                        | 500.00                    | 200.00                    |
| 762761.652 (762761.652) Units of ICICI prudential short term plan -growth of Rs. 10/- each     | 235.00                    | 235.00                    |
| Nil (1311260.449) Units of ICICI prudential Ultra short term plan-growth of Rs.10/- each       | 0.00                      | 200.00                    |
| 1421442.497 (3796094.499) Units of IDFC Ultra Short Term fund- growth of Rs 10/- each          | 316.86                    | 800.00                    |
| 251816.985 (Nil) Units of Birla Sunlife Floting Rate Fund Long Term - growth of Rs 10/- each   | 500.00                    | 0.00                      |
|  | <b>2101.86</b>            | <b>2435.00</b>            |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 16 : Inventories</b>                                 |                           |                           |
| Raw Materials  | 861.74                    | 465.83                    |
| Raw Materials in transit                                     | 164.52                    | 275.22                    |
| Finished goods   | 233.83                    | 384.06                    |
| Stock in Trade (Art & Artifacts)                             | 2861.02                   | 2481.33                   |
| Stores, Spares and Chemicals                                 | 338.06                    | 222.76                    |
| Property under Development (Includes Land at revalued cost)  | 29.68                     | 51.28                     |
| Property under Development (at book value) (Refer Note 11.1) | 0.00                      | 905.46                    |
| Stock in trade (Land at Vareli) (Refer Note 11.1)            | 0.00                      | 88.40                     |
| <b>TOTAL</b>   | <b>4488.85</b>            | <b>4874.34</b>            |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|                                    | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|------------------------------------|---------------------------|---------------------------|
| <b>Note 17 : Trade Receivables</b> |                           |                           |
| <b>Exceeding Six months</b>        |                           |                           |
| Unsecured, Considered good         | 8.63                      | 15.81                     |
| Considered doubtful                | 0.00                      | 77.21                     |
|                                    | <b>8.63</b>               | 93.02                     |
| Less: Provision for doubtful debts | 0.00                      | 77.21                     |
|                                    | <b>8.63</b>               | 15.81                     |
| <b>Other receivables</b>           |                           |                           |
| Unsecured, Considered good         | 754.85                    | 145.09                    |
| <b>TOTAL</b>                       | <b>763.48</b>             | 160.90                    |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 18 : Cash and Bank Balances</b>          |                           |                           |
| <b>Cash and Cash Equivalents</b>                 |                           |                           |
| Cash on hand                                     | 3.09                      | 3.10                      |
| Balances with banks                              |                           |                           |
| in current accounts                              | 23.63                     | 8.30                      |
| In cash credit account                           | 57.04                     | 0.00                      |
| <b>Other Bank Balances</b>                       |                           |                           |
| Fixed Deposits with Banks - held as margin money |                           |                           |
| Maturity less than 12 months                     | 1.45                      | 1.45                      |
| Maturity more than 12 months                     | 4.03                      | 4.03                      |
| <b>TOTAL</b>                                     | <b>89.24</b>              | 16.88                     |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 19 : Short-Term Loans and Advances</b>                     |                           |                           |
| <b>Unsecured</b>   |                           |                           |
| <b>Considered good:</b>  |                           |                           |
| Loans to employees   | 0.54                      | 0.80                      |
| Advance to Suppliers   | 29.02                     | 234.07                    |
| Loans and Advances Others  | 600.00                    | 0.00                      |
| Advance Recoverable in cash or in kind or for value to be received | 167.04                    | 181.04                    |
| Balance with Customs, Central Excise Authorities etc.              | 36.50                     | 237.72                    |
| <b>TOTAL</b>   | <b>833.10</b>             | 653.63                    |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | 2016-17         | 2015-16         |
|---|-----------------|-----------------|
| <b>Note 20: Revenue from Operations</b> |                 |                 |
| Sale of Products                        | 15682.12        | 12964.86        |
| Job Charges Income                      | 0.00            | 0.00            |
| <b>TOTAL</b>                            | <b>15682.12</b> | <b>13229.70</b> |
| <b>Particulars of Sale of Products</b>  |                 |                 |
| Polyester Chips                         | 15614.15        | 12861.15        |
| Polyester filament Yarn                 | 0.14            | 25.69           |
| Spun Yarn                               | 0.00            | 7.72            |
| Shopping Complex                        | 31.41           | 21.05           |
| Others                                  | 36.42           | 49.25           |
| <b>TOTAL</b>                            | <b>15682.12</b> | <b>12964.86</b> |

(Rs. in Lacs)

|   | 2016-17       | 2015-16       |
|---|---------------|---------------|
| <b>Note 21 : Other Income</b>           |               |               |
| <b>Interest Income</b>                  |               |               |
| Bank deposits                           | 2.31          | 0.36          |
| Loans and advances                      | 0.09          | 0.25          |
| Others                                  | 32.01         | 15.65         |
| <b>Dividend Income</b>                  |               |               |
| on Long Term Investments                | 0.00          | 0.27          |
| <b>Other non-operating income</b>       |               |               |
| Miscellaneous income                    | 0.01          | 4.83          |
| Rent Income                             | 1.75          | 0.00          |
| Bad Debts Recovery                      | 39.00         | 0.00          |
| Profit on Sale of Investments           | 125.21        | 0.00          |
| Net surplus on disposal of fixed assets | 64.36         | 156.07        |
| <b>TOTAL</b>                            | <b>264.74</b> | <b>177.43</b> |

## Notes annexed to and forming part of the Financial Statements (Contd.)

|   | 2016-17 |                 | 2015-16 |                |
|---|---------|-----------------|---------|----------------|
| <b>Note 22 : Cost of Materials Consumed</b>   |         |                 |         |                |
| <b>Raw Materials</b>                          |         |                 |         |                |
| Imported                                      | 14.91%  | 1558.42         | 0.00%   | 0.00           |
| Indigenous                                    | 85.09%  | 8894.28         | 100.00% | 8738.44        |
|   | 100.00% | 10452.70        | 100.00% | 8738.44        |
| <b>22.1 Particulars of materials consumed</b> |         |                 |         |                |
| M.E.G.  |         | 3147.25         |         | 2783.60        |
| P.T.A.  |         | 7283.85         |         | 5951.56        |
| Cost of Shopping Complex Sold                 |         | 21.60           |         | 3.28           |
| <b>TOTAL</b>                                  |         | <b>10452.70</b> |         | <b>8738.44</b> |

(Rs. in Lacs)

|   | 2016-17 |               | 2015-16 |               |
|---|---------|---------------|---------|---------------|
| <b>Note 23 : Purchase of Stock-in-Trade</b> |         |               |         |               |
| Art & Artifacts                             |         | 379.69        |         | 177.44        |
| <b>TOTAL</b>                                |         | <b>379.69</b> |         | <b>177.44</b> |

(Rs. in Lacs)

|  | 2016-17 |                 | 2015-16 |                 |
|--|---------|-----------------|---------|-----------------|
| <b>Note 24: Changes in Inventories of Finished Goods,<br/>Work-in-Process and Stock-in-Trade</b> |         |                 |         |                 |
| <b>Opening Stock</b>   |         |                 |         |                 |
| Finished Goods & Stock-in-trade  |         | 2865.39         |         | 2517.22         |
|  |         | <b>2865.39</b>  |         | <b>2517.22</b>  |
| <b>Closing Stock</b>   |         |                 |         |                 |
| Finished Goods & Stock-in-trade  |         | 3094.84         |         | 2865.39         |
|  |         | <b>3094.84</b>  |         | <b>2865.39</b>  |
| <b>Add/(Less): Variation in excise duty on opening and closing stock of finished goods</b>       |         | <b>(16.69)</b>  |         | <b>20.81</b>    |
| <b>TOTAL</b>   |         | <b>(246.14)</b> |         | <b>(327.36)</b> |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | 2016-17       | 2015-16       |
|--|---------------|---------------|
| <b>Note 25 : Employee Benefits Expense</b> |               |               |
| Salaries and Wages                         | 220.62        | 232.33        |
| Contribution to Provident and Other Funds  | 14.49         | 13.68         |
| Gratuity                                   | 10.32         | 14.15         |
| Staff Welfare Expenses                     | 7.69          | 7.77          |
| <b>TOTAL</b>                               | <b>253.12</b> | <b>267.93</b> |

25.1 The present value of obligation is determined based on actuarial valuation and remains unfunded. As per Accounting Standard 15 "Employee benefits" issued by the Institute of Chartered Accountants of India (ICAI), the disclosures as defined in the Accounting Standards are given below:

(Rs. in Lacs)

|   | As at<br>31st March, 2017 | As at<br>31st March, 2016 | As at<br>31st March, 2017         | As at<br>31st March, 2016         |
|---|---------------------------|---------------------------|-----------------------------------|-----------------------------------|
|   | Gratuity<br>(Unfunded)    | Gratuity<br>(Unfunded)    | Leave<br>encashment<br>(Unfunded) | Leave<br>encashment<br>(Unfunded) |
| <b>Amount recognised in Balance Sheet</b>                         |                           |                           |                                   |                                   |
| <b>(i) Present Value of Defined Benefit Obligation</b>            |                           |                           |                                   |                                   |
| - Wholly Unfunded   | 59.96                     | 51.49                     | 20.59                             | 21.55                             |
| <b>(ii) Amount Reflected in the Balance Sheet</b>                 |                           |                           |                                   |                                   |
| - Liability   | 59.96                     | 51.49                     | 20.59                             | 21.55                             |
| - Assets  | 0.00                      | 0.00                      | 0.00                              | 0.00                              |
| Net Liability   | 59.96                     | 51.49                     | 20.59                             | 21.55                             |
| <b>Net expense recognized in the Statement of Profit and Loss</b> |                           |                           |                                   |                                   |
| Total included in "Payments to and provision for Employees"       | 10.32                     | 14.15                     | 14.07                             | 21.02                             |
| <b>Actuarial Assumptions</b>                                      |                           |                           |                                   |                                   |
| Discount Rate (Per Annum)   | 7.20%                     | 7.88%                     | 7.20%                             | 7.88%                             |
| Rate of Escalation in Salary (Per Annum)                          | 7.00%                     | 8.00%                     | 7.00%                             | 8.00%                             |

(Rs. in Lacs)

|                                | 2016-17      | 2015-16      |
|--------------------------------|--------------|--------------|
| <b>Note 26 : Finance Costs</b> |              |              |
| Interest Expenses              | 29.60        | 62.56        |
| Exchange (Gain) / Loss         | (3.42)       | 2.78         |
| Other borrowing costs          | 12.66        | 8.82         |
| <b>TOTAL</b>                   | <b>38.84</b> | <b>74.16</b> |



## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | 2016-17        | 2015-16        |
|---|----------------|----------------|
| <b>Note 27 : Other Expenses</b>             |                |                |
| <b>Manufacturing expenses</b>               |                |                |
| Job Charges                                 | 0.00           | 0.09           |
| Consumption of Stores, Spares and Chemicals | 886.94         | 945.30         |
| Packing Charges                             | 44.52          | 42.90          |
| Power and Fuel                              | 491.33         | 417.99         |
| Repairs to Plant and Machinery              | 4.35           | 13.65          |
| Repairs to Buildings                        | 1.36           | 16.60          |
| Repairs - Others                            | 11.74          | 6.18           |
| <b>Selling and Distribution Expenses</b>    |                |                |
| Commission and Discount                     | 23.06          | 2.28           |
| Other Selling and Distribution Expenses     | 54.42          | 56.94          |
| <b>Establishment Expenses</b>               |                |                |
| Insurance                                   | 15.43          | 14.74          |
| Rent  | 38.17          | 154.97         |
| Rates and Taxes                             | 21.96          | 13.32          |
| Excise Duty Expense                         | 1810.40        | 1507.82        |
| Auditors' Remuneration                      | 5.56           | 4.98           |
| General Charges                             | 121.27         | 105.18         |
| Diminuation in value of investment          | 0.00           | 270.73         |
| Bad debts and advance written off           | 14.03          | 200.00         |
| Loss on sale of investment                  | 0.00           | 127.56         |
| <b>TOTAL</b>                                | <b>3544.54</b> | <b>3901.23</b> |

### 27.1 Value of Stores, Chemicals and Component Consumed

|            | 2016-17        |               | 2015-16        |               |
|------------|----------------|---------------|----------------|---------------|
|            | %              | Rs. in Lacs   | %              | Rs. in Lacs   |
| Imported   | 93.10%         | 825.70        | 93.90%         | 887.59        |
| Indigenous | 6.90%          | 61.24         | 6.10%          | 57.71         |
|            | <b>100.00%</b> | <b>886.94</b> | <b>100.00%</b> | <b>945.30</b> |

(Rs. in Lacs)

|   | 2016-17     | 2015-16     |
|---|-------------|-------------|
| <b>27.2 Value of Imports on CIF Basis in respect of</b> |             |             |
| Raw Materials   | 1218.64     | 0.00        |
| Stores, Spare parts, Components and Chemicals           | 12.95       | 684.17      |
| Capital goods   | 0.00        | 0.00        |
| <b>27.3 Payment to Auditors</b>                         |             |             |
| Statutory Audit Fees                                    | 3.47        | 3.45        |
| Tax Audit Fees  | 0.90        | 0.60        |
| Cost Audit Fees   | 0.75        | 0.60        |
| Certification Fees                                      | 0.44        | 0.33        |
| <b>Total</b>  | <b>5.56</b> | <b>4.98</b> |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 | As at<br>31st March, 2016 |
|--|---------------------------|---------------------------|
| <b>Note 28 : Earnings Per Share (EPS)</b>                        |                           |                           |
| (i) Net Profit attributable to Equity Shareholders (Rs. in Lacs) | <b>1662.42</b>            | <b>613.26</b>             |
| (ii) Weighted average number of Equity Shares outstanding (Nos.) | <b>222064440</b>          | 222064440                 |
| Basic and Diluted EPS (Rs.)                                      | <b>0.75</b>               | 0.28                      |
| Face Value of Share (Rs.)  | <b>1.00</b>               | 1.00                      |

**Note 29 : Related Party Disclosures:**

As per the Accounting Standard 18 on "Related Party Disclosures" (AS 18) issued by the Institute of Chartered Accountants of India (ICAI), the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

**(i) List of related parties with whom transactions have taken place and relationships:**

| Sr. No. | Name of Related Party     | Relationship             |
|---------|---------------------------|--------------------------|
| 1       | Garden Silk Mills Limited | Group Company            |
| 2       | M/s Isha Enterprises      | Partnership Firm         |
| 3       | Shri M. R. Momaya         | Key Management Personnel |
| 4       | Shri Yogesh C. Papaiya    | Key Management Personnel |

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

**(ii) Transactions during the year with Related Parties:**

(Rs. in Lacs)

| Nature of Transactions                      | Group Company  | Partnership firm | Key Management Personnel | Total          |
|---|----------------|------------------|--------------------------|----------------|
| Sales                                       | <b>6358.80</b> | <b>0.00</b>      | <b>0.00</b>              | <b>6358.80</b> |
|   | (4629.16)      | (0.00)           | (0.00)                   | (4629.16)      |
| Job Charges Income                          | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>              | <b>0.00</b>    |
|   | (264.84)       | (0.00)           | (0.00)                   | (264.84)       |
| Raw Material & Stores Purchase              | <b>520.89</b>  | <b>0.00</b>      | <b>0.00</b>              | <b>520.89</b>  |
|   | (0.00)         | (0.00)           | (0.00)                   | (0.00)         |
| Other Miscellaneous Purchases               | <b>215.85</b>  | <b>0.00</b>      | <b>0.00</b>              | <b>215.85</b>  |
|   | (286.57)       | (0.00)           | (0.00)                   | (286.57)       |
| Electric Power and Fuel Charges             | <b>479.12</b>  | <b>0.00</b>      | <b>0.00</b>              | <b>479.12</b>  |
|   | (432.22)       | (0.00)           | (0.00)                   | (432.22)       |
| Job Charges Expenses                        | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>              | <b>0.00</b>    |
|   | (0.10)         | (0.00)           | (0.00)                   | (0.10)         |
| Remuneration                                | <b>0.00</b>    | <b>0.00</b>      | <b>25.05</b>             | <b>25.05</b>   |
|   | (0.00)         | (0.00)           | (24.79)                  | (24.79)        |
| Share of loss                               | <b>0.00</b>    | <b>0.01</b>      | <b>0.00</b>              | <b>0.01</b>    |
|   | (0.00)         | (0.01)           | (0.00)                   | (0.01)         |
| Payments under Current Account              | <b>1172.33</b> | <b>0.00</b>      | <b>0.00</b>              | <b>1172.33</b> |
|   | (9316.79)      | (0.00)           | (0.00)                   | (9316.79)      |
| Receipt under Current Account               | <b>5739.57</b> | <b>0.00</b>      | <b>0.00</b>              | <b>5739.57</b> |
|   | (14471.69)     | (0.00)           | (0.00)                   | (14471.69)     |
| <b>Balance at the beginning of the year</b> |                |                  |                          |                |
| Current Account (Debit Balance)             | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>              | <b>0.00</b>    |
| Capital Account                             | <b>0.00</b>    | <b>701.94</b>    | <b>0.00</b>              | <b>701.94</b>  |
| Payables                                    | <b>0.00</b>    | <b>0.00</b>      | <b>3.26</b>              | <b>3.26</b>    |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

| Nature of Transactions                | Group Company | Partnership firm | Key Management Personnel | Total  |
|---------------------------------------|---------------|------------------|--------------------------|--------|
| <b>Balance at the end of the year</b> |               |                  |                          |        |
| Current Account                       | 575.70        | 0.00             | 0.00                     | 575.70 |
| Capital Account                       | 0.00          | 701.93           | 0.00                     | 701.93 |
| Payables                              | 0.00          | 0.00             | 3.31                     | 3.31   |

Note : Figures in bracket represents previous year's amount.

### Note 30 : Segment Reporting:

The Company has identified three reportable segments viz. Yarns, Art & Artifacts and Construction as per Accounting standard 17 of ICAI. The break up of total segment assets as at 31st March, 2017 is as under:

(Rs. in Lacs)

| Segment             | Capital Employed |
|---------------------|------------------|
| (1) Textile (Chips) | 7443.29          |
| (2) Art & Artifacts | 2861.02          |
| (3) Construction    | 29.68            |
| <b>Total</b>        | <b>10333.99</b>  |

### Note 31 :

Disclosure of the details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as provided in the Table below:

|  | SBNs* | Other Denomination Notes | Total |
|--|-------|--------------------------|-------|
| Closing cash in hand as on 8th November, 2016  | 50.14 | 2.35                     | 52.49 |
| (+) Permitted receipts                         | 0.00  | 4.10                     | 4.10  |
| (-) Permitted payments                         | 0.00  | 1.76                     | 1.76  |
| (-) deposited in Banks                         | 50.14 | 0.00                     | 50.14 |
| Closing cash in hand as on 30th December, 2016 | 0.00  | 4.69                     | 4.69  |

\* Specified Bank Notes (SBNs) mean the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O.3407(E), dated the 8th November, 2016

### Note 32 : Contingent Liabilities

Disputed liabilities for Income Tax not acknowledged as debts Rs.Nil (Previous year: Rs.856.74 Lacs)

Disputed liabilities for Excise Duty not acknowledged as debts Rs.35.22 Lacs (Previous year: Rs.35.22 Lacs)

### Note 33 :

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

As per our attached report of even date

For and on behalf of the Board

**For NATVARLAL VEPARI & CO.**  
Firm Registration Number: 123626W  
Chartered Accountants

**M. R. MOMAYA**  
Managing Director

**R. N. VEPARI**  
Partner  
Membership No.6728

**YOGESH C. PAPAIA**  
Whole-time Director & CFO

**HANISHA ARORA**  
Company Secretary

Surat, 29th May, 2017

Surat, 29th May, 2017

## INDEPENDENT AUDITORS' REPORT

### To the Members of Surat Textile Mills Limited

#### Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Surat Textile Mills Limited (hereinafter referred to as "the Holding Company") and its associate entity – recognised as subsidiary by virtue of explanation to the section 129 (3) of the Companies Act, 2013 (hereinafter referred to as "the Act") (collectively referred to in as "the Group") for the year ended 31st March, 2017 attached herewith, which comprise the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

#### Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors and management of the associate entity are also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The Board of Directors of holding company are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group respectively and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audits, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the Audit Report.

4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2017 and their consolidated profit and their consolidated cash flows for the year ended on that date.

#### Other Matters

8. a) We did not audit the financial statements of an associate being partnership firm with an investment of 49% by the Holding Company, whose financial statements reflect total assets of Rs.1402.92 lacs as at 31st March, 2017 and total loss of Rs.2,875 for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been furnished to us by the Management, and our opinion on the consolidated financial statements, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the amounts and disclosures included in respect of the associate, is based solely on the explanation and presentation made by the management. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group. Our opinion is not qualified in respect of this matter.

- b) Our opinion on the consolidated financial statements and our report on the other legal and regulatory requirements below are not modified in respect of the above matters with respect to our reliance on the financial statements certified by the Management.

## Report on Other Legal and Regulatory Requirements

9. As required by Section 143 (3) of the Act, we report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
- (b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as it appears from our examination of those books;
- (c) the Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and

- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

- i. the consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group - Refer Note 32 to the consolidated financial statements;
- ii. the Group did not have any long-term contracts including derivatives contracts as at 31st March, 2017;
- iii. no dividend has been declared in previous 7 financial years, therefore there is no dividend amount due to be transferred to the Investor Education and Protection Fund by the Holding Company during the year ended 31st March, 2017; and
- iv. the Company has provided requisite disclosures in the consolidated financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management - Refer Note 31 to the consolidated financial statements.

**For NATVARLAL VEPARI & CO.**

Chartered Accountants  
FRN: 123626W

**R. N. VEPARI**

Partner

Membership No.: 6728

Surat, 29th May, 2017

## Annexure A to the Independent Auditors' Report

**Referred to in paragraph 9(f) of the Independent Auditors' Report of even date to the members of Surat Textile Mills Limited on the consolidated financial statements for the year ended 31st March, 2017.**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1. We have audited the internal financial controls over financial reporting of Surat Textile Mills Limited ("the Holding Company") as of 31st March, 2017 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

2. The Respective Board of Directors of the Holding Company and management of its associate, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting

included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We have not examined the Internal Financial Controls over Financial Reporting of the associate for the year ended 31st March, 2017.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

7. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

8. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

9. In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on

Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

**For NATVARLAL VEPARI & CO.**

Chartered Accountants  
FRN: 123626W

**R. N. VEPARI**

Partner

Membership No.: 6728

Surat, 29th May, 2017

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

(Rs. in Lacs)

|   | Note No. | As at<br>31st March, 2017 |
|---|----------|---------------------------|
| <b>I EQUITY AND LIABILITIES</b>   |          |                           |
| <b>(1) Shareholders' Funds</b>  |          |                           |
| a) Share Capital  | 2        | 2220.64                   |
| b) Reserves and Surplus   | 3        | 8113.35                   |
|   |          | 10333.99                  |
| <b>(2) Non-Current Liabilities</b>  |          |                           |
| a) Long-Term Borrowings   | 4        | 21.59                     |
| b) Other Long-Term Liabilities  | 5        | 112.97                    |
| c) Long-Term Provisions   | 6        | 72.60                     |
|   |          | 207.16                    |
| <b>(3) Current Liabilities</b>  |          |                           |
| a) Short-Term Borrowings  | 7        | 0.00                      |
| b) Trade Payables   | 8        | 297.57                    |
| c) Other Current Liabilities  | 9        | 257.29                    |
| d) Short-Term Provisions  | 10       | 690.87                    |
|   |          | 1245.73                   |
| <b>TOTAL</b>  |          | 11786.88                  |
| <b>II ASSETS</b>  |          |                           |
| <b>(1) Non-Current Assets</b>   |          |                           |
| a) Fixed Assets :   |          |                           |
| (i) Tangible Assets   | 11       | 1684.16                   |
| (ii) Capital Work-in-Progress   | 11       | 0.00                      |
|   |          | 1684.16                   |
| b) Non-Current Investments  | 12       | 824.73                    |
| c) Deferred Tax Assets (Net)  | 13       | 862.38                    |
| d) Long-Term Loans and Advances   | 14       | 139.08                    |
|   |          | 3510.35                   |
| <b>(2) Current Assets</b>   |          |                           |
| a) Current Investment   | 15       | 2101.86                   |
| b) Inventories  | 16       | 4488.85                   |
| c) Trade Receivables  | 17       | 763.48                    |
| d) Cash and Bank Balances   | 18       | 89.24                     |
| e) Short-Term Loans and Advances  | 19       | 833.10                    |
|   |          | 8276.53                   |
| <b>TOTAL</b>  |          | 11786.88                  |
| <b>Significant Accounting Policies</b>  | 1        |                           |
| <b>The accompanying notes are an integral part of the consolidated financial statements</b> |          |                           |

As per our attached report of even date

For and on behalf of the Board

**For NATVARLAL VEPARI & CO.**  
Firm Registration Number: 123626W  
Chartered Accountants

**M. R. MOMAYA**  
Managing Director

**R. N. VEPARI**  
Partner  
Membership No.6728

**YOGESH C. PAPAIIYA**  
Whole-time Director & CFO

**HANISHA ARORA**  
Company Secretary

Surat, 29th May, 2017

Surat, 29th May, 2017



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs. in Lacs)

|   | Note No. | 2016-17         |
|---|----------|-----------------|
| <b>Income</b>   |          |                 |
| Revenue from Operations (Gross)   | 20       | 15682.12        |
| Other Income  | 21       | 264.74          |
| <b>Total Revenue</b>  |          | <b>15946.86</b> |
| <b>Expenses</b>   |          |                 |
| Cost of Materials Consumed  | 22       | 10452.70        |
| Purchases of Stock-in-Trade   | 23       | 379.69          |
| Changes in Inventories of Finished Goods, Stock-in-Process and Stock-in-Trade               | 24       | (246.14)        |
| Employee Benefits Expense   | 25       | 253.12          |
| Other Expenses  | 27       | 3544.53         |
| <b>Total Expenses</b>   |          | <b>14383.90</b> |
| <b>Profit / (Loss) Before Interest, Tax &amp; Depreciation and Amortization (EBITDA)</b>    |          | <b>1562.96</b>  |
| Finance Costs   | 26       | 38.84           |
| Depreciation and Amortisation Expense   | 11       | 78.93           |
| <b>Profit Before Tax</b>  |          | <b>1445.19</b>  |
| <b>Tax Expenses</b>   |          |                 |
| Current Tax   |          | 294.66          |
| Deferred Tax  |          | (511.90)        |
| Tax in respect of earlier years   |          | 0.00            |
| <b>Profit for the year</b>  |          | <b>1662.43</b>  |
| <b>Earnings per share (Face Value Rs.1 each)</b>  |          |                 |
| <b>Basic and Diluted (In Rs.)</b>   | 28       | <b>0.75</b>     |
| <b>Significant Accounting Policies</b>  | 1        |                 |
| <b>The accompanying notes are an integral part of the consolidated financial statements</b> |          |                 |

As per our attached report of even date

**For NATVARLAL VEPARI & CO.**

Firm Registration Number: 123626W

Chartered Accountants

**R. N. VEPARI**

Partner

Membership No.6728

Surat, 29th May, 2017

For and on behalf of the Board

**M. R. MOMAYA**

Managing Director

**YOGESH C. PAPAIIYA**

Whole-time Director &amp; CFO

**HANISHA ARORA**

Company Secretary

Surat, 29th May, 2017

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(Rs. in Lacs)

|   | Year ended<br>31st March, 2017 |
|---|--------------------------------|
| <b>A. Cash flow from Operating Activities</b>                         |                                |
| <b>Profit before tax</b>  | <b>1445.19</b>                 |
| <b>Adjustments for:</b>   |                                |
| Depreciation and Amortisation Expense                                 | 78.93                          |
| Finance Costs   | 38.84                          |
| Interest Income   | (34.41)                        |
| Dividend Income   | 0.00                           |
| Diminution in value of investment                                     | 0.00                           |
| (Profit)/Loss on sale of Investments                                  | (125.21)                       |
| Share of Loss in Partnership Firm                                     | 0.00                           |
| Bad debts and advance written off                                     | 14.03                          |
| Net surplus on disposal of fixed assets                               | (64.36)                        |
|   | <b>(92.18)</b>                 |
| <b>Operating Profit before Working Capital Changes</b>                | <b>1353.01</b>                 |
| (Increase) / Decrease in Trade and other Receivables                  | (741.47)                       |
| (Increase) / decrease in Inventories                                  | (608.37)                       |
| (Decrease) / Increase in Trade and Other Payable                      | (156.50)                       |
|   | <b>(1506.34)</b>               |
| <b>Cash Generated from Operations</b>                                 | <b>(153.33)</b>                |
| Direct Taxes ( Paid ) / Refund.                                       | (218.02)                       |
| <b>Net Cash Flow from Operating Activities (A)</b>                    | <b>(371.35)</b>                |
| <b>B. Cash Flow from Investing Activities</b>                         |                                |
| Purchase of Fixed Assets  | (0.52)                         |
| Sale of Fixed Assets  | 64.46                          |
| Purchase of Investments   | (2355.00)                      |
| Sale of Investment  | 2813.35                        |
| Dividend Income   | 0.00                           |
| Investment In Partnership Firm  | (0.01)                         |
| <b>Net Cash Inflow from Investing Activities (B)</b>                  | <b>522.28</b>                  |
| <b>C. Cash Flow from Financing Activities</b>                         |                                |
| Proceeds from Short Term Borrowings                                   | (30.81)                        |
| Repayment of Long Term Borrowings                                     | (39.06)                        |
| Interest Paid   | (8.70)                         |
| <b>Net Cash Outflow from Financing Activities (C)</b>                 | <b>(78.57)</b>                 |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)</b> | <b>72.36</b>                   |
| <b>Cash and Cash Equivalents at the beginning of the year</b>         | <b>16.88</b>                   |
| <b>Cash and Cash Equivalents at the end of the year</b>               | <b>89.24</b>                   |

As per our attached report of even date

For and on behalf of the Board

**For NATVARLAL VEPARI & CO.**  
Firm Registration Number: 123626W  
Chartered Accountants

**M. R. MOMAYA**  
Managing Director

**R. N. VEPARI**  
Partner  
Membership No.6728

**YOGESH C. PAPAIIYA**  
Whole-time Director & CFO

**HANISHA ARORA**  
Company Secretary

Surat, 29th May, 2017

Surat, 29th May, 2017

## Notes annexed to and forming part of the Financial Statements

### Note 1 : Significant Accounting Policies:

The Consolidated financial statements comprise the financial statements of Surat Textile Mills Limited ("the Company" or "the Holding Company") and its associate M/s. Isha Enterprises ("the Associate") as on 31st March, 2017.

#### (a) Basis of accounting and preparation of financial statements

The financial statements are prepared and presented under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) and the provisions of the Companies Act, 2013. The Company follows the mercantile system of accounting and recognizes Income and Expenditure on accrual basis. Accounting policies not referred to otherwise are consistent with the GAAP.

#### Principal of Consolidation

The consolidated financial statements relate to the Company and its Associate. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its associate are consolidated in accordance with Accounting Standard-23 - "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

#### (b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements, the reported amounts of revenues and expenses during the reported period and the disclosures relating to contingent liabilities as of the date of the financial statements. Difference between actual results and estimates are recognised in the period in which the results are known or materialise.

#### (c) Fixed Assets

Fixed Assets are recorded at cost of acquisition or construction, net of CENVAT \ VAT and include amounts added /reduced on revaluation, less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date. Fixed Assets acquired and put to use for project purpose are capitalised Project under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### (d) Depreciation and Amortisation

- (i) Consequent to the applicability of the Companies Act, 2013 with effect from 1st April, 2014, the depreciation is provided as per the useful life specified in the Act or as re-assessed by the Company. Consequently, the Company has followed useful life specification as per Schedule II to the Companies Act, 2013.
- (ii) Wherever the assets are impaired or significantly impaired and the written down value of those assets have been brought down to a level based on the provision for impairment of assets made as per Accounting Standards (AS) 28 on "Impairment of Assets" issued by The Institute of Chartered Accountants of India, depreciation has been worked out after reassessing the useful life of the assets from the brought down level and accordingly charged, considering brought down level as a base.

#### (e) Investments

Investments are classified into Current and Long-term Investments. Current investments are stated at lower of cost and fair value. Long-term investments are stated at cost. Provision for diminution in the value of Long-term investments is made only if such a decline is other than temporary.

#### (f) Impairment of Assets

The carrying amount of assets are reviewed at each balance sheet date in respect of Cash Generating Unit if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's selling price and value in use.

Reversal of an impairment loss for an asset is recognised as income in the statement of profit and loss, which was earlier shown as an expense.

#### (g) Valuation of Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard (AS) 2 on "valuation of inventories" issued by The Institute of Chartered Accountants of India (ICAI). Mode of working of cost is weighted average while any item of inventory is valued at Net Realisable Value if the same is less than cost. Inventories are specifically identified, wherever possible in respect of traded goods.

Inventory valuation is determined on the following basis :

- (i) Raw Materials, Stock in Process, Finished goods, Stock in Trade and Stores Spares & Chemicals are valued at cost or Net realisable value whichever is lower.
- (ii) Waste is valued at net realisable value.
- (iii) By product is valued at net realisable value.
- (iv) Property under Development is valued at revalued cost of land and construction thereon at cost.

**Notes annexed to and forming part of the Financial Statements (Contd.)****(h) Revenue Recognition**

Revenue from operations includes sale value of goods, net of sales returns, discounts, rate difference and Sales Tax / Value Added Tax (VAT). Sales also include, sales of scrap, waste, rejection etc. and profits from property held as stock in trade.

**(i) Accounting for Excise Duty / Service Tax and Sales Tax / Value Added Tax**

(i) Excise Duty / Service tax has been accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses and the same has been treated as part of the cost of respective stock as per the revised Guidance Note on Accounting treatment for Excise Duty. However, this has no effect on the Profit for the year. Amount of Excise Duty shown as deduction from Sales is the total Excise Duty for the year except the duty related to difference between Closing Stock & Opening Stock. Excise duty related to the difference between Closing Stock & Opening Stock is recognised separately in the Profit & Loss Account.

**(j) Cenvat**

(i) The purchase cost of raw materials and other expenses have been considered net of cenvat available on inputs.  
(ii) The CENVAT benefits attributable to acquisition / construction of fixed assets is netted off against the cost of fixed assets in accordance with the guidance note issued by the ICAI.

**(k) Expenses**

All material known liabilities are provided for, on the basis of available information / estimates.

**(l) Employee Benefits :**

(i) Short Term Employee Benefits

All employee benefits falling due within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, bonus, leave salary ex-gratia are recognised in the period in which employee renders the related services.

(ii) For Defined Contribution Plans (PF, FPF and ESI)

Contributions to Defined Contribution Plans are recognized as expenses in the Profit and Loss Account as they are incurred.

(iii) For Defined Benefit Plans

As per requirement defined in Accounting Standard 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India, the entity has relied on the Actuarial valuation undertaken by the certified actuary for the present value of obligation and the same is unfunded.

**(m) Borrowing Cost**

Interest and other borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other interest and borrowing costs are charged to revenue.

**(n) Provision for Current and Deferred Tax**

Provision for current tax is made on the basis of the assessable income at the tax rate which is applicable to the relevant assessment year as per the Income Tax Act, 1961. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of their realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of their realisation. Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed for reassessment.

**(o) Foreign Currency Transactions**

(i) Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the dates when the relevant transactions take place.

(ii) At each Balance Sheet date, unrealized gains or losses on foreign currency transactions on account of increase or decrease in rupee liability / asset as a result of exchange difference between the Balance sheet date rate and the transaction Date rate to items of assets and liabilities are recognised in the Statement of Profit and Loss and accordingly, related assets or liabilities are adjusted.

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | As at<br>31st March, 2017 |
|---|---------------------------|
| <b>Note 2 : Share Capital</b>   |                           |
| <b>Authorised Share Capital</b>   |                           |
| 75,00,00,000 (75,00,00,000) Equity Shares of Rs.1/- each                | <b>7500.00</b>            |
| <b>Issued, Subscribed and Paid up</b>                                   |                           |
| 22,20,64,440 (22,20,64,440) Equity Shares of Rs. 1/- each fully paid up | <b>2220.64</b>            |

### 2.1 Reconciliation of Shares Outstanding

|                                      | As at<br>31st March, 2017 |             |
|--------------------------------------|---------------------------|-------------|
|                                      | No. of Shares             | Rs. in Lacs |
| Balance at the beginning of the year | 222064440                 | 2220.64     |
| Shares issued during the year        | 0                         | 0.00        |
| Outstanding at the end of the year   | 222064440                 | 2220.64     |

### 2.2 The details of Shareholders holding more than 5% of Paid-up Equity Share Capital

| Name of the Shareholder          | As at<br>31st March, 2017 |        |
|----------------------------------|---------------------------|--------|
|                                  | No. of Shares             | % held |
| Shri Praful A. Shah (Individual) | 27910497                  | 12.57% |
| Vareli Trading Company Ltd.      | 77500000                  | 34.90% |
| IDBI Bank Ltd.                   | 13324215                  | 6.00%  |
| Garden Silk Mills Limited        | 14500000                  | 6.53%  |

### 2.3 Rights, Preferences and Restrictions attached to Shares

#### Equity Shares:

The Company has one class of shares referred to as equity shares having a par value of Rs.1 each. Each shareholder is entitled to one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting. In the event of liquidation, Equity Shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(Rs. in Lacs)

|   | As at<br>31st March, 2017 |
|---|---------------------------|
| <b>Note 3 : Reserves and Surplus</b>                          |                           |
| <b>Surplus in Statement of Profit and Loss</b>                |                           |
| Balance as per last standalone Balance Sheet                  | <b>6450.93</b>            |
| Add: Profit for the Year                                      | <b>1662.43</b>            |
| Add: Proportinate share of Net Profit/(Loss) from associate   | <b>(0.01)</b>             |
| <b>TOTAL</b>  | <b>8113.35</b>            |
| <b>Profit and Loss Account</b>                                |                           |
| Balance as per last balance sheet                             | 6450.99                   |
| Profit for the year   | 1662.43                   |
| <b>TOTAL</b>  | <b>8,113.42</b>           |
| <b>Profit and Loss Appropriation Account (FOR ASSOCIATES)</b> |                           |
| Net Profit/(Loss) post acquisition (M/s. Isha Enterprises)    | <b>-0.06</b>              |
| Proportionate share of Net Profit/(Loss) (49%)                | <b>-0.01</b>              |
| <b>TOTAL</b>  | <b>-0.07</b>              |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 4 : Long-Term Borrowings</b>                           |                           |
| <b>Secured</b>   |                           |
| Long-Term Maturities of Term Loans from Banks (Refer Note 4.1) | <b>21.59</b>              |
| <b>TOTAL</b>   | <b>21.59</b>              |

## Nature of Security and terms of repayment for Long Term secured borrowings:

## Note:

4.1 Term loan from Kotak Mahindra Prime Limited aggregating to Rs.21.59 Lacs (Previous year Rs.51.16 Lacs) under vehicle finance scheme are secured by an exclusive charge by way of hypothecation of specific vehicles purchased under the arrangements. Interest rate on term loan are 10.93 %.

## 4.2 Maturity profile of Secured Term Loan is set out as below :

(Rs. In Lacs)

|  | Maturity Profile as at 31/03/2017                       |              |              |
|--|---|--------------|--------------|
|  | Rate of Interest<br>ranged between<br>during 31/03/2017 | 2017-18      | 2018-19      |
| <b>Secured Term Loans</b>                    |   |              |              |
| Rupee Loan:                                  |   |              |              |
| Vehicle Loans from Kotak Mahindra Prime Ltd. | 10.93%  | 29.58        | 21.59        |
| <b>Total</b>                                 |   | <b>29.58</b> | <b>21.59</b> |

(Rs. in Lacs)

|   | As at<br>31st March, 2017 |
|---|---------------------------|
| <b>Note 5 : Other Long-Term Liabilities</b> |                           |
| Trade Deposits                              | <b>112.97</b>             |
| <b>TOTAL</b>                                | <b>112.97</b>             |

(Rs. in Lacs)

|                                      | As at<br>31st March, 2017 |
|--------------------------------------|---------------------------|
| <b>Note 6 : Long-Term Provisions</b> |                           |
| Provision for employee benefits      | <b>72.60</b>              |
| <b>TOTAL</b>                         | <b>72.60</b>              |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | As at<br>31st March, 2017 |
|---|---------------------------|
| <b>Note 7 : Short-term Borrowings</b>     |                           |
| <b>Secured</b>                            |                           |
| Loan repayable on demand                  |                           |
| - Cash Credit Facilities (Refer Note 7.1) | 0.00                      |
| <b>TOTAL</b>                              | <b>0.00</b>               |

### Note:

- 7.1** Cash Credit facilities availed from Bank of Baroda is secured by hypothecation by way of first pari passu charge on all its current assets and by way of second pari passu charge on immovable and all movable properties (excluding current assets) of the Company. Rate of Interest on Cash Credit facility is 12.35% (Previous year: 12.40%).

(Rs. in Lacs)

|                                     | As at<br>31st March, 2017 |
|-------------------------------------|---------------------------|
| <b>Note 8 : Trade Payables</b>      |                           |
| <b>Acceptances:</b>                 |                           |
| Under usance Letter of Credit       | 143.15                    |
| <b>Sundry creditors:</b>            |                           |
| Micro, Small and Medium Enterprises | 1.22                      |
| Others                              | 153.20                    |
| <b>TOTAL</b>                        | <b>297.57</b>             |

- 8.1** The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under:

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| Principal amount due and remaining unpaid                                | 0.00                      |
| Interest due on above and the unpaid interest                            | 0.00                      |
| Interest paid  | 0.00                      |
| Payment made beyond the appointed day during the year                    | 0.00                      |
| Interest due and payable for the period of delay                         | 0.00                      |
| Interest accrued and remaining unpaid                                    | 0.00                      |
| Amount of further interest remaining due and payable in succeeding years | 0.00                      |

(Rs. in Lacs)

|   | As at<br>31st March, 2017 |
|---|---------------------------|
| <b>Note 9 : Other Current Liabilities</b> |                           |
| Current maturities of long term debt      | 29.58                     |
| Creditors for Capital Expenditure         | 0.00                      |
| Advance Received                          | 0.30                      |
| Other Payables                            | 227.41                    |
| <b>TOTAL</b>                              | <b>257.29</b>             |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 10 : Short-Term Provisions</b> |                           |
| Provision for employee benefits.       | 7.95                      |
| Provision for taxation                 | 656.94                    |
| Other Provisions (Refer Note 10.1)     | 25.98                     |
| <b>TOTAL</b>                           | <b>690.87</b>             |

**Note:**

**10.1** Cash Credit facilities availed from Bank of Baroda is secured by hypothecation by way of first pari passu charge on all its current assets and by way of second pari passu charge on immovable and all movable properties (excluding current assets) of the Company. Rate of Interest on Cash Credit facility is 12.35% (Previous year: 12.40%).

**Note 11 : Fixed Assets**

(Rs. in Lacs)

| Particulars                           | Gross Block         |                                 |                                  | Total<br>31/03/2017 | Depreciation        |                 |                                  | Net Block           |                     |                     |
|---------------------------------------|---------------------|---------------------------------|----------------------------------|---------------------|---------------------|-----------------|----------------------------------|---------------------|---------------------|---------------------|
|                                       | As at<br>01/04/2016 | Additions<br>during<br>the Year | Adjustment<br>during<br>the Year |                     | As at<br>01/04/2016 | For the<br>Year | Adjustment<br>during<br>the Year | Total<br>31/03/2017 | As at<br>31/03/2017 | As at<br>31/03/2016 |
| 1                                     | 2                   | 3                               | 4                                | 5                   | 6                   | 7               | 8                                | 9                   | 10                  | 11                  |
| <b>Tangible Assets</b>                |                     |                                 |                                  |                     |                     |                 |                                  |                     |                     |                     |
| Land                                  | 196.54              | 993.86                          | 0.10                             | 1190.30             | 123.84              | 0.00            | 0.00                             | 123.84              | 1066.46             | 72.70               |
| Building                              | 2012.39             | 0.00                            | 0.00                             | 2012.39             | 1708.02             | 11.18           | 0.00                             | 1719.20             | 293.19              | 304.37              |
| Plant and Machinery                   | 10749.36            | 0.00                            | 0.00                             | 10749.36            | 10606.28            | 0.50            | 0.00                             | 10606.78            | 142.58              | 143.08              |
| Electrical Installations & Equipments | 353.89              | 0.00                            | 0.00                             | 353.89              | 344.84              | 0.00            | 0.00                             | 344.84              | 9.05                | 9.05                |
| Furniture                             | 13.47               | 0.00                            | 0.00                             | 13.47               | 11.80               | 0.17            | 0.00                             | 11.97               | 1.50                | 1.67                |
| Office Equipment                      | 190.45              | 0.00                            | 0.00                             | 190.45              | 152.54              | 28.32           | 0.00                             | 180.86              | 9.59                | 37.91               |
| Vehicles                              | 312.39              | 0.00                            | 0.00                             | 312.39              | 113.89              | 38.41           | 0.00                             | 152.30              | 160.09              | 198.50              |
| Computer                              | 27.87               | 0.52                            | 0.00                             | 28.39               | 26.34               | 0.35            | 0.00                             | 26.69               | 1.70                | 1.53                |
| <b>Total</b>                          | <b>13856.36</b>     | <b>994.38</b>                   | <b>0.10</b>                      | <b>14850.64</b>     | <b>13087.55</b>     | <b>78.93</b>    | <b>0.00</b>                      | <b>13166.48</b>     | <b>1684.16</b>      | <b>768.81</b>       |
| Previous Year                         | 15188.71            | 0.11                            | 1332.46                          | 13856.36            | 14172.56            | 115.68          | 1200.69                          | 13087.55            | 768.81              | 1016.15             |
| Capital Work-in-Progress              |                     |                                 |                                  |                     |                     |                 |                                  |                     | <b>0.00</b>         | 0.00                |

11.1 During the year, the Company converted 22637 Sq.mtrs. of Land at Varachha Road from "Property under development to "Fixed Assets" at Book Value, and Land at Vareli from "stock in trade" to "Fixed Assets".

11.2 Total of depreciation fund as on 31/03/2017 amounting to Rs.13166.48 Lacs includes Impairment Loss of Rs.6747.22 Lacs (Previous year Rs.6747.22 Lacs)



## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 12 : Non-Current Investments</b>   |                           |
| <b>Long Term Investments (At Cost)</b>   |                           |
| <b>Other Investments</b>   |                           |
| <b>In Equity Shares of Group Company - (Quoted, Fully paid-up)</b>                       |                           |
| 480878 (480878) Equity Shares of Garden Silk Mills Limited of Rs. 10 each fully paid up. | 946.84                    |
| <b>Other Investments in Equity Shares- (Quoted, Fully paid-up)</b>                       |                           |
| 16600 (16600 ) Equity Shares of Dena Bank Ltd. of Rs. 10 each fully paid up              | 4.98                      |
| 15900 (15900) Equity Shares of IDBI Ltd. of Rs. 10 each fully paid up                    | 13.46                     |
| <b>In Government Securities - Unquoted</b>   |                           |
| National Saving Certificate  | 0.01                      |
| <b>Investment in Partnership Firm</b>  |                           |
| M/s. Isha Enterprises  | 702.00                    |
| Proportionate share of Net Profit/(Loss)   | -0.07                     |
|  | <b>701.93</b>             |
|  | <b>1667.22</b>            |
| Less : Provision for Diminution in value of Investments                                  | <b>842.49</b>             |
| <b>TOTAL</b>   | <b>824.73</b>             |
| Aggregate amount of quoted investments (Net)   | <b>122.79</b>             |
| Market Value of quoted investments   | <b>172.68</b>             |
| Aggregate Amount of unquoted investments   | <b>701.94</b>             |

### Note:

- 12.1** Diminution in value of Investments is in respect of Investment in Equity Shares of Garden Silk Mills Limited.
- 12.2** Details of Investment in Partnership Firm:  
The Company is a partner in M/s.Isha Enterprise. The other partners are Armorax Business Centre Pvt. Ltd., Intro Scope Properties Pvt. Ltd. and Praful Amichand Shah. The share of each partners in the firm is 49%, 2%, 39% and 10% respectively. The total capital of the firm is Rs.1402.92 Lacs (Previous year Rs.1402.93 Lacs)
- 12.3 Calculation of Goodwill/ Capital Reserve on Acquisition of Associate.**
- |   |                 |
|---|-----------------|
| Total Share in Capital of M/s. Isha Enterprises       | <b>700.00</b>   |
| Purchase price of Investment in M/s. Isha Enterprises | <b>(700.00)</b> |
| Goodwill/Capital reserve                              | <b>0.00</b>     |
- 12.4** According to AS-23 "Accounting for investment in associates in consolidated financial statements" issued by the ICAI, the calculation for goodwill and capital reserve at the time of acquisition is to be identified in notes to accounts of the consolidate financial statements and not to be recognised. hence Goodwill/Capital reserve is only identified and not recognised.

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 13 : Deferred Tax Assets (Net)</b>                         |                           |
| <b>(a) Deferred Tax Liability</b>                                  | <b>3.54</b>               |
| <b>Total</b>   | <b>3.54</b>               |
| <b>(b) Deferred Tax Asset on account of :</b>                      |                           |
| Difference between book and tax written Down Value of Fixed Assets | <b>0.00</b>               |
| Disallowances under the income Tax Act, 1961                       | <b>5.29</b>               |
| Unabsorbed depreciation  | <b>860.63</b>             |
| <b>Total</b>   | <b>865.92</b>             |
| <b>Net Deferred Tax Assets</b>                                     | <b>862.38</b>             |
| <b>Deferred Tax asset recognised at 100%</b>                       | <b>862.38</b>             |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | As at<br>31st March, 2017 |
|---|---------------------------|
| <b>Note 14 : Long Term Loans and Advances</b> |                           |
| <b>Unsecured</b>                              |                           |
| <b>Considered good:</b>                       |                           |
| Security Deposits                             | 137.84                    |
| Loans and advances to employees               | 1.24                      |
| <b>TOTAL</b>                                  | <b>139.08</b>             |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 15: Current Investment</b>   |                           |
| <b>Investment in Mutual Funds</b>  |                           |
| Nil (798110.763) Units of Birla Sun Life short term fund Growth regular plan of Rs. 10/- each  | 0.00                      |
| 3837521.732 (3837521.732) Units of L & T short term Opportunities Fund-growth of Rs. 10/- each | 550.00                    |
| 23145.224 (9701.170) Units of L & T liquid fund-growth of Rs 100/- each                        | 500.00                    |
| 762761.652 (762761.652) Units of ICICI prudential short term plan -growth of Rs. 10/- each     | 235.00                    |
| Nil (1311260.449) Units of ICICI prudential Ultra short term plan-growth of Rs.10/- each       | 0.00                      |
| 1421442.497 (3796094.499) Units of IDFC Ultra Short Term fund- growth of Rs 10/- each          | 316.86                    |
| 251816.985 (Nil) Units of Birla Sunlife Floting Rate Fund Long Term - growth of Rs 10/- each   | 500.00                    |
| <b>TOTAL</b>   | <b>2101.86</b>            |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 16 : Inventories</b>                                 |                           |
| Raw Materials  | 861.74                    |
| Raw Materials in transit                                     | 164.52                    |
| Finished goods   | 233.83                    |
| Stock in Trade (Art & Artifacts)                             | 2861.02                   |
| Stores, Spares and Chemicals                                 | 338.06                    |
| Property under Development (Includes Land at revalued cost)  | 29.68                     |
| Property under Development (at book value) (Refer Note 11.1) | 0.00                      |
| Stock in trade (Land at Vareli) (Refer Note 11.1)            | 0.00                      |
| <b>TOTAL</b>   | <b>4488.85</b>            |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|                                    | As at<br>31st March, 2017 |
|------------------------------------|---------------------------|
| <b>Note 17 : Trade Receivables</b> |                           |
| <b>Exceeding Six months</b>        |                           |
| Unsecured, Considered good         | 8.63                      |
| Considered doubtful                | 0.00                      |
|                                    | 8.63                      |
| Less: Provision for doubtful debts | 0.00                      |
|                                    | 8.63                      |
| <b>Other receivables</b>           |                           |
| Unsecured, Considered good         | 754.85                    |
| <b>TOTAL</b>                       | <b>763.48</b>             |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 18 : Cash and Bank Balances</b>          |                           |
| <b>Cash and Cash Equivalents</b>                 |                           |
| Cash on hand                                     | 3.09                      |
| Balances with banks                              |                           |
| in current accounts                              | 23.63                     |
| In cash credit account                           | 57.04                     |
| <b>Other Bank Balances</b>                       |                           |
| Fixed Deposits with Banks - held as margin money |                           |
| Maturity less than 12 months                     | 1.45                      |
| Maturity more than 12 months                     | 4.03                      |
| <b>TOTAL</b>                                     | <b>89.24</b>              |

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 19 : Short-Term Loans and Advances</b>                     |                           |
| <b>Unsecured</b>   |                           |
| <b>Considered good:</b>  |                           |
| Loans to employees   | 0.54                      |
| Advance to Suppliers   | 29.02                     |
| Loans and Advances - Others  | 600.00                    |
| Advance Recoverable in cash or in kind or for value to be received | 167.04                    |
| Balance with Customs, Central Excise Authorities etc.              | 36.50                     |
| <b>TOTAL</b>   | <b>833.10</b>             |

**Notes annexed to and forming part of the Financial Statements (Contd.)**

(Rs. in Lacs)

|   | <b>2016-17</b>  |
|---|-----------------|
| <b>Note 20: Revenue from Operations</b> |                 |
| Sale of Products                        | <b>15682.12</b> |
| Job Charges Income                      | <b>0.00</b>     |
| <b>TOTAL</b>                            | <b>15682.12</b> |
| <b>Particulars of Sale of Products</b>  |                 |
| Polyester Chips                         | <b>15614.15</b> |
| Polyester filament Yarn                 | <b>0.14</b>     |
| Spun Yarn                               | <b>0.00</b>     |
| Shopping Complex                        | <b>31.41</b>    |
| Others                                  | <b>36.42</b>    |
| <b>TOTAL</b>                            | <b>15682.12</b> |

(Rs. in Lacs)

|   | <b>2016-17</b> |
|---|----------------|
| <b>Note 21 : Other Income</b>           |                |
| <b>Interest Income</b>                  |                |
| Bank deposits                           | <b>2.31</b>    |
| Loans and advances                      | <b>0.09</b>    |
| Others                                  | <b>32.01</b>   |
| <b>Dividend Income</b>                  |                |
| on Long Term Investments                | <b>0.00</b>    |
| <b>Other non-operating income</b>       |                |
| Miscellaneous income                    | <b>0.01</b>    |
| Rent Income                             | <b>1.75</b>    |
| Bad Debts Recovery                      | <b>39.00</b>   |
| Profit on Sale of Investments           | <b>125.21</b>  |
| Net surplus on disposal of fixed assets | <b>64.36</b>   |
| <b>TOTAL</b>                            | <b>264.74</b>  |

## Notes annexed to and forming part of the Financial Statements (Contd.)

|   |                | 2016-17         |
|---|----------------|-----------------|
| <b>Note 22 : Cost of Materials Consumed</b>   |                |                 |
| <b>Raw Materials</b>                          |                |                 |
| Imported                                      | 14.91%         | 1558.42         |
| Indigenous                                    | 85.09%         | 8894.28         |
|   | <b>100.00%</b> | <b>10452.70</b> |
| <b>22.1 Particulars of materials consumed</b> |                |                 |
| M.E.G.  |                | 3147.25         |
| P.T.A.  |                | 7283.85         |
| Cost of Shopping Complex Sold                 |                | 21.60           |
| <b>TOTAL</b>                                  |                | <b>10452.70</b> |

(Rs. in Lacs)

|   |  | 2016-17       |
|---|--|---------------|
| <b>Note 23 : Purchase of Stock-in-Trade</b> |  |               |
| Art & Artifacts                             |  | 379.69        |
| <b>TOTAL</b>                                |  | <b>379.69</b> |

(Rs. in Lacs)

|  |  | 2016-17         |
|--|--|-----------------|
| <b>Note 24: Changes in Inventories of Finished Goods,<br/>Work-in-Process and Stock-in-Trade</b> |  |                 |
| <b>Opening Stock</b>   |  |                 |
| Finished Goods & Stock-in-trade  |  | 2865.39         |
|  |  | <b>2865.39</b>  |
| <b>Closing Stock</b>   |  |                 |
| Finished Goods & Stock-in-trade  |  | 3094.84         |
|  |  | <b>3094.84</b>  |
| <b>Add/(Less):</b> Variation in excise duty on opening and closing stock of finished goods       |  | <b>(16.69)</b>  |
| <b>TOTAL</b>   |  | <b>(246.14)</b> |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | 2016-17       |
|--|---------------|
| <b>Note 25 : Employee Benefits Expense</b> |               |
| Salaries and Wages                         | 220.62        |
| Contribution to Provident and Other Funds  | 14.49         |
| Gratuity                                   | 10.32         |
| Staff Welfare Expenses                     | 7.69          |
| <b>TOTAL</b>                               | <b>253.12</b> |

**25.1** The present value of obligation is determined based on actuarial valuation and remains unfunded. As per Accounting Standard 15 "Employee benefits" issued by the Institute of Chartered Accountants of India (ICAI), the disclosures as defined in the Accounting Standards are given below:

(Rs. in Lacs)

|   | As at<br>31st March, 2017      |
|---|--------------------------------|
|   | <b>Gratuity<br/>(Unfunded)</b> |
| <b>Amount recognised in Balance Sheet</b>                         |                                |
| <b>(i) Present Value of Defined Benefit Obligation</b>            |                                |
| - Wholly Unfunded   | 59.96                          |
| <b>(ii) Amount Reflected in the Balance Sheet</b>                 |                                |
| - Liability   | 59.96                          |
| - Assets  | 0.00                           |
| Net Liability   | 59.96                          |
| <b>Net expense recognized in the Statement of Profit and Loss</b> |                                |
| Total included in "Payments to and provision for Employees"       | 10.32                          |
| <b>Actuarial Assumptions</b>                                      |                                |
| Discount Rate (Per Annum)   | 7.20%                          |
| Rate of Escalation in Salary (Per Annum)                          | 7.00%                          |

(Rs. in Lacs)

|                                | 2016-17      |
|--------------------------------|--------------|
| <b>Note 26 : Finance Costs</b> |              |
| Interest Expenses              | 29.60        |
| Exchange (Gain) / Loss         | (3.42)       |
| Other borrowing costs          | 12.66        |
| <b>TOTAL</b>                   | <b>38.84</b> |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|   | 2016-17        |
|---|----------------|
| <b>Note 27 : Other Expenses</b>             |                |
| <b>Manufacturing expenses</b>               |                |
| Job Charges                                 | 0.00           |
| Consumption of Stores, Spares and Chemicals | 886.94         |
| Packing Charges                             | 44.52          |
| Power and Fuel                              | 491.33         |
| Repairs to Plant and Machinery              | 4.35           |
| Repairs to Buildings                        | 1.36           |
| Repairs - Others                            | 11.74          |
| <b>Selling and Distribution Expenses</b>    |                |
| Commission and Discount                     | 23.06          |
| Other Selling and Distribution Expenses     | 54.42          |
| <b>Establishment Expenses</b>               |                |
| Insurance                                   | 15.43          |
| Rent  | 38.17          |
| Rates and Taxes                             | 21.96          |
| Excise Duty Expense                         | 1810.40        |
| Auditors' Remuneration                      | 5.56           |
| General Charges                             | 121.26         |
| Diminuation in value of investment          | 0.00           |
| Bad debts and advance written off           | 14.03          |
| Loss on sale of investment                  | 0.00           |
| <b>TOTAL</b>                                | <b>3544.53</b> |

### 27.1 Value of Stores, Chemicals and Component Consumed

|              | 2016-17        |               |
|--------------|----------------|---------------|
|              | %              | Rs. in Lacs   |
| Imported     | 93.10%         | 825.70        |
| Indigenous   | 6.90%          | 61.23         |
| <b>Total</b> | <b>100.00%</b> | <b>886.93</b> |

(Rs. in Lacs)

|   | 2016-17     |
|---|-------------|
| <b>27.2 Value of Imports on CIF Basis in respect of</b> |             |
| Raw Materials   | 1218.64     |
| Stores, Spare parts, Components and Chemicals           | 12.95       |
| Capital goods   | 0.00        |
| <b>27.3 Payment to Auditors</b>                         |             |
| Statutory Audit Fees                                    | 3.47        |
| Tax Audit Fees  | 0.90        |
| Cost Audit Fees   | 0.75        |
| Certification Fees                                      | 0.44        |
| <b>Total</b>  | <b>5.56</b> |

## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

|  | As at<br>31st March, 2017 |
|--|---------------------------|
| <b>Note 28 : Earnings Per Share (EPS)</b>                        |                           |
| (i) Net Profit attributable to Equity Shareholders (Rs. in Lacs) | <b>1662.43</b>            |
| (ii) Weighted average number of Equity Shares outstanding (Nos.) | <b>222064440</b>          |
| Basic and Diluted EPS (Rs.)                                      | <b>0.75</b>               |
| Face Value of Share (Rs.)  | <b>1.00</b>               |

**Note 29 : Related Party Disclosures:**

As per the Accounting Standard 18 on "Related Party Disclosures" (AS 18) issued by the Institute of Chartered Accountants of India (ICAI), the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

**(i) List of related parties with whom transactions have taken place and relationships:**

| Sr. No. | Name of Related Party     | Relationship             |
|---------|---------------------------|--------------------------|
| 1       | Garden Silk Mills Limited | Group Company            |
| 2       | M/s Isha Enterprises      | Partnership Firm         |
| 3       | Shri M. R. Momaya         | Key Management Personnel |
| 4       | Shri Yogesh C. Papaiya    | Key Management Personnel |

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

**(ii) Transactions during the year with Related Parties:**

(Rs. in Lacs)

| Nature of Transactions                      | Group Company  | Partnership firm | Key Management Personnel | Total          |
|---|----------------|------------------|--------------------------|----------------|
| Sales                                       | <b>6358.80</b> | <b>0.00</b>      | <b>0.00</b>              | <b>6358.80</b> |
|   | (4629.16)      | (0.00)           | (0.00)                   | (4629.16)      |
| Job Charges Income                          | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>              | <b>0.00</b>    |
|   | (264.84)       | (0.00)           | (0.00)                   | (264.84)       |
| Raw Material & Stores Purchase              | <b>520.89</b>  | <b>0.00</b>      | <b>0.00</b>              | <b>520.89</b>  |
|   | (0.00)         | (0.00)           | (0.00)                   | (0.00)         |
| Other Misc Purchases                        | <b>215.85</b>  | <b>0.00</b>      | <b>0.00</b>              | <b>215.85</b>  |
|   | (286.57)       | (0.00)           | (0.00)                   | (286.57)       |
| Electric Power and Fuel Charges             | <b>479.12</b>  | <b>0.00</b>      | <b>0.00</b>              | <b>479.12</b>  |
|   | (432.22)       | (0.00)           | (0.00)                   | (432.22)       |
| Job Charges Expenses                        | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>              | <b>0.00</b>    |
|   | (0.10)         | (0.00)           | (0.00)                   | (0.10)         |
| Remuneration                                | <b>0.00</b>    | <b>0.00</b>      | <b>25.05</b>             | <b>25.05</b>   |
|   | (0.00)         | (0.00)           | (24.79)                  | (24.79)        |
| Share of loss                               | <b>0.00</b>    | <b>0.01</b>      | <b>0.00</b>              | <b>0.01</b>    |
|   | (0.00)         | (0.01)           | (0.00)                   | (0.01)         |
| Payments under Current Account              | <b>1172.33</b> | <b>0.00</b>      | <b>0.00</b>              | <b>1172.33</b> |
|   | (9316.79)      | (0.00)           | (0.00)                   | (9316.79)      |
| Receipt under Current Account               | <b>5739.57</b> | <b>0.00</b>      | <b>0.00</b>              | <b>5739.57</b> |
|   | (14471.69)     | (0.00)           | (0.00)                   | (14471.69)     |
| <b>Balance at the beginning of the year</b> |                |                  |                          |                |
| Current Account (Debit Balance)             | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>              | <b>0.00</b>    |
| Capital Account                             | <b>0.00</b>    | <b>701.94</b>    | <b>0.00</b>              | <b>701.94</b>  |
| Payables                                    | <b>0.00</b>    | <b>0.00</b>      | <b>3.26</b>              | <b>3.26</b>    |



## Notes annexed to and forming part of the Financial Statements (Contd.)

(Rs. in Lacs)

| Nature of Transactions                | Group Company | Partnership firm | Key Management Personnel | Total  |
|---------------------------------------|---------------|------------------|--------------------------|--------|
| <b>Balance at the end of the year</b> |               |                  |                          |        |
| Current Account                       | 575.70        | 0.00             | 0.00                     | 575.70 |
| Capital Account                       | 0.00          | 701.93           | 0.00                     | 701.93 |
| Payables                              | 0.00          | 0.00             | 3.31                     | 3.31   |

Note : Figures in bracket represents previous year's amount.

### Note 30 : Segment Reporting:

The Company has identified three reportable segments viz. Yarns, Art & Artifacts and Construction as per Accounting standard 17 of ICAI. The break up of total segment assets as at 31st March, 2017 is as under:

(Rs. in Lacs)

| Segment             | Capital Employed |
|---------------------|------------------|
| (1) Textile (Chips) | 7443.29          |
| (2) Art & Artifacts | 2861.02          |
| (3) Construction    | 29.68            |
| <b>Total</b>        | <b>10333.99</b>  |

### Note 31 :

Disclosure of the details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as provided in the Table below:

|  | SBNs* | Other Denomination Notes | Total |
|--|-------|--------------------------|-------|
| Closing cash in hand as on 8th November, 2016  | 50.14 | 2.35                     | 52.49 |
| (+) Permitted receipts                         | 0.00  | 4.10                     | 4.10  |
| (-) Permitted payments                         | 0.00  | 1.76                     | 1.76  |
| (-) deposited in Banks                         | 50.14 | 0.00                     | 50.14 |
| Closing cash in hand as on 30th December, 2016 | 0.00  | 4.69                     | 4.69  |

\* Specified Bank Notes (SBNs) mean the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O.3407(E), dated the 8th November, 2016

### Note 32 : Contingent Liabilities

Disputed liabilities for Income Tax not acknowledged as debts Rs.Nil (Previous year: Rs.856.74 Lacs)

Disputed liabilities for Excise Duty not acknowledged as debts Rs.35.22 Lacs (Previous year: Rs.35.22 Lacs)

### Note 33 :

This year being the first year that consolidated financial statement are presented, comparative figures for the previous year have not been presented in accordance with the transitional provisions of Accounting Standard-21 - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

As per our attached report of even date

For and on behalf of the Board

### For NATVARLAL VEPARI & CO.

Firm Registration Number: 123626W  
Chartered Accountants

**M. R. MOMAYA**  
Managing Director

### R. N. VEPARI

Partner  
Membership No.6728

**YOGESH C. PAPAIIYA**  
Whole-time Director & CFO

**HANISHA ARORA**  
Company Secretary

Surat, 29th May, 2017

Surat, 29th May, 2017

# SURAT TEXTILE MILLS LIMITED

Regd. Office: Tulsi Krupa Arcade, 3rd Floor, Puna-Kumbharia Road, Dumbhal, Surat 395010

CIN: L17119GJ1945PLC000214, Website: www.surattextilemillsltd.com

Tel.No. (0261) 2311197, 2311615 Fax : (0261) 2311029

## 71ST ANNUAL GENERAL MEETING

### ATTENDANCE SLIP

|   |                       |
|---|-----------------------|
| Folio No.                                   | Number of shares held |
| DP ID/Client ID No.*                        |                       |
| Name of the Member(s) & Registered address: |                       |
|   |                       |

\* Applicable for the Member(s) holding shares in Electronic Form.

I being a Member / Proxy for the Member of the Company hereby record my presence at the 71st Annual General Meeting of Surat Textile Mills Limited at **Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010** on Wednesday, 2nd August, 2017 at 11.00 a.m.

Name of the Member/Proxy\* \_\_\_\_\_ Signature of the Member/Proxy\* \_\_\_\_\_

\* Strikeout whichever is not applicable.

1. Please hand over the attendance slip at the entrance of the meeting venue.
2. This attendance is valid only in case shares are held on the date of meeting.
3. As per Section 118(10) of the Companies Act, 2013 read with the Secretarial Standards for General Meetings issued by Institute of Company Secretaries of India "**No gifts, gift coupons or cash in lieu of gifts shall be distributed to members at or in connection with the meeting**".

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# SURAT TEXTILE MILLS LIMITED

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## PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

|                    |  |           |  |                    |  |
|--------------------|--|-----------|--|--------------------|--|
| Name               |  |           |  |                    |  |
| Address            |  |           |  |                    |  |
| DP Id / Client Id* |  | Folio No. |  | No. of shares held |  |

\*Applicable for members holding shares in Electronic form.

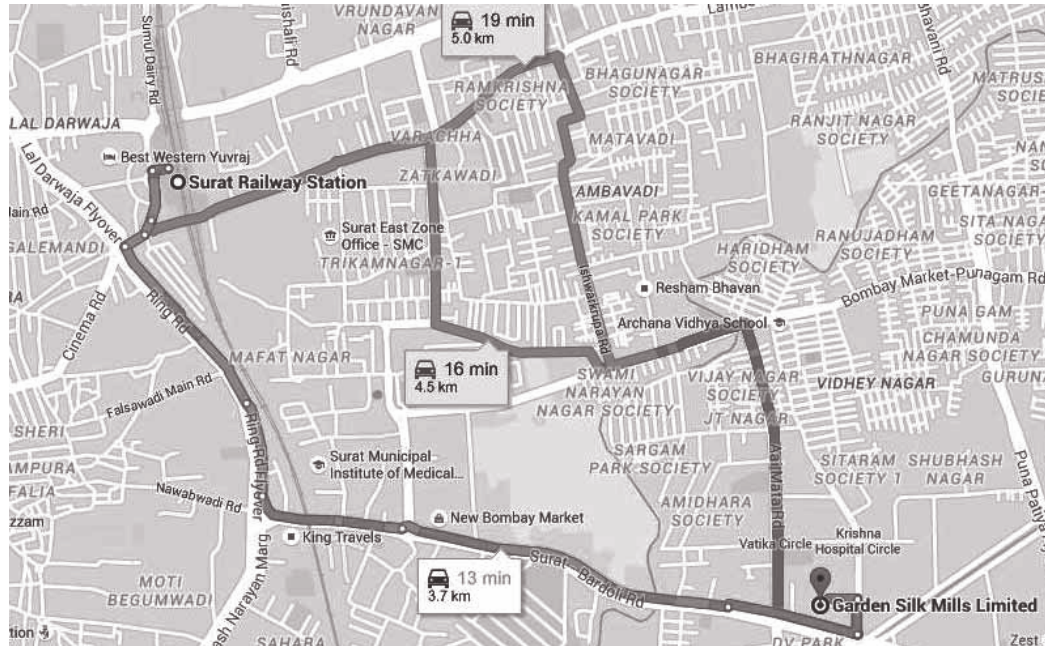
I/We, being the member(s) holding \_\_\_\_\_ shares of Surat Textile Mills Limited, hereby appoint

1. Name \_\_\_\_\_ Address: \_\_\_\_\_  
Signature: \_\_\_\_\_ or failing him
2. Name \_\_\_\_\_ Address: \_\_\_\_\_  
Signature: \_\_\_\_\_ or failing him
3. Name \_\_\_\_\_ Address: \_\_\_\_\_  
Signature: \_\_\_\_\_

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 71st Annual General Meeting of the Company, to be held on Wednesday, 2nd August, 2017 at 11.00 a.m. at **Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010** and at any adjournment thereof in respect of such resolutions as are indicated below:

# ROUTE MAP FOR ANNUAL GENERAL MEETING VENUE

**Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010**



| Resolutions No. | Resolutions   | Optional * |         |
|-----------------|---|------------|---------|
|                 |   | For        | Against |
|                 | <b>Ordinary business</b>  |            |         |
| 1               | Adoption of Audited Financial Statement, Reports of the Board of Directors and Auditors               |            |         |
| 2               | Re-appointment of Shri Yogesh C. Papaiya, who retires by rotation                                     |            |         |
| 3               | Appointment of Sharp & Tannan Associates, Chartered Accountants as Statutory Auditors of the Company. |            |         |
|                 | <b>Special business</b>   |            |         |
| 4               | Ordinary Resolution: Ratification of remuneration to Cost Auditor                                     |            |         |
| 5               | Special Resolution: Approval of Related Party Transactions  |            |         |
| 6               | Ordinary Resolution: Approval for investments   |            |         |

Signed this \_\_\_\_\_ day of July, 2017

Signature of Proxy holder(s): \_\_\_\_\_

Signature of the Member: \_\_\_\_\_

Affix  
Revenue  
Stamp

**Notes:**

1. This Instrument of proxy, in order to be effective, should be duly completed and signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. This form of Proxy shall be signed by the member or his duly authorised attorney, or if the member is a body corporate, it shall be duly sealed and signed by an officer or an attorney. The Proxy Form which is unstamped or inadequately stamped or where the stamp has not been cancelled or is undated or which does not state the name of the Proxy shall not be considered valid.
3. Proxy need not be a member of the Company. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as proxy on behalf of not more than fifty (50) members and holding in aggregate not more than ten percent of the total share capital of the Company. Members holding more than ten percent of the total share capital of the company may appoint a single person as proxy, who shall not act as proxy for any other member.
4. The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the meeting. If both member and proxy attend the meeting, the proxy shall stand automatically revoked.
5. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.

To,  
Karvy Computershare Private Limited  
Unit: Surat Textile Mills Limited  
Karvy Selenium, Tower – B, Plot 31-32, Gachibowli  
Financial District, Nanakramguda,  
Hyderabad 500032

## Updation of Shareholders Information

I/We request you to record the following information against my/our Folio No.:

### General Information:

|   |  |
|---|--|
| Folio No.   |  |
| Name of the first named Shareholder                             |  |
| PAN   |  |
| CIN/Registration No.*<br>(applicable to Corporate Shareholders) |  |
| Tel.No. with STD Code   |  |
| Moblie No.  |  |
| E-mail id   |  |

\* Self attested copy of the document(s) enclosed.

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/we would not hold the Company/ RTA responsible. I/We undertake to inform any subsequent changes in the above particulars as and when the changes take place. I/we understand that the above details shall be maintained till I/we hold the securities under the above mentioned Folio No./beneficiary account.

Place:

Date:

\_\_\_\_\_  
Signature of Sole/First holder