

Annual Report

2010-11

STM

SURAT TEXTILE MILLS LIMITED

BOARD OF DIRECTORS

M. R. Momaya	Managing Director
Shilpa P. Shah	Executive Director
Y. C. Papaiya	Director
Harish Bharuchi *	Director
S. M. Vig **	Director

* (w.e.f. 26/11/10)

** (upto 27/11/10)

AUDITORS

Messrs Natvarlal Vepari & Co.,
Chartered Accountants, Surat

BANKERS

Bank of Baroda

REGISTERED OFFICE

Garden Mills' Complex,
Sahara Gate
Surat 395 010

MANUFACTURING FACILITIES

- i. Village Vareli,
Taluka Palsana,
Dist. Surat - 394327
Tel.No. (02622) 271241
- ii. Village Jolva, Taluka Palsana,
Dist. Surat - 394305
Tel. No.: (02622) 273287, 273289
- iii. Survey No.285, Village Khadoli,
Silvassa-Khanvel Road,
Silvassa (DNH).
Tel. No.: (0260) 2699009

REGISTRARS AND TRANSFER AGENTS**Karvy Computershare Private Limited**

Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel. No.: 040-23420815 to 24
Fax No.: 040-23420814
e-mail: einward.ris@karvy.com
[http:// www.karvy.com](http://www.karvy.com)

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

**65th Annual General Meeting on Wednesday, 24th August, 2011
at 10.30 a.m. at the Registered Office of the Company.**

NOTICE

NOTICE is hereby given that the Sixty-fifth Annual General Meeting of the Members of **SURAT TEXTILE MILLS LIMITED** will be held on **Wednesday, 24th August, 2011 at 10.30 a.m.** at the Registered Office of the Company at Garden Mills' Complex, Sahara Gate, Surat - 395010, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. M. R. Momaya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Harish Bharuchi, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 26th November, 2010 and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board of Directors

Vishal Tibrewal
Company Secretary

Surat, 6th July, 2011.

Notes:

1. A member entitled to attend and vote at the 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.
2. Proxies, in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
3. The Explanatory Statement setting out the material facts concerning Special Business in respect of Item No. 4 of the accompanying Notice as required by Section 173 of the Companies Act, 1956, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 18th August, 2011 to Wednesday, 24th August, 2011 (both days inclusive) in connection with the Annual General Meeting.
5. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Company's Share Transfer Agent M/s. Karyv Computershare Private Limited, for consolidation into a single folio.
6. The unclaimed dividend upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those shareholders who have so far not claimed their dividend for the financial year ended 31st March, 1995 may claim their dividend from the Registrar of Companies – Gujarat by submitting an application in the prescribed form.
7. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividend for the financial year 1995-96 to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Please note that once the unclaimed dividend is transferred to the aforesaid Fund of the Central Government, no claim shall lie in respect thereof.
8. Members desiring any information about the Company's working are requested to write to the Company at an early date so as to enable the Management to reply at the Annual General Meeting.
9. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company/Registrars and Transfer Agent, M/s. Karyv Computershare Private Limited
10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding share in physical form can submit their PAN details to the Company/Registrars and Transfer Agents, M/s. Karyv Computershare Private Limited.
11. Non-Resident Indian Members are requested to inform to the Registrars and Transfer Agents of the Company, M/s. Karyv Computershare Private Limited of:
 - a) Change in their residential status on return to India for permanent settlement.
 - b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
12. Corporate Members intending to send their authorised representative to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.
13. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The Nomination Form-2B, prescribed by the Government for the purpose, can be obtained from the Share Department or the Share Transfer Agent of the Company.
14. As required under the Revised Clause 49 IV G (j) of the Listing Agreement executed with the stock exchanges brief profiles of Directors are given as Annexure to the Notice.

By Order of the Board of Directors

Vishal Tibrewal
Company Secretary

Surat, 6th July, 2011.

NOTICE (Contd.)**Important Communication to Members**

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies and has issued circulars stating that service of notice/documents including Annual Report can be send by e-mail to its members. To support this green initiative of the Government in full measures, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants and members holding shares in physical form are requested to register their e-mail address with the Company's Registrar & Transfer Agent M/s Karvy Computershare Private Limited at stm.cs@karvy.com mentioning their Folio No.

Particulars of Directors retiring by rotation/Additional Director proposed to be appointed at the ensuing Annual General Meeting:

Name	Mr. M.R. Momaya
Age	79 Years
Date of Appointment	23.10.2000
Qualification	Engineer
Expertise in functional areas	Having wide experience in Textile Industry. He was associated with one of the most reputed textile Company of Surat for about 34 years. He is presently rendering his services as Consultant Engineer
Directorship in other companies	1. Como Textiles Private Ltd. 2. Amalfi Textiles Private Ltd. 3. Sorrento Textiles Private Ltd. 4. Porus Textiles & Trading Pvt. Ltd.
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

Name	Mr. Harish Bharuchi
Age	68
Date of Appointment	26.11.2010
Qualification	Graduate
Expertise in functional areas	30 years
Directorship in other companies	Creative Processing Ltd.
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business under Item No.4 of the accompanying Notice dated 6th July, 2011.

Item No. 4

The Board of Directors of the Company at their meeting held on 7th December, 2010 unanimously appointed Mr. Harish Bharuchi as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956, Mr. Harish Bharuchi holds the office of Director upto the date of the ensuing Annual General Meeting.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received, together with requisite deposit, from a member signifying his intention to propose the appointment of Mr. Harish Bharuchi as a candidate for the office of Director of the Company, liable to retire by rotation.

The Directors are of the view that the appointment of Mr. Harish Bharuchi as a Director will be beneficial to the operations of the Company.

Mr. Harish Bharuchi is interested in the Resolution set out at Item No. 4 of the accompanying Notice, since it relates to his appointment.

The Board commends the passing of the Resolution set out in Item No. 4 of the accompanying Notice.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

To the Members of

Surat Textile Mills Limited

Your Directors have pleasure in presenting the sixty-fifth Annual Report on the business and operations of the Company together with the audited accounts for the year ended 31st March, 2011.

Summarised Financial Results

	(₹ in Lacs)	
	2010-11	2009-10
Net Sales	27162.09	24203.59
Profit before interest, depreciation and tax	1639.09	1448.82
Interest and Finance Charges	385.35	399.72
Profit before Depreciation and Tax	1253.74	1049.10
Depreciation	167.88	182.41
Profit before Tax	1085.86	866.69
Provision for Tax	248.20	146.00
Net Profit for the year	837.66	720.69

Dividend

In order to strengthen the reserves of the Company and with a view to ensure sufficient liquidity your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2010-11.

Review of Operations

During the year under review, your Company achieved net sales of ₹ 27162.09 lacs as compared to ₹ 24203.59 lacs in the previous year. This was largely on account of trading activities by leveraging on the Company's in-house expertise in the import and procurement of raw materials for the polyester industry.

The sale of polyester chips was higher at ₹ 9746.87 lacs as compared to ₹ 8130.91 lacs in the previous year. The sales of polyester filament yarn increased to ₹ 7294.28 lacs as compared to ₹ 6824.81 lacs achieved in the previous year.

Despite increase in business volume, the overall contribution and margins remained under pressure due to fluctuation in raw material prices coupled with competitive pressures.

Apart from investing surplus funds in business the Company is also pursuing related business opportunities by building up its stock-in-trade of art and artifacts during the year.

Overview of Economy

The country's economic growth was around 8.6% in 2010-11, compared to 7.4% expansion in the previous fiscal. Growth is projected to 8-9% in the next two years with a fear of hardening inflation. The growth of Indian GDP could be even faster than what is projected, but the rising interest rates, rupee appreciation and vulnerability of exports to high-income nations could cause hurdles to the growth. India's growth could also be impacted by volatility in capital inflows.

Industry Scenario

In polyester chips, the domestic supply has increased and outstrips demand largely. The demand for Partially Oriented Yarn (POY) grew marginally during the year. The slow growth in the domestic market was however offset by the buoyancy in the export market. The strong export performance was the result of supply tightness in the global fibre/yarn market due to limited availability of cotton/cotton yarn.

The raw material prices are expected to go up and likely to put further pressure on margins. Tightness in supply due to planned maintenance shut downs is expected to cause PTA and MEG spreads to go up in 2011-12. The Company hopes to counter this effect by better material management.

Opportunities, Threats and Challenges

Low per capita consumption of polyester in India is still way behind the world average. This provides an opportunity for future growth in the Indian Polyester Industry. Apart from increase in per capita consumption high cotton prices are expected to push POY prices further up over the next two years. The Company perceives threat from imports and consequent pressure on domestic prices, increase in prices of raw materials and other inputs due to any spurt in crude oil prices apart from the expected capacity expansions by other companies in the same industry.

Your Company is gearing up to meet the challenges through continuous improvement in quality, reduction in costs, better marketing arrangements for higher value added products.

Business Outlook

Your Company is pursuing cost cutting measures and focusing on increased productivity, better product mix, introduction of new products and a thrust in sales and better price realisation. However, the performance of the Company in the coming months would be largely dependent on the overall industry scenario.

Internal Control

Your Company has an adequate and effective internal control system to ensure that assets and interests of the Company are safeguarded and reliability of accounting data and accuracy are ensured with proper checks and balances.

The internal control system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements. The Audit Committee of the Board of Directors, Statutory Auditors and the business heads are periodically appraised of the internal audit findings and the corrective actions taken. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them.

Risk Management

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through better inventory management, vendor development and relationship. The Company mitigates the impact of price risk on finished goods with Company's strong reputation for quality, products differentiation and service to the customers with better marketing network.

Environment and safety

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires the conduct of all operations in such manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include overall global economic conditions, domestic manufacturing sector growth, foreign exchange stability and stable credit environment.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Directors

In accordance with the Articles of Association of the Company Mr. M. R. Momaya retire by rotation at the 65th Annual General Meeting and, being eligible, offers himself for re-appointment.

Mr. Harish Bharuchi was appointed as an additional director by the Board with effect from 26th November, 2010 at its meeting held on 7th December, 2010. Mr. Harish Bharuchi holds office until the conclusion of the ensuing annual general meeting and is eligible for re-appointment. The Company has received notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, liable to retire by rotation. The Directors recommend his appointment.

Mr. S.M. Vig who was associated with the Company as a director of the Company since October, 2000 ceased to be a Director with effect from 27th November, 2010. The Board places on record its deep sense of appreciation of the invaluable contribution made by him to the growth of the Company during the tenure of his office as a director of the Company for over 10 years.

Pursuant to clause 49 of the Listing Agreement, the particulars of Directors seeking appointment/re-appointment at the forthcoming annual general meeting are provided in the notes forming part of the Notice of Annual General Meeting.

Fixed Deposits

The Company has not accepted any public deposits within the meaning of Section 58A of the Companies Act, 1956 and, as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

Energy Conversion, Technology Absorption and Foreign Exchange Earnings and Outgo

Your Company makes every effort to conserve energy required for all its operations. The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 are provided in the Annexure 'A' to this Report.

Transfer of amounts to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividends, interest on debentures and matured debentures which remained unpaid or unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund.

Employee relations

Relations between the employees and the management of the Company across all the locations continued to be cordial during the year.

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder is provided in an Annexure forming part of this Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining copy of the same may write to the Company Secretary.

Auditors

Messrs Natvarlal Vepari & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

Cost Auditors

Audit of Cost Accounts of the Company relating to textiles for the year ended 31st March, 2011 will be audited by Cost Auditors, M/s. P.M. Nanabhoy & Co. Cost Accountants, Mumbai and Cost Audit Report will be submitted to the Ministry of Corporate Affairs, Government of India. The cost accounts alongwith the Cost Auditors Report for the year ended 31st March, 2010 has already been filed with the Ministry of Corporate Affairs within specified time limit on 29th September, 2010. The due date for the same was 30th September, 2010.

The Central Government has granted its approval for the re-appointment of M/s. P.M. Nanabhoy & Co. Cost Accountants, Mumbai as Cost Auditors of the Company for the year 2011-12.

Cash Flow Analysis

The Cash Flow Statement for the year under reference in terms of Clause 32 of the Listing Agreement with the stock exchanges forms part of the Annual Report.

Directors' responsibility statement:

As required under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the year ended 31st March, 2011, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- (ii) the Directors have selected such accounting policies, and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profits of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Corporate Governance

The report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the annual report. The requisite Certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

Acknowledgement

Your Directors place on record their appreciation for the continued support and co-operation received from customers, suppliers, dealers, banks and government authorities. The Board also, expresses its appreciation for the understanding and support extended by the shareholders and employees of the Company.

By Order of the Board of Directors

M. R. Momaya
Managing Director

Surat, 6th July, 2011.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)**ANNEXURE TO THE DIRECTORS' REPORT**

Information as per Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

I. CONSERVATION OF ENERGY:

- a) Energy Conservation measures taken:
- 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.
 - Energy Audit is also being carried out by external agencies.
- b) Impact of above measures for reduction of energy consumption and consequent impact on the cost of production:
- Reduction in consumption of electricity and fuel oils with consequent reduction in the cost of production.
- c) Total energy consumption and energy consumption per unit of production as per Form "A" as per annexure to the Rules.

FORM "A"		2010-11	2009-10
Form for Disclosure of Particulars with respect to Conservation of Energy.			
A. Power And Fuel Consumption			
1. Electricity			
a) Purchased Unit in lacs		176.08	158.53
Total amount ₹ in Lacs.		1290.27	1128.33
Rate/Unit ₹		7.33	7.12
b) Own Generation			
i. Through Diesel Generator			
Units in lacs		NIL	NIL
Units per Ltr. of Diesel Oil		NIL	NIL
Unit per SCM of Gas Consumption		NIL	NIL
Cost/Unit ₹		NIL	NIL
ii. Through Steam turbine/Generator			
Units		NIL	NIL
Units per Ltr. of fuel oil/gas		NIL	NIL
Cost/Unit ₹		NIL	NIL
2. Coal/Lignite for Generation of Steam			
Quantity (M.T.)		NIL	NIL
Total Cost ₹ in lacs		NIL	NIL
Average rate ₹ /M.T.		NIL	NIL
3. Furnace Oil			
Quantity (K.Ltrs.)		546	477
Total Amount ₹ in Lacs.		135.78	113.45
Average rate ₹/Ltr.		24.87	23.78
4. Others/Internal generation			
Quantity		NIL	NIL
Total Cost		NIL	NIL
Rate/Unit ₹		NIL	NIL
B. Consumption Per Unit of Production			
Product Details	SPUN YARN	SPUN YARN	
Unit	Kg.	Kg.	
Electricity (Unit) *	4.62	4.20	
Product Details	PFY	PFY	
Unit	Kg.	Kg.	
Electricity (Unit) *	1.38	1.15	
Product Details	CHIPS	CHIPS	
Unit	Kg.	Kg.	
Electricity (Unit) *	0.21	0.19	
Furnace Oil	NIL	NIL	
Coal/Lignite (Kg.)	NIL	NIL	
Others	NIL	NIL	
<i>* The variation in consumption of Electricity per unit of production is due to changes in product mix.</i>			

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)**II. TECHNOLOGY ABSORPTION**

Efforts made in Technology absorption as per Form - B

a) Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company:

- Productivity enhancement and development of new products.
- The Company has quality control department to check the quality of different products manufactured.

2. Benefits derived as a result of the above efforts:

- Reduction in operating and maintenance costs.
- Improvement in quality, customer satisfaction and enlargement of market base.

3. Future Plan of Action

- Management is committed to strengthen quality control department, further to improve its competitiveness in times to come with productivity enhancement and development of new products.

4. Expenditure on R & D:

- The Company, from time to time exposes itself to better technology and keeps itself abreast of technological improvements.

(i) Capital expenses	Nil
(ii) Recurring expenses	Nil
(iii) Total	Nil
(iv) Total R & D expenditure as a % of total turnover	Not Applicable

Technology absorption, adaptation and innovation

1. The Company has not taken any new technology in particular or entered into any technology agreement during the period hence the information required as per Form - D is not applicable.
2. The technology used by the Company is indigenously developed and no technology has been imported.

(i) Technology imported	Nil
(ii) Year of import:	Not Applicable
(iii) Has the technology been fully absorbed:	Not Applicable

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and exports plans:

Efforts were made to export the products of the Company in international market. The FOB value of such exports was ₹ 117.83 lacs during the year. The Company is in the process of identifying more value added products for export market in the current financial year.

2. Total foreign exchange used and earned is contained in Schedule 12 Note 12 (viii) and (ix) in Notes on Accounts.

By Order of the Board of Directors

Surat, 6th July, 2011.

M. R. Momaya
Managing Director

REPORT ON CORPORATE GOVERNANCE

Corporate governance refers to a set of laws, regulations and good practices that enable an organisation to perform efficiently and ethically generate long-term wealth and create value for all its stakeholders.

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of revised Clause 49 of the Listing Agreement.

A. MANDATORY REQUIREMENTS

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company not only adheres to the prescribed corporate practices as per Clause 49 but is constantly striving to adopt emerging best practices worldwide. It is our endeavour to achieve higher standards and provide oversight and guidance to management in strategy implementation and risk management and fulfillment of stated goals and objectives. The Company has listed out its various compliances with the statutory requirements of the day, as well as the spirit of the practice.

II. BOARD OF DIRECTORS

(a) Composition:

As of the year ended 31st March, 2011, the Board of Directors had 4 members comprising of 2 Executive Directors and 2 Non-Executive Independent Directors. The Chairman of the Board is an Executive Director.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting.

6 Board Meetings were held during the financial year 2010-11. Board Meetings were held on 28th April, 2010, 29th May, 2010, 2nd August, 2010, 29th October, 2010, 7th December, 2010 and 29th January, 2011. The attendance of each of the Directors at the said Board Meetings is as given below:

Name	Category	No. of Board Meetings attended	Attendance at the last AGM held on 28.07.10	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies
Mr. M.R. Momaya	Whole-time Director	06	Yes	–	–
Mrs. Shilpa P. Shah *	Whole-time Director	04	No	01	–
Mr. Y.C. Papaiya	Non-Executive, Independent	06	Yes	–	–
Mr. Harish Bharuchi **	Non-Executive, Independent	01	N.A.	01	–
Mr. S.M. Vig ***	Non-Executive, Independent	02	Yes	–	–

* appointed w.e.f. 1st June, 2010.

** appointed w.e.f. 26th November, 2010.

*** resigned w.e.f. 27th November, 2010.

No director is related to any other Director on the Board in terms of the provisions of the Companies Act, 1956.

The Company has not had any pecuniary relationship and transaction with any of the Non-Executive Directors during the year under review.

(c) Board Procedures

The information as required under Annexure 1A to Clause 49 of the listing agreement is being regularly placed before the Board. The Board also reviews the declaration made by the Managing Director of the Company regarding compliance with all laws applicable to the Company, on a quarterly basis.

Apart from the four prescheduled Board Meetings, additional Board Meetings can be convened by giving appropriate notice to address the specific needs of the Company. In case of business exigencies or urgency of matter, resolutions are passed by circulation.

Agenda and notes on agenda are circulated to the Directors, in advance, in the defined Agenda format. All material information is incorporated in the Agenda Papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same is tabled before the meeting with specific reference to this effect in the Agenda.

III. BOARD COMMITTEES:

(a) Audit Committee

Your Company has an Audit Committee at the Board level, with the powers and the role that are in accordance with the Clause 49 II (C) and (D) of the Listing Agreement and with the requirements of Section 292(A) of the Companies Act, 1956, which acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process.

The audit committee met four times during the Financial Year 2010-11 on 29.05.2010, 31.07.2010, 28.10.2010 and 29.01.2011.

All members are financially literate and have relevant finance and/or audit exposure. Mr. Y. C. Papaiya the Chairman of the audit committee is a Chartered Accountant. 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 Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 28th July, 2010 and he ensured that necessary clarifications and explanations were provided to the members of the Company on issues regarding accounts and finance.

REPORT ON CORPORATE GOVERNANCE (Contd.)

The members of the Audit Committee and attendance of each member of the Audit Committee at the meetings held during the year are as under.

Sr. No.	Name	Category	No. of Meeting Attended
1	Mr. Y. C. Papaiya	Non-Executive, Independent	4
2	Mr. Harish Bharuchi *	Non-Executive, Independent	1
3	Mr. S. M. Vig **	Non-Executive, Independent	3
4	Mr. M. R. Momaya	Whole-time Director	4

* appointed w.e.f. 26th November, 2010.

** resigned w.e.f. 27th November, 2010.

(b) Transfer and Shareholders'/Investors' Grievance Committee

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, non-receipt of Annual Reports etc. As on 31st March, 2011, the Transfer and Shareholders'/Investors' Grievance Committee comprised of Mr. Y. C. Papaiya and Mr. Harish Bharuchi. The Secretary has been designated as the compliance officer. Mr. Harish Bharuchi was appointed w.e.f. 26th November, 2010 as a member of the Committee in place of Mr. S. M. Vig.

During the Financial Year 2010-11, 26 meetings were held to approve the transfer of shares. During the year 66 complaints were resolved to the satisfaction of complainants. No complaint was pending as on 31st March, 2011.

Other Committees of Board (Non-Mandatory)

In addition to the above referred Committees, which are mandatory under the Corporate Governance Code, the board of Directors has constituted Remuneration Committee and Management Committee of Directors.

(c) Remuneration Committee

(i) The Company has a Remuneration Committee of Directors.

(ii) The broad terms of reference of the Remuneration Committee are as under:

- To approve the annual remuneration plan of the Company;
- To approve the remuneration and commission/incentive remuneration payable to the Managing Director for each financial year;
- Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.

As of 31st March, 2011, the Committee comprised of 2 Non-Executive Independent Directors viz. Mr. Y. C. Papaiya and Mr. Harish Bharuchi. One meeting was held during the year on 29th May, 2010 to consider and recommend payment of remuneration to Mr. M. R. Momaya and Mrs. Shilpa P. Shah, Whole-time Directors. The members at the Annual General Meeting held on 28th July, 2010 approved the same. The agreement with each Wholetime Director is for a period of 5 years.

Mr. Harish Bharuchi was appointed w.e.f. 26th November, 2010 as a member of the Committee in place of Mr. S. M. Vig.

The Company pays sitting fees and traveling expenses to all the Non-Executive Directors for attending meeting of the Board or Committee thereof. Sitting fees paid to the directors for the year ended 31st March, 2011, is as follows: Mr. S. M. Vig ₹ 24,000/-, Mr. Y. C. Papaiya ₹ 38,000/-, Mr. Harish Bharuchi ₹ 11,000/- and Mrs. Shilpa P. Shah ₹ 1,000/-.

Besides the above payment, there is no other material pecuniary relationship or transaction by the Company with Non-Executive Directors.

(d) Management Committee of Directors:

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 Mr. Y. C. Papaiya, Chairman and Mr. Harish Bharuchi as Member. During the year 2010-11 the Committee met on 14.09.2010 to discuss the matters coming within the Committee's purview.

IV. GENERAL BODY MEETINGS

(a) The date and time of the Annual General Meeting held during the preceding 3 years and the Special Resolution(s) passed thereat are as under:

Year	Location	Date	Time
2007-08	Garden Mills Complex, Sahara Gate, Surat.	24th September, 2008	10.30 a.m.
2008-09	Garden Mills Complex, Sahara Gate, Surat.	11th August, 2009	10.30 a.m.
2009-10	Garden Mills Complex, Sahara Gate, Surat.	28th July, 2010	10.30 a.m.

1. In the Annual General Meeting held on 28th July, 2010, a Special Resolution was passed for re-appointment of Mr. M. R. Momaya as Whole-time Director designated as Managing Director of the Company and payment of remuneration.

2. No Special Resolution was proposed at the Annual General Meeting held on 24th September, 2008 and 11th August, 2009.

(b) Special Resolution passed through Postal Ballot:

Pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, approval of the shareholders was sought by Postal Ballot vide Notice dated 27th October, 2009 which was passed by the shareholders of the Company by requisite majority.

REPORT ON CORPORATE GOVERNANCE (Contd.)

V. DISCLOSURES:

(a) Related Party Transactions:

During the year under review, besides the transactions reported in Note 12 of the Schedule 12 to the Financial Statement in the Annual Report, there were no other material related party transactions of the Company with its promoters, directors or the management or their relatives and associates. These transactions do not have any potential conflict with the interest of the Company at large. Further there are no material individual transactions that are not in normal course of business or not on an arm's length basis.

(b) Details of Non-Compliance:

There has been no instances of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

(c) Disclosure by Senior Management:

Senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.

(d) CEO/CFO Certification:

The Whole-time Director has certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the Financial Year ended March 31, 2011.

(e) Secretarial Audit:

A Company Secretary-in-Practice carried out a Secretarial Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form (held with NSDL and CDSL).

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.

(f) Policy on Insider Trading:

The Company has adopted a Code of Conduct for Prevention of Insider Trading for its management, staff and directors. The Code lays down guidelines and procedures to be followed and disclosures to be made by Directors, top level executives and staff whilst dealing in shares. Code of Internal Procedure and Conduct under The SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, is in force since 20th February, 2002.

VI. 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 Indian Express (English), Baroda Edition, Dhabkar (Vernacular), Surat Edition.
- (b) Management Discussion and Analysis report forms part of the Directors Report.

VII. CFDS FILING:

All the data relating to quarterly financial results, shareholding pattern etc. have been electronically filed on the Corporate Filing and Dissemination System (CFDS) portal, www.corpfilng.co.in.

VIII. GENERAL SHAREHOLDER INFORMATION:

(a) 65th Annual General Meeting:

Date	: Wednesday, 24th August, 2011.
Time	: 10:30 a.m.
Venue	: Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat - 395 010.

(b) Financial Calendar (2011-12)

Results for the quarter ending 30th June, 2011	: July/August, 2011.
Results for the quarter ending 30th September, 2011	: October/November, 2011
Results for the quarter ending 31st December, 2011	: January/February, 2012
Results for the year ending 31st March, 2012	: April/May, 2012

(c) Book closure dates

: Thursday, 18th August, 2011 to
Wednesday, 24th August, 2011.
(Both days inclusive)

(d) Listing on Stock Exchanges

	: Stock Code
1. Ahmedabad Stock Exchange Limited, Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad - 380 015.	: 58110
2. Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	: 30185 (Physical Segment) : 530185 (Demat Segment)
3. Demat ISIN for NSDL and CDSL.	: INE 936A01025

REPORT ON CORPORATE GOVERNANCE (Contd.)

(e) **Annual Listing Fees:** The Company has paid the Annual Listing fees to the above stock exchanges for the financial year 2011-12.

(f) **Market Price Data:**

The High/Low market price of the shares during the year 2010-11 at the Bombay Stock Exchange (BSE) are as under.

Month	High (₹)	Low (₹)
April, 2010	5.00	3.90
May, 2010	4.48	3.60
June, 2010	4.88	3.35
July, 2010	5.40	3.80
August, 2010	5.40	3.75
September, 2010	6.10	4.29
October, 2010	5.49	4.20
November, 2010	5.37	3.55
December, 2010	4.00	2.72
January, 2011	4.49	2.80
February, 2011	3.00	2.65
March, 2011	3.00	2.50

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

Karvy Computershare Private Limited
Unit: Surat Textile Mills Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur,
Hyderabad - 500 081

Tel: 040-23420815 to 24
Fax: 040-23420814
E-mail: einward.ris@karvy.com
http://www.karvy.com

(h) **Share Transfer System:**

All the share related work is being undertaken by the company's Registrar and Transfer Agent. A Share Transfer Committee of two Directors has been constituted to approve the share transfer, transmission, split, 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 Board are noted by the Board at its next meeting.

(i) **Distribution of shareholding as on 31st March, 2011:**

Sr. No.	Category of Members	No. of Shares held	% of total Shares
1.	Promoters	180347652	81.21
2.	Indian Public	21071342	9.49
3.	Banks, Financial Institutions and Insurance Companies	17965107	8.09
4.	NRI's/OCB's	73365	0.03
5.	Bodies Corporate	2591326	1.17
6.	Trusts	300	0.00
7.	Others (NSDL + CDSL) Clearing Members	15348	0.01
	Total.	222064440	100.00

(j) **Categorywise Summary of Holders/Holdings as on 31st March, 2011:**

No. of Equity Shares	No. of Shareholders	% of total Shareholders	No. of Shares held	% of total Shares
1 – 5000	39025	98.26	11679665	5.26
5001 – 10000	371	0.93	2912106	1.31
10001 – 20000	158	0.40	2334417	1.05
20001 – 30000	65	0.16	1600540	0.72
30001 – 40000	27	0.08	947296	0.43
40001 – 50000	21	0.05	980046	0.44
50001 – 100000	25	0.06	1702068	0.77
100001 & above	26	0.06	199908302	90.02
Total	39718	100.00	222064440	100.00

(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:**

218629886 Equity Shares aggregating to 98.45% of the total Equity Capital is held in dematerialized form as on 31.03.2011 of which 95.43% (211921249 Equity Shares) of total equity capital is held with NSDL and 3.02% (6708637 Equity Shares) of total equity capital is held with CDSL as on 31.03.2011.

REPORT ON CORPORATE GOVERNANCE (Contd.)**(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 Private Limited
Unit: Surat Textile Mills Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel.No.: 040-23420815 to 24
Fax No.: 040-23420814
E-mail: einward.ris@karvy.com
http://www.karvy.com |
| (ii) | For Shares held in
Demat Form | Respective Depository Participants of the shareholders. |
| (iii) | For query on
Annual Report | Secretarial Department,
Garden Mills Complex,
Sahara Gate,
Surat - 395 010. |

(o) Secretarial Audit for reconciliation of capital:

The Securities and Exchange Board of India has directed vide circular No.D&CC/FITTC/CIR-16/2002 dated 31st December, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued/paid-up capital.

The said certificates, duly certified by a qualified Practicing Company Secretary is submitted to the stock exchanges where the security of the Company are listed, within 30 days of the end of each quarter and the Certificate is also placed before the Board of Directors of the Company.

(p) 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.

The Company has complied with all the mandatory requirements of Clause 49 and has also complied with one of the non-mandatory requirement viz. setting up of the Remuneration Committee.

Compliance Certificate of the Auditors

Certificate from the Auditors of the Company M/s. Natvarlal Vepari & Co., confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is attached to the Directors' Report forming part of the Annual Report.

Adoption of Mandatory and Non-Mandatory Requirements of Clause 49

The Company has complied with all mandatory requirements and has adopted following non-mandatory requirements of Clause 49.

Remuneration Committee

The Company has constituted Remuneration Committee to recommend/review remuneration of the Managing Director and Whole-time Directors based on their performance and defined assessment criteria.

Audit Qualifications

There are no Audit qualifications in the Company's financial statement for the year under reference.

Maintenance of Non-Executive Chairman's Office

The Chairman is also the Managing Director of the Company. Hence, no requirement of separate office. There is no fixed tenure for Independent Directors.

Training of Board Members

New Board Member is given formal induction and orientation with respect to Company's vision, strategic direction, corporate governance practices, financial matters and business operation. The Board Members are also provided with the necessary documents, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

Mechanism for evaluating Non-Executive Board Members

Presently, the Company has not adopted any mechanism for evaluating the performance of Non-Executive Board Members.

Whistle Blower Policy:

Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company has been denied access to the Audit Committee.

REPORT ON CORPORATE GOVERNANCE (Contd.)**Annexure to Corporate Governance Report
of Surat Textile Mills Limited****Declaration on compliance of the Company's Code of Conduct**

In accordance with Clause 49 sub Clause (I) (D) (ii) of the Listing Agreement executed with the Stock Exchanges, I in my capacity as the Wholetime Director of the Company hereby confirm that all members of the Board of Directors and Senior Management Personnel of the Company have affirmed their Compliance with the Company's Code of Conduct so far as it is applicable to them and there is no non-compliance thereof during the year ended 31st March, 2011.

For Surat Textile Mills Limited

Place: Surat
Date: 6th July, 2011

M. R. Momaya
Wholetime Director

Auditors Certificate regarding compliance of conditions of Corporate Governance

To the Members of Surat Textile Mills Limited

We have examined the compliance of conditions of Corporate Governance by Surat Textile Mills Limited, for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreements.

We further state that such compliance is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For NATVARLAL VEPARI & CO.
Chartered Accountants

R. N. VEPARI
Partner
Membership No.: 6728

Surat, 6th July, 2011

AUDITORS' REPORT

To, the Members of
Surat Textile Mills Limited,

1. We have audited the attached Balance Sheet of **Surat Textile Mills Limited** as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
 - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) **there has been non-provision to recognize diminution in the value of long-term investments amounting to ₹ 743.23 Lacs, which is contrary to the accounting practice recommended in Accounting Standard-13 issued by the Institute of Chartered Accountants of India. Consequently, Net worth is overstated to that extent.** This can be referred at Note No.1(e) of

Schedule 11 to the financial statements. Subject to this, in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- (e) **On the basis of written representations received from Mr. M. R. Momaya and Mr. Y. C. Papaiya who are the directors of the Company as on 31st March, 2011, and taken on record by the Board of Directors, we report that they are disqualified as on 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;**

As far as other directors are concerned, on the basis of the written representations received from such directors, and taken on record by the Board of Directors, we report that none of the remaining directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (f) Subject to the matter referred in para 4(d) above, in our opinion, and to the best of our information, and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For NATVARLAL VEPARI & CO.
Chartered Accountants
(Registration No. 123626W)

R. N. VEPARI
Partner
Membership No.: 6728

Surat: 6th July, 2011

ANNEXURE TO AUDITORS' REPORT

Statement referred to in paragraph 3 of our report of even date.

1. (a) In respect of fixed assets, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information in most cases of such assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification;
- (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year and going concern status of the Company is not affected.
2. (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventories. There were no material discrepancies noticed on physical verification of inventories as compared to book records.
3. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the requirements of clauses (iii)(a) to (iii)(d) of paragraph 4 of the Order are not applicable.
- (b) According to the information and explanations given to us, the Company has taken secured loan from a party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was ₹ 3262.50 lacs and the year-end balance is ₹ 2900.00 lacs.
- (c) Based on the information and explanation given to us, in our opinion the rate of interest and other terms and conditions of the loan taken by the Company, are not prima facie prejudicial to the interest of the Company.
- (d) The repayment of the secured loan is scheduled as per the agreement entered with the party and the same was found as per schedule.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and exceeding value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Act and the rules framed thereunder. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company. To the best of our knowledge and belief, and according to the information and explanations given to us, no order on the Company under

aforsaid section has been passed by the Company Law Board or National Company Laws Tribunal or the Reserve Bank of India or any Court or any other Tribunal.

7. In our opinion and on review of the internal audit reports, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956, in respect of textiles activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of the same.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has been generally regular in depositing the undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, 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, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2011 for a period of more than six months from the date of becoming payable.
10. In our opinion, after considering effect of qualifications as given in Para 4(d) of Audit Report,
 - (a) the Company does not have any accumulated losses as at 31st March, 2011;
 - (b) the Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank during the year. The Company did not have any outstanding loans from financial institution during the year.
12. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
14. The Company did not have any term loans outstanding during the year.
15. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term that have been used for long-term investment.
16. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
17. In our opinion and according to information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.
Having regard to the nature of the Company's business/activity and financial position, the other Clauses (xiii), (xiv), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For NATVARLAL VEPARI & CO.
Chartered Accountants
(Registration No. 123626W)

R. N. VEPARI
Partner

Membership No.: 6728

Surat: 6th July, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

		(₹ in Lacs)	
	Schedule	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,220.64	2,220.64
Reserves and Surplus	2	2,737.33	949.00
		<u>4,957.97</u>	<u>3,169.64</u>
Loan Funds			
Secured Loans	3	2,900.00	2,900.00
TOTAL		<u><u>7,857.97</u></u>	<u><u>6,069.64</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	18,542.20	18,541.24
Less: Depreciation		16,486.37	16,318.49
Net Block		<u>2,055.83</u>	<u>2,222.75</u>
Capital Work-in-Progress		141.75	141.75
		<u>2,197.58</u>	<u>2,364.50</u>
Investments			
Deferred Tax Assets (Refer Note 6, Schedule 12)	5	1,465.21	1,860.04
		839.85	0.00
Current Assets, Loans and Advances			
Inventories	6	4,552.30	2,296.53
Sundry Debtors		458.25	208.37
Cash and Bank Balances		103.69	1,226.56
Loans and Advances		498.84	1,744.15
		<u>5,613.08</u>	<u>5,475.61</u>
Less: Current Liabilities and Provisions			
Current Liabilities	7	1,897.47	3,399.71
Provisions		360.28	230.80
		<u>2,257.75</u>	<u>3,630.51</u>
Net Current Assets		<u><u>3,355.33</u></u>	<u><u>1,845.10</u></u>
TOTAL		<u><u>7,857.97</u></u>	<u><u>6,069.64</u></u>
Significant Accounting Policies	11		
Notes on Accounts	12		

As per our attached report of even date
For NATVARLAL VEPARI & CO.
 Firm Registration No. 123626W
Chartered Accountants

R. N. VEPARI
Partner
 Membership No. 6728

Surat, 6th July, 2011

For and on behalf of the Board of Directors
M. R. MOMAYA
Managing Director

Y. C. PAPAIIYA
Director

VISHAL TIBREWAL
Company Secretary

Surat, 6th July, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(₹ in Lacs)

	Schedule	2010-2011	2009-2010
INCOME			
Sales		29,917.63	26,023.92
Less: Excise Duty on Sales		2,755.54	1,820.33
Net Sales		27,162.09	24,203.59
Other Income	8	115.67	92.15
TOTAL		27,277.76	24,295.74
EXPENDITURE			
Consumption of Raw Materials		13,300.00	11,204.25
(Increase)/Decrease in Stocks	9	(2,225.20)	(339.14)
Purchases		10,528.18	8,438.44
Manufacturing and Other Expenses	10	4,035.70	3,543.37
Interest and Finance Charges		385.35	399.72
Depreciation		167.88	182.41
TOTAL		26,191.91	23,429.05
Profit before Taxation		1,085.85	866.69
Provision for Current Tax - MAT		214.28	146.00
Provision for Deferred Tax		110.83	0.00
Excess Income Tax provision for earlier years written back (Net)		(76.91)	0.00
Profit after Taxation		837.65	720.69
Add: Balance brought forward from Previous year		949.00	228.31
Add: Balance of Deferred Tax Assets of earlier years (Refer Note 6, Schedule 12)		950.68	0.00
Balance carried to Balance sheet		2,737.33	949.00
Basic and Diluted Earning per Share of face value of ₹ 1 each (in ₹) (Refer Note 8, Schedule 12)		0.38	0.32
Significant Accounting Policies	11		
Notes on Accounts	12		

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, 6th July, 2011

For and on behalf of the Board of Directors
M. R. MOMAYA
Managing Director

Y. C. PAPAIIYA
Director

VISHAL TIBREWAL
Company Secretary

Surat, 6th July, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	(₹ in lacs)	
	Year ended 31st March, 2011	Year ended 31st March, 2010
A. Cash Flow from Operating Activities		
Net Profit before tax	1,085.85	866.69
Adjustments for		
Depreciation	167.88	182.41
Interest and Finance Charges	385.35	399.72
Interest Income	(26.31)	(19.25)
Profit/(Loss) on sale of Investments	(10.97)	0.00
Provision for doubtful Debts and Bad Debts written off	1.06	4.14
Credit Balance written off	(3.52)	0.00
Dividend Income	(10.71)	(8.85)
Operating Profit before Working Capital Changes.	<u>1,588.63</u>	<u>1,424.86</u>
Adjustments for		
Decrease/(Increase) in Trade and Other Receivables	990.98	(1,164.66)
(Increase)/decrease in Inventories	(2,255.77)	(806.34)
(Decrease)/Increase in Trade Payables	(1,498.71)	2,551.94
Cash Generated from Operations	<u>(1,174.87)</u>	<u>2,005.80</u>
Direct Taxes (Paid)/Refund	(0.76)	(20.91)
Net Cash Flow from Operating Activities	<u><u>(1,175.63)</u></u>	<u><u>1,984.89</u></u>
B. Cash Flow from Investing Activities		
Purchase of fixed Assets	(0.96)	(8.47)
Decrease in Advance for Fixed Assets	0.00	2.78
Purchase of Investments	(203.17)	(598.00)
Sale of Investments	608.97	0.00
Dividend Income	10.71	8.85
Loan to other Companies/Firms.	0.24	0.04
Net Cash Flow from Investing Activities	<u><u>415.79</u></u>	<u><u>(594.80)</u></u>
C. Cash Flow From Financial Activities.		
Repayment of Borrowings	0.00	(300.00)
Interest and Other Finance Income/Charges	(363.03)	(380.75)
Net Cash Flow from Financial Activities	<u><u>(363.03)</u></u>	<u><u>(680.75)</u></u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,122.87)	709.34
Opening Balance of Cash and Cash Equivalents	1,226.56	517.22
Closing Balance of Cash and Cash Equivalents	103.69	1,226.56

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Firm Registration No.: 123626W

Chartered Accountants

R. N. VEPARI*Partner*

Membership No. 6728

Surat, 6th July, 2011

For and on behalf of the Board of Directors

M. R. MOMAYA*Managing Director***Y. C. PAPAIIYA***Director***VISHAL TIBREWAL***Company Secretary*

Surat, 6th July, 2011

SCHEDULES FORMING PART OF THE ACCOUNTS

(₹ in Lacs)

	As at 31st March, 2010	As at 31st March, 2010
Schedule 1 : Share Capital		
Authorised		
75,00,00,000 (75,00,00,000) Equity Shares of ₹ 1/- each	<u>7,500.00</u>	<u>7,500.00</u>
Issued Subscribed and Paid-up		
22,20,64,440 (22,20,64,440) Equity Shares of ₹ 1/- each fully paid-up	<u>2,220.64</u>	<u>2,220.64</u>
TOTAL	<u><u>2,220.64</u></u>	<u><u>2,220.64</u></u>

Schedule 2 : Reserves and Surplus

Profit and Loss Account	<u>2,737.33</u>	<u>949.00</u>
TOTAL	<u><u>2,737.33</u></u>	<u><u>949.00</u></u>

Schedule 3 : Secured Loans

Soft loan from promoters	<u>2,900.00</u>	<u>2,900.00</u>
TOTAL	<u><u>2,900.00</u></u>	<u><u>2,900.00</u></u>

Notes:

- (i) Soft loan from promoters is secured by way of first charge on all the movable plants and machinery and by way of first mortgage on the immovable properties situated in the State of Gujarat and in the Union Territory of Dadra & Nagar Haveli together with immovable plant and machinery of the Company in favour of the Lender.
- (ii) Payable within one year ₹ 483.32 lacs (Previous year ₹ Nil Lacs)

Schedule 4 : Fixed Assets

(₹ in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2010	Additions during the Year	Deduction/ Adjustments during the Year	Total as at 31/03/2011	As at 01/04/2010	For the Year	Deduction/ Adjustments during the Year	Total Depreciation upto 31/03/2011	Balance As at 31/03/2011	Balance As at 31/03/2010
1	2	3	4	5	6	7	8	9	10	11
Land	1,246.65	0.00	0.00	1,246.65	199.89	0.00	0.00	199.89	1,046.76	1,046.76
Building	3,104.87	0.00	0.00	3,104.87	2,500.47	36.13	0.00	2,536.60	568.27	604.40
Plant & Machinery	14,118.30	0.00	0.00	14,118.30	13,568.79	128.72	0.00	13,697.51	420.79	549.51
Furniture, Fixtures & Office Equipments	57.55	0.96	0.00	58.51	45.73	1.76	0.00	47.49	11.02	11.82
Vehicles	13.87	0.00	0.00	13.87	3.61	1.27	0.00	4.88	8.99	10.26
Total	18,541.24	0.96	0.00	18,542.20	16,318.49	167.88	0.00	16,486.37	2,055.83	2,222.75
Previous Year	18,532.77	8.47	0.00	18,541.24	16,136.08	182.41	0.00	16,318.49	2,222.75	
Capital Work-in-Progress (Including advances on Capital Account)									141.75	141.75

* includes assets impairment provided in earlier years.

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in Lacs)

	As at 31st March, 2011	As at 31st March, 2010
Schedule 5 : Investments		
A. Long Term Investments (at cost)		
1. Government Security (Unquoted)		
National Saving Certificate	0.01	0.01
2. Other Investments (Quoted)		
(i) 16600 (16600) Equity Shares of Dena Bank Ltd. of ₹ 10 each fully paid-up	4.98	4.98
(ii) 15900 (15900) Equity Shares of IDBI Ltd. of ₹ 10 each fully paid-up	13.46	13.46
(iii) 734778 (550000) Equity Shares of Garden Silk Mills Ltd. of ₹ 10 each fully paid-up	1,446.76	1,243.59
B. Current Investments – MUTUAL FUNDS		
Nil (2304333.299) Units of Birla Sun Life Savings Fund – Institutional Growth (face value of ₹ 10 each)	0.00	400.00
Nil (664139.805) Units of Birla Sun Life Dynamic Bond Fund – Retail Growth (face value of ₹ 10 each)	0.00	99.00
Nil (722617.118) Units of IDFC Money Manager Fund – Investment Plan Growth (face value of ₹ 10 each)	0.00	99.00
TOTAL	1,465.21	1,860.04

(₹ in Lacs)

	As at 31st March, 2011		As at 31st March, 2010	
	Book Value	Market Value	Book Value	Market Value
Aggregate value of				
Quoted Investments	1,465.20	744.24	1,262.03	405.83
Unquoted Investments	0.01	–	598.01	–
(Refer Note 4, Schedule 12)				

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2011	As at 31st March, 2010
Schedule 6 : Current Assets, Loans and Advances		
A. Current Assets		
Inventories (As taken, valued and certified by the Management):		
Stores, Spares and Chemicals	126.51	292.49
Finished Goods	1,912.73	890.72
Stock in trade (Art & Artifacts)	1,276.89	0.00
Process Stock	61.90	46.51
Raw Materials	832.93	725.47
Property under Development (Includes Land at revalued cost)	252.94	252.94
Stock in trade (Land at Vareli)	88.40	88.40
	<u>4,552.30</u>	<u>2,296.53</u>
Sundry Debtors (Unsecured)		
Exceeding Six Months		
Considered good	21.77	34.12
Considered doubtful	77.21	77.21
	<u>98.98</u>	<u>111.33</u>
Other Debts		
Considered good	436.48	174.25
	<u>535.46</u>	<u>285.58</u>
Less: Provision for Doubtful Debts	77.21	77.21
TOTAL	<u><u>458.25</u></u>	<u><u>208.37</u></u>
Cash and Bank Balances:		
Cash on hand	5.39	5.58
Balances with scheduled banks		
- In Current Accounts	27.93	1,153.15
- In Fixed Deposit Accounts	2.95	2.95
- In Margin Money Accounts	67.42	64.88
	<u>103.69</u>	<u>1,226.56</u>
B. Loans and Advances		
(Unsecured – Considered Good, Unless Otherwise Stated)		
Advance Recoverable in cash or in kind or for value to be received	401.00	1,673.05
Balance with Customs, Central Excise & Sales Tax Authorities, etc.	62.00	30.66
Advance Income Tax (including tax deducted at source)	35.84	40.44
TOTAL	<u><u>498.84</u></u>	<u><u>1,744.15</u></u>
	<u><u>5,613.08</u></u>	<u><u>5,475.61</u></u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2011	As at 31st March, 2010
Schedule 7 : Current Liabilities and Provisions		
A. Current Liabilities		
(i) Acceptances		
Under usance Letter of Credit	0.00	2,569.28
(ii) Sundry creditors:		
Dues of Micro, Medium and Small Enterprises (Refer Note 3, schedule 12)	1.21	2.69
Other Liabilities	1,636.17	534.63
Advance payments and unexpired discounts for the portion for which value has still to be given.	260.09	293.11
	1,897.47	3,399.71
B. Provisions		
Provision for Taxation	360.28	230.80
TOTAL	2,257.75	3,630.51

	(₹ in Lacs)	
	2010-11	2009-10
Schedule 8 : Other Income		
Rent Income	64.05	64.05
[Tax Deducted at Source ₹ 6.41 Lacs (Previous Year ₹ 10.76 Lacs)]		
Dividend received on Long Term Investments (Trade)	10.71	8.85
Profit on sale of Current Investments (Other than Trade)	10.97	0.00
Interest Income	26.31	19.25
[Tax Deducted at Source ₹ 2.53 Lacs (Previous Year ₹ 1.45 Lacs)]		
Credit balances written off	3.52	0.00
Miscellaneous Income	0.11	0.00
TOTAL	115.67	92.15

	(₹ in Lacs)	
	2010-11	2009-10
Schedule 9 : (Increase)/Decrease in Stocks		
Opening Stock		
Process Stock	46.51	36.61
Finished Goods	890.72	499.36
	937.23	535.97
Less: Closing Stock		
Process stock	61.90	46.51
Finished Goods	3,189.63	890.72
	3,251.53	937.23
Add/(Less): Variation in excise duty on opening and closing stock of finished goods	89.10	62.12
TOTAL	(2,225.20)	(339.14)

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	(₹ in Lacs)	
	2010-11	2009-10
Schedule 10 : Manufacturing and Other Expenses		
Consumption of Stores, Spare parts & Chemicals etc.	797.21	794.27
Packing Expenses	140.85	109.10
Power and Fuel	2,074.13	1,784.84
Rent, Rates and Taxes	211.76	152.99
Repairs and Maintenance:		
Plant and Machinery	38.62	35.10
Buildings	8.60	1.52
Others	0.23	0.26
Payments to and Provision for Employees: (including Managerial Remuneration)		
Salaries, Wages and Bonus	426.45	359.09
Contribution to Provident and Other Funds	38.60	26.96
Gratuity	51.22	22.86
Staff Welfare Expenses	10.03	8.29
	526.30	417.20
Insurance	18.95	13.79
Auditors' Remuneration	3.99	4.09
Share of loss in partnership firm	0.00	0.04
Provision for doubtful debts and bad debts written off	0.00	4.14
General Charges	122.62	153.20
Selling and Distribution Expenses	91.38	72.83
Debit balances written off	1.06	0.00
TOTAL	4,035.70	3,543.37

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

Schedule 11 : Significant Accounting Policies

1. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of The Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006. 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 generally accepted accounting principles.

2. Fixed Assets

Fixed Assets are stated at cost of acquisition or construction, (Net of Cenvat credit / Value Added Tax) except in case of certain fixed assets which have been revalued, at its revalued amount, less accumulated depreciation and impairment loss, if any. All costs relating to the acquisition and installation of fixed assets are capitalised and include borrowing costs directly attributable to construction or acquisition of fixed assets, upto the date the asset is put to use. Fixed Assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in project cost till commissioning of the project. Projects under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

3. Depreciation

Depreciation on fixed assets has been provided in accordance with the provision of Section 205(2) read with Section 350 of the Companies Act, 1956 except:

- (i) in respect of depreciation on assets purchased up to 1984, has been provided as per written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956, as amended from time to time.
- (ii) in respect of assets purchased during the year 1985 and 1986, depreciation has been provided as per straight-line method at the rates corresponding to the rates applicable under Income-tax Rules at that time.
- (iii) in respect of assets purchased during the year 1987 and onwards, depreciation has been provided as per straight-line method at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956 as amended from time to time.
- (iv) On assets impaired, depreciation has been provided as per (i), (ii) and (iii) above until 31st March, 2004. However, 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 AS-28 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 on, considering brought down level as a base.

4. Impairment of Assets

Impairment is ascertained at each Balance Sheet date in respect of Cash Generating Unit. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

5. Investments

Long-term investments are carried at cost. Provision is made to recognize a diminution, other than temporary, in the carrying amount of long-term investments.

6. Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard (AS2), using weighted average cost method. 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 Stores, Spare parts & Chemicals, Packing Materials, Stock-in-trade (Art & Artifacts) 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.
- (v) Land at Vareli is valued at cost.

7. Sales

Sales include sale value of goods and is net of returns, Discount, Rate Difference and Sales Tax/VAT etc. Sales also include, sales of scrap, waste, reject etc. and profits from property held as stock in trade.

8. Accounting for Excise Duty

Excise Duty 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 uncleared goods 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 issued by The Institute of Chartered Accountants of India. 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 and Opening Stock. Excise duty related to the difference between Opening Stock and Closing Stock of finished goods is recognised separately in the Profit and Loss Account.

9. Cenvat

- (i) The purchase cost of raw materials and other expenses has 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 Institute of Chartered Accountants of India.

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**10. Expenses**

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

11. Retirement Benefits

Contributions are made to Provident Fund as per the Provident Fund Act. Contribution to Gratuity Fund are made on the basis of actuarial valuation report as at the year end. Leave encashment benefit has been provided in accordance with the accounting standard AS-15 "Employee Benefits". These obligations are unfunded.

12. Borrowing Cost

Borrowing cost that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for intended use. All other borrowing cost are charged to revenue.

13. Provision for Current and Deferred Tax

Provision for current tax – MAT is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax asset are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable profit will be available against which such deferred tax assets can be realised. Deferred tax assets to the extent they pertain to brought forward losses and unabsorbed depreciation, are recognised only to the extent that there is virtual certainty of realisation, based on expected profitability in the future as estimated by the Company.

14. Foreign Currency Transactions

- (i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.
- (ii) At each Balance Sheet date, unrealized gains or losses on foreign currency transactions on account of increase or decrease in rupee liability as a result of exchange difference between the Balance sheet date rate and the transaction date rate to items of assets and liabilities are recorded to the Profit and Loss account, and accordingly, assets or liabilities are adjusted.

Schedule 12 : Notes Forming Part of Accounts

1. Excise duty deducted from sales represents excise duty collected on sale of goods. Variation in Excise duty on opening and closing uncleared stocks of finished goods has been disclosed separately in Schedule 9.

2. Segment Reporting

The Company has identified two business segments viz. 'Yarns' and 'Art & Artifacts' as per Accounting Standard 17 of ICAI. There being no revenue generation from Art & Artifacts segment during the year, disclosure of segment revenue and segment results are not made. Besides, the total amount of segment liabilities, total cost incurred to acquire fixed assets, total amount of expense incurred for depreciation, amortisation and the total amount of significant non-cash expenses for the Art & Artifacts segment were Nil. Hence, Segment Asset, being the only effectively reportable item of the Segment.

	₹ in Lacs
(1) Yarns	6581.08
(2) Art and Artifacts	1276.89
Total	7857.97

No revenue was generated from Art & Artifacts segment during the year. Consequentially, disclosure of segment revenue and segment results is not applicable. The total amount of segment liabilities, total cost incurred to acquire fixed assets, total amount of expense incurred for depreciation, amortisation and the total amount of significant non-cash expenses for the Art & Artifacts segment were Nil.

3. Micro and Medium scale business entities

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

4. With the on-going capital expansion plans of Garden Silk Mills Limited (GSML) and the expected increase in capacities, reduction in costs and increase in operational efficiencies, the financial performance and position of GSML is expected to significantly improve. The current capital market conditions in the country do not also reflects the current value of GSML and its potential. Therefore, the decline in value of investments by the Company in GSML is considered to be temporary.
5. There was no further impairment loss on Fixed Assets on the basis of review carried out by the Management in accordance with Accounting Standards 28.
6. **The deferred tax assets comprise of the following:**

	₹ in Lacs
(A) As at the beginning of the year	
(a) Deferred tax asset on account of:	
Difference between book and tax WDV.	537.05
Disallowances under the Income Tax Act, 1961	9.07
Unabsorbed depreciation	3256.60
	3802.72
(b) Deferred Tax Liability	0.00
Total (a)-(b)	3802.72
Deferred tax asset recognised at 25% of actual	(A) 950.68

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**(B) As at 31st March, 2011**

(a) Deferred tax asset on account of:		
Difference between book and tax WDV.		461.61
Disallowances under the Income Tax Act, 1961		9.05
Unabsorbed depreciation		2888.75
		<u>3359.41</u>
(b) Deferred Tax Liability		0.00
Total (a)-(b)		<u>3359.41</u>
Deferred tax asset recognised at 25% of actual	(B)	839.85
Current year charge	(A)-(B)	110.83

The management is of the view that there is virtual certainty supported by evidence to the extent of 25% of the above amount and accordingly the deferred tax assets has been recognised to that extent.

7. Employee Benefits

- (a) Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the Accounting Standard 15.
- (b) As per Accounting Standard 15 "Employee benefits", the disclosures as defined in the Accounting Standard are given below:

	(₹ in Lacs)			
	As at 31st March, 2011	As at 31st March, 2010	As at 31st March, 2011	As at 31st March, 2010
	Gratuity (Unfunded)	Gratuity (Unfunded)	Leave encashment (Unfunded)	Leave encashment (Unfunded)
A. Amount to be recognised in Balance Sheet				
Present value of Unfunded Obligations	99.20	53.01	36.96	21.85
Amounts appearing in Balance Sheet				
Liability	99.20	53.01	36.96	21.85
Assets	0.00	0.00	0.00	0.00
Net Liability	99.20	53.01	36.96	21.85
B. Expenses recognised in the Profit and Loss Account				
Total, included in "Payments to and provision for Employees" (Refer Schedule 11)	51.22	22.86	37.20	14.55
C. Actuarial Assumptions				
Discount Rate (Per Annum)	8.25%	8.25%	8.25%	8.25%
Rate of Escalation in Salary (Per Annum)	8%	5%	8%	5%
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)

8. Earning Per Share (EPS)

		2010-2011	2009-2010
Net Profit after tax as per profit and loss account (₹ in Lacs)	(A)	837.65	720.69
Weighted Average number of equity shares	(B)	222,064,440	222,064,440
Basic and Diluted Earning per share (in ₹)	(A)/(B)	0.38	0.32
Face Value per equity share (in ₹)		1.00	1.00

9. Related parties disclosures

As per Accounting Standard 18, the disclosures of transactions with the related parties as defined in the Accounting Standards are given below:

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

Sr. No.	Name of Related Party	Relationship
1.	Garden Silk Mills Limited	Associate Company
2.	Mr. M. R. Momaya Mrs. Shilpa P. Shah*	Managing Director Wholetime Director
3.	Mr. Alok P. Shah	Relatives of Key Managerial Personnel

* w.e.f. 01.06.2010

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

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(b) Transactions carried out with related parties during the year referred in (a) above, in ordinary course of business.

Sr. No.	Nature of transactions	Related Parties			
		Associate Company	Key Managerial Personnel	Others	Total
1.	Purchases	6,217.72 (3,195.19)			6,217.72 (3,195.19)
2.	Electric Power & Utility Expenses	2,102.30 (1,911.15)			2,102.30 (1,911.15)
3.	Rent Paid	90.00 (84.30)		92.75 (41.25)	182.75 (125.55)
4.	Interest on Secured Loan	362.50 (362.50)			362.50 (362.50)
5.	Rent Income	70.54 (70.54)			70.54 (70.54)
6.	Sales	22,403.46 (17,897.68)			22,403.46 (17,897.68)
7.	Remuneration		9.50 (0.00)		9.50 (0.00)
8.	Payments under current a/c	11,139.01 (8,860.32)			11,139.01 (8,860.32)
9.	Receipts under current a/c	26,984.68 (20,559.12)			26,984.68 (20,559.12)
10.	Balance at the beginning of the year Current Account	672.88 Dr.			672.88 Dr.
11.	Balance at the end of the year Current Account	1,471.31 Cr. (672.88) Dr.			1,553.83 Cr. (672.88) Dr.

Note: Figures in bracket represent Previous Year's amounts.**10. Managerial Remuneration**

		(₹ in Lacs)	
		2010-2011	2009-2010
Remuneration to Managing Director/Executive Director			
(i)	Salaries	9.50	0.00
(ii)	Perquisites	0.53	0.00

		(₹ in Lacs)	
		2010-2011	2009-2010
11.	(a) Payment to Auditors:		
(i)	Audit Fees	3.15	3.15
(ii)	Tax Audit Fees	0.50	0.60
		3.65	3.75
(b)	Cost Audit Fees	0.34	0.34

12. Additional information pursuant to the provisions of paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956**(a) Licensed and Installed Capacity of the Products**

	2010-2011	2009-2010
Licensed Capacity	N.A.*	N.A.*

* Delicensed Vide Notification No. 477(E) dt. 27th July, 1991.

	Unit	2010-2011	2009-2010
Installed Capacity			
Spindles (Cotton Spinning)	Nos.	29,728	29,728
Polyester Chips	TPA	25,000	25,000
Polyester Filament Yarn	TPA	5,000	5,000
Spindles (Synthetic Fiber Spinning)	Nos.	13,580	13,580

Note: The installed capacity is as certified by a Director and being a technical matter relied upon by the Auditors.

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**(b) Details of products manufactured for Sale, Turnover, Raw Materials Consumed, Stocks and Purchase etc.**

(i) Production	Unit	2010-2011		2009-2010	
Spun Yarn	Kgs.		903,539		917,779
Polyester Filament Yarn	Kgs.		7,310,426		7,916,781
Polyester Chips	Kgs.		16,225,239		15,394,423
Methanol	Kgs.		21,558		26,355

(ii) Turnover	2010-2011			2009-2010	
	Unit	Qty.	₹ in Lacs	Qty.	₹ in Lacs
M.E.G.	Kgs.	24,782,770	11,118.93	5,097,920	2,476.59
P.T.A.	Kgs.	0	0.00	14,253,000	7,167.12
Spun Yarn	Kgs.	881,947	1,640.67	944,384	1,373.66
Polyester Filament Yarn	Kgs.	7,273,793	7,294.28	7,618,447	6,824.81
Polyester Chips	Kgs.	12,805,634	9,746.87	12,344,005	8,130.91
Others	Mtrs & Kgs	93,434	116.88	216,311	50.83

(iii) Consumption of Raw Materials	2010-2011			2009-2010	
	Unit	Qty.	₹ in Lacs	Qty.	₹ in Lacs
M.E.G.	Kgs.	5,956,178	2,582.60	5,697,484	1,880.02
P.T.A.	Kgs.	13,789,155	6,857.03	13,165,000	5,543.03
Polyester Chips	Kgs.	2,687,944	2,826.34	4,820,961	2,962.09
Fibers	Kgs.	2,000	7.46	0	0.00
Spun Yarn	Kgs.	929,201	1,026.57	946,662	819.11

(iv) Opening Stock	2010-2011			2009-2010	
	Unit	Qty.	₹ in Lacs	Qty.	₹ in Lacs
<u>Finished Goods</u>					
Spun Yarn	Kgs.	37,485	56.04	63,621	100.25
Polyester Filament Yarn	Kgs.	377,994	323.42	79,661	52.86
Polyester Chips	Kgs.	734,288	503.15	688,598	341.68
Others	Kgs.	37,585	8.11	43,799	4.57

(v) Closing stock	2010-2011			2009-2010	
	Unit	Qty.	₹ in Lacs	Qty.	₹ in Lacs
<u>Finished Goods</u>					
Spun Yarn	Kgs.	58,972	123.93	37,485	56.04
Polyester Filament Yarn	Kgs.	414,653	472.67	377,994	323.42
Polyester Chips	Kgs.	1,465,949	1,306.10	734,288	503.15
Stock in trade (Art and Artifacts)	Nos.	11	1,276.89	0	0.00
Others	Kgs.	40,175	10.03	37,585	8.11

(vi) Purchase	2010-2011			2009-2010	
	Unit	Qty.	₹ in Lacs	Qty.	₹ in Lacs
M.E.G.	Kgs.	24,810,148	9,251.29	5,000,000	2,178.79
P.T.A.	Kgs.	0	0.00	14,064,000	6,259.65
Art and Artifacts	Nos.	11	1,276.89	0	0.00

Stock Excluding Shortages, Wastage's, scrap etc.

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**(vii) Value of Materials consumed and Percentage thereof:**

	2010-2011		2009-2010	
	%	₹ in Lacs	%	₹ in Lacs
(a) Raw Materials				
Imported	0.00	0.00	0.00	0.00
Indigenous	100.00	13,300.00	100.00	11,204.25
	100.00	13,300.00	100.00	11,204.25
(b) Stores, Spare parts, Component and Chemicals				
Imported	80.67	643.09	85.41	678.42
Indigenous	19.33	154.12	14.59	115.85
	100.00	797.21	100.00	794.27

(viii) CIF Value of Imports

	(₹ in Lacs)	
	2010-2011	2009-2010
(i) Raw Materials	8,378.63	8,625.39
(ii) Stores, Spare parts, Components & Chemicals	59.27	600.98
(ix) Earnings in Foreign Exchange		
FOB value of exports	117.83	30.17

13. Previous year's figures have been regrouped wherever necessary to conform to current years classification.

14. Additional information pursuant to Part-IV of Schedule VI to the Companies Act, 1956 is as per Annexure - A.

Signature to Schedules "1" to "12"

As per our attached report of even date
For NATVARLAL VEPARI & CO.
 Firm Registration No.: 123626W
 Chartered Accountants

R. N. VEPARI
 Partner
 Membership No. 6728

Surat, 6th July, 2011

For and on behalf of the Board of Directors
M. R. MOMAYA
 Managing Director

Y. C. PAPAIYA
 Director

VISHAL TIBREWAL
 Company Secretary

Surat, 6th July, 2011

SURAT TEXTILE MILLS LIMITED

Regd. Office: Garden Mills' Complex, Sahara Gate, Surat - 395 010.

ANNUAL GENERAL MEETING PROXY FORM

I/We _____ of _____ being a member(s) of the above named Company, hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy and to vote for me/us on my/our behalf at the **SIXTY-FIFTH ANNUAL GENERAL MEETING** to be held on Wednesday, the 24th day of August, 2011 at 10:30 a.m. or at any adjournment thereof.

Ledger Folio No. _____

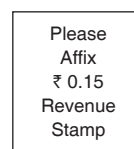
DP ID * : _____

Client ID * _____

No. of Shares held _____

Signed this _____ day of _____, 2011.

* Applicable for the members holding shares in electronic form.



(Signature of the Member)

Note: This form duly completed and signed should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

-----TEAR HERE-----

SURAT TEXTILE MILLS LIMITED

Regd. Office: Garden Mills' Complex, Sahara Gate, Surat - 395 010.

ATTENDANCE SLIP

TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

Full Name of the Member attending
(IN BLOCK LETTERS) : _____

Full Name of the first joint-holder
(IN BLOCK LETTERS) _____
(To be filled in if first named joint-holder does not attend the meeting)

Full Name of the Proxy
(IN BLOCK LETTERS) _____
(To be filled in if Proxy attends instead of the Member)

I hereby record my presence at the **SIXTY-FIFTH ANNUAL GENERAL MEETING** of the Company at Garden Mills' Complex, Sahara Gate, Surat - 395 010, on Wednesday, the 24th day of August, 2011 at 10:30 a.m.

Ledger Folio No. _____

DP ID * : _____

Client ID * _____

No. of Shares held _____

* Applicable for the members holding shares in electronic form.

Member's / Proxy's Signature
(To be signed at the time of handing over this slip)

BOOK-POST

If undelivered, please return to:

SURAT TEXTILE MILLS LIMITED

Garden Mills' Complex, Sahara Gate, Surat 395 010.