

Annual Report

2013-2014

STM

SURAT TEXTILE MILLS LIMITED

CORPORATE INFORMATION

Board of Directors

Sanjay S. Shah	Managing Director
M. R. Momaya	Non-Executive Director
Y. C. Papaiya	Non-Executive Director
Harishchandra Bharucha	Non-Executive Director

Company Secretary

Jigar K. Vyas

Registered Office

3rd Floor, Tulsi Krupa Arcade,
Near Aai Mata Chowk,
Puna-Kumbharia Road, Dumbhal,
Surat 395010.
CIN: L17119GJ1945PLC000214
Tel: (0261) 2311197, 2311615.
Fax: (0261) 2311029.
e-mail: stmlsecretary@gardenvareli.com
<http://www.surattextilemillsltd.com>

Statutory Auditors

Natvarlal Vepari & Co.,
Chartered Accountants, Surat.

Cost Auditors

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

Bankers

Bank of Baroda

Plants:

- i) Vareli Complex,
Village Vareli , Taluka Palsana,
Dist. Surat 394327
Tel: (02622) 271241-47
- ii) Village Jolwa, Taluka Palsana,
Dist. Surat 394305
Tel: (02622) 271287-89

Registrars & Share Transfer Agents

Karvy Computershare Private Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad 500081
Tel: 040-44655000
Fax No. 040-23420814
e-mail: einward.ris@karvy.com
<http://www.karvy.com>

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

68th Annual General Meeting on Wednesday, 23rd July 2014 at 11.00 a.m. at Bella Mill Compound, Outside Sahara Gate, Surat 395010.

With effect from 1st July, 2013, the Registered Office of the Company has been shifted at Tulsi Krupa Arcade, 3rd Floor, Near Aai Mata Chowk, Puna-Kumbharia Road, Dumbhal, Surat 395010.

NOTICE

Notice is hereby given that the Sixty-eighth Annual General Meeting of the Members of Surat Textile Mills Limited will be held on **Wednesday, 23rd July 2014 at 11.00 a.m.** at the Bella Mill Compound, Outside Sahara Gate, Surat 395010, to transact the following business:

Ordinary Business:

- To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31st March 2014 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
- To appoint a Director in place of Mr. Sanjay S. Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
- To consider, and if thought fit, to pass with or without modification(s) the following Resolution as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, Natvarlal Vepari & Co., Chartered Accountant (Firm Registration No. 123626W), be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the Seventy-one AGM of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax and other expenses etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors."

Special Business:

- To consider, and if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**:
"RESOLVED THAT in accordance with the provisions of Sections 196, 197, 203 read with Schedule V, and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) the approval of the Company be and is hereby accorded to the appointment of Mr. M.R. Momaya (DIN: 00023993) as Managing Director of the Company, for a period of 5 (five) years with effect from 1st June 2014 liable to retire by rotation, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any duly constituted Committee of the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration as it may deem fit and as may be acceptable to Mr. M.R. Momaya, subject to the same not exceeding the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956), or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr. M.R. Momaya, the remuneration payable to him by way of salary, allowances, commission and perquisites and other benefits shall be the minimum remuneration as specified above, subject to the overall ceiling prescribed under Paragraph A of Section II of Part II of Schedule V to the Companies Act, 2013.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its power herein conferred to any director(s) and/or officer(s) of the Company, to give effect to the aforesaid resolutions."

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

"RESOLVED THAT pursuant to Section 148 (3) of the Companies Act, 2013, read with Rules 14 of the Companies (Audit and Auditors) Rules, 2014, and other applicable provisions if any, (including any statutory modification(s) or re-enactment thereof, for the time being in force), payment of Remuneration of ₹60,000/- (apart from reimbursement of out of pocket expenses and applicable taxes) to M/s P. M. Nanabhoy & Co.; Cost Auditors, Mumbai (Registration No.7464), who were appointed by the Board of Directors in their meeting held on 31st May 2014 for carrying out Cost Audit of the Company for financial year 2014-15, be and is hereby approved and ratified.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Harishchandra Bharucha (holding DIN: 00138430), a non-executive Director of the Company, who has submitted a declaration that he meets the criteria for independent as provided in Section 149(6) of the Act and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years from 1st April 2014 to 31st March 2019 and that he shall not be liable to retire by rotation."

By Order of the Board of Directors

**Jigar K. Vyas
Company Secretary**

Surat, 31st May 2014.

Notes:

- 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. Proxies in order to be effective, must be received by the Company, at its Registered Office not less than 48 hours before the Meeting.

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

- The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (erstwhile Section 173 of the Companies Act, 1956), relating to Special Business is annexed hereto.
- The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 15th July 2014 to Wednesday, 23rd July 2014 (both days inclusive).

NOTICE (Contd.)

4. 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 Karvy Computershare Private Limited, for consolidation into a single folio.
5. 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.
6. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, unclaimed dividend for the financial year 1995-96 have been transferred to the Investor Education and Protection Fund (the IEPF) established by the Central Government. The Company did not declare any dividends on equity shares for the financial years 1996-97 and onwards. Please note that once the unclaimed dividend is transferred to the aforesaid Fund of the Central Government, no claim shall lie in respect thereof.
7. Members desirous of getting any information about the accounts and/or operations of the Company are requested to write to the Company at least seven days before the date of Meeting to enable the Company to keep the information ready at the Meeting.
8. 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. Karvy Computershare Private Limited
9. 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 Karvy Computershare Private Limited.
10. Non-Resident Indian Members are requested to inform to the Registrars and Transfer Agents of the Company, M/s Karvy 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.
11. 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.
12. Details under clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment / re-appointment.
13. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members' facility to exercise their right to vote at the 68th Annual General Meeting ("AGM") by electronic means and the business may be transacted through e-voting services provided by Karvy Computershare Private Limited ("Karvy"). It may be noted that this e-voting facility is optional. The e-voting facility will be available at the link <https://evoting.karvy.com> during the following voting period: Commencement of e-voting: From 9 A.M. on 14th July, 2014 to 6 P.M. on 16th July, 2014.
14. E-voting shall not be allowed beyond 6 p.m on 16th July, 2014. During the e-voting period, shareholders of the company, holding shares either in physical form or in dematerialised form, as on Friday, 20th June 2014 may cast their vote electronically.
15. The login ID and password for e-voting along with process, manner and instructions for e-voting is being sent to the members who have not registered their e-mail IDs with the Company / their respective Depository Participants along with physical copy of the Notice. Those members who have registered their e-mail IDs with the Company / their respective Depository Participants are being forwarded the login ID and password for e-voting along with process, manner and instructions by e-mail.
16. The Company has appointed Mr. Kunjal Dalal, Proprietor K. Dalal & Co., Practising Company Secretaries, as Scrutinizer for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.
17. Electronic copy of the Annual Report for 2013-14 is being sent to all the members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2013-14 is being sent in the permitted mode.
18. Electronic copy of the Notice of the 68th Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 68th Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
19. In terms of section 108 of the Companies Act, 2013, and Rule 20 of the Companies (Management and Administration) Rules, 2014, the company has made arrangement to its members to exercise their right to vote at Annual General Meeting by electronic means.

By Order of the Board of Directors

Jigar K. Vyas
Company Secretary

Surat, 31st May 2014.

Explanatory Statement pursuant to Section 102(1) of the Companies Act 2013 (Act).

Item No.4

Resolution under Item No.4 of the Notice relates to the appointment of Mr. M.R. Momaya as Managing Director of the Company for a period of 5 (five) years from 1st June 2014 to 31st May 2019.

Mr. M.R. Momaya holds B.E. (Mechanical & Electrical) and also an Associate Member of Institute of Chemical Engineering (AMICE). He was associated with one of the most reputed textile company of Surat for more than three decades and at present rendering his services as Consultant Engineer. Mr. M.R. Momaya is also involved with the various activities of the Group since a long time and has contributed to a large extent to the activities in which the Company is engaged.

In view of Mr. M.R. Momaya having vast experience of the Indian Textile industry and in depth knowledge of the relevant field, the Board of Directors at their meeting held on 21st May 2014 considered and appointed Mr. M.R. Momaya as Managing Director of the Company for a period of 5 (five) years w.e.f. 1st June 2014. His appointment is subject to the approval of Members at the General Meeting by way of Special Resolution in compliance to the conditions set out in Part I of schedule V to the Companies Act, 2013.

The Nomination and Remuneration Committee and the Board of Directors of the Company are of the opinion that he is fit and proper person to hold the said office and his appointment will be in the interest of the Company.

The remuneration and perquisites of Mr. M.R. Momaya is considered reasonable having regard to the qualification, experience and expertise and the value which he is expected to add to the business of the Company. The terms of re-appointment and remuneration payable to the aforesaid director, are in strict conformity with Schedule XIII to the Companies Act, 1956.

The material terms of remuneration of Mr. M.R. Momaya effective from 1st June 2014 to 31st May 2019 as approved by both Remuneration Committee and Board of Directors in their respective meetings held on 21st May 2014 are as under.

Broad particulars of the terms of appointment of and remuneration payable to Mr. M.R. Momaya are as under:

- i) **Salary:** upto ₹24,00,000/- (Rupees Twenty-four Lacs only) per annum.
- ii) **Perquisites and Allowances:**
 - (a) in addition to the salary as above, Mr. M.R. Momaya shall be entitled to perquisites which includes accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for self and family including dependents; club fees, car(s) with driver and telephone(s) at residence and such other perquisites and/or other allowances as the Board (which includes any committee thereof) may in its absolute discretion determine from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at i) above.
 - (b) The said perquisites and allowance shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.
 - (c) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these singly or together are not taxable under the Income-tax law, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to

the extent not taxable under the Income-tax law shall not be included for the purpose of computation of the overall ceiling of remuneration.

iii) **Remuneration based on net profits:**

In addition to the salary, perquisites and allowances as set out above, Mr. M.R. Momaya shall be entitled to receive remuneration based on net profits. Such remuneration based on net profits payable to him as also to the other Whole-time Directors of the Company will be determined by the Board and/or the Nomination and Remuneration Committee of the Board for each financial year.

The overall remuneration payable every year to the Managing Director and the Whole-time Directors by way of salary, perquisites and allowances, incentive / bonus / performance linked incentive, remuneration based on net profits, etc. shall not exceed in aggregate one percent of the net profits of the Company as computed in the manner laid down in Section 198 of the Act or any statutory modification(s) or re-enactment thereof.

- iv) The aggregate of salary, perquisites and commission in any one financial year shall not exceed the limits prescribed under Section 197(1) of the Companies Act, 2013, and the overall limit as laid down in Section 198 of the said Act read with Schedule V to the Act as may for the time being in force.

v) **Minimum Remuneration:**

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of the Managing Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary, Perquisites and other allowances as specified above as minimum remuneration, subject to the overall ceiling prescribed under Part II Section II of Schedule V to the Act.

vi) **Other Terms and Conditions:**

- (a) The Managing Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and confirm to comply with all such directions and regulations as may from time to time be given and made by the Board.
- (b) The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.
- (c) The Managing Director shall adhere to the Company's Code of Business Conduct & Ethics for Directors and Management Personnel.
- (d) The Managing Director shall be liable to retire by rotation.
- (e) The office of the Managing Director may be terminated by the Company or the concerned Director by giving the other 3 (three) months' prior notice in writing.

In compliance to the conditions set out in Part-I of Schedule V of the Act, the approval of shareholders is sought by special resolution. Mr. M.R. Momaya is not disqualified from being appointed as a Director in terms of Section 164 of the Act.

The Directors are of the view that the re-appointment of Mr. M.R. Momaya as Managing Director will be beneficial to the operations of the Company and the remuneration payable to him is commensurate with his ability and experience. The Nomination and Remuneration Committee of the Board has approved the same remuneration.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr. M.R. Momaya under Section 190 of the Act.

The draft agreement between the Company and Mr. M.R. Momaya is available for inspection by the Members of the Company at its Registered Office of the Company on all working days except Sunday and public holiday, between 10:00 hours and 12:00 hours up to the date of meeting.

Brief resume of Mr. M.R. Momaya, nature of his expertise in specific functional areas, venture companies in which he holds directorships and memberships / chairmanships of Board Committee, shareholding and relationships amongst directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are provided in the Corporate Governance Report forming part of the Annual Report.

Mr. M.R. Momaya is interested in the resolution set out at item No.4 of the Notice, which pertains to his appointment and remuneration payable to him.

The relatives of Mr. M.R. Momaya may be deemed to be interested in the resolution set out at item No.4 of the Notice, to the extent of their shareholding interest, if any, in the company.

Save and except the above, none of the other Directors / Key Managerial personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this resolution.

The Board commends the Special Resolution set out at item No.4 of the Notice for approval by the shareholders.

Item No.5

Pursuant to the recommendation of the Audit Committee, the Board of Directors had at its meeting held on May 31 2014, approved the reappointment of the Cost Auditors, P.M. Nanabhai & Co., Cost Accountants (Registration No.7464), Mumbai, and remuneration payable to them, as set out in the Resolution under this Item of the Notice.

Pursuant to section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company are required to approve and ratify the payment of remuneration of ₹60,000/- (apart from reimbursement of out of pocket expenses and applicable taxes) to the Cost Auditors as approved by the Board of Directors in their meeting held on 31st May 2014 for the Financial Year 2014-15

Particulars of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr. Sanjay S. Shah	Mr. M.R. Momaya	Mr. Harishchandra Bharucha
Date of Birth	19.02.1956	19.03.1932	10.05.1943
Date of Appointment on the Board	01.05.2012	23.10.2000	26.11.2010
Qualifications	B.A. (Essex Univeristy) U.K.	B. E. (Mechanical & Electrical)	Graduate
Expertise in functional areas	Well known industrialist having more than 30 years of experience in the business of man made textiles.	He was associated with one of the most reputed textile Company of Surat for about 36 years. He is presently rendering his services as Consultant Engineer.	30 years experience in dyes and chemicals and other related textile products.
Directorship held in other companies	Kashah Investment Ltd. Garden Silk Mills Limited	Como Textiles Pvt. Ltd. Amalfi Textiles Pvt. Ltd. Sorrento Textiles Pvt. Ltd. Porus Textiles & Trading Pvt. Ltd. Sirius Management Services Pvt. Ltd	Nil
Chairmanships / Memberships of Committee	Nil	Nil	Nil
No. of shares held in the Company	Nil	Nil	Nil
Relationship between directors Inter-se	--	--	--

None of the Directors and Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No.5 of the Notice.

The Board recommends the resolution for the approval of the Members.

Item No.6

Pursuant to the provisions of Section 149 of the Companies Act, 2013, and other applicable provisions of the Act, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

Mr. Harishchandra B. Bharucha is the Non-Executive Independent Director under the Listing Agreement on the Board of the Company since 2010. He has an experience of over 30 years in the manufacturing of dyes and chemicals for textile industry. Mr. Bharucha does not hold any share in the Company.

Mr. Bharucha is a director whose office is liable to retire by rotation under the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Bharucha, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for five consecutive years for a term of upto 31st March 2019. The Company has received notice from a member proposing that his term as an Independent Director be for a period of five years from 1st April 2014 up to 31st March 2019.

With the enactment of the Companies Act, 2013 ('Act') it is now incumbent upon every listed company to appoint 'Independent Directors' as per the provisions of section 149(6) of the Act. Your Board is of the opinion that Mr. Bharucha fulfills the conditions specified in the Companies Act, 2013 and rules made thereunder, for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter of appointment of Mr. Bharucha as an Independent Director setting out the terms and conditions would be available for inspection as mentioned in the Note No.6 of the Notes to this Notice.

Except Mr. Bharucha, none of the Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution. The Board of Directors recommend the resolution for approval of the members.

By Order of the Board of Directors

Surat, 31st May 2014.

Jigar K. Vyas
Company Secretary

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the Sixty-eighth Annual Report together with the audited accounts of the Company for the financial year ended 31st March 2014.

Financial Results

	(₹ in crores)	
	2013-14	2012-13
Revenue from Operations (Net)	181.51	217.77
Other Income	1.19	4.16
Profit before interest, depreciation and tax	4.36	15.12
Less: Finance Costs	1.35	0.23
Depreciation	1.31	1.49
Profit before Tax	1.70	13.40
(Add)/Less: Provision for Tax	0.54	5.83
Profit after Tax	1.16	7.57

Dividend

In order to strengthen the reserves of the Company, your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2013-14.

Review of Operations

The overall volume of business activity in the Company's major product i.e. chips and yarns were adversely affected during the year 2013-14, primarily on account of oversupply situation in the market. Moreover, due to subdued market conditions, lower demand growth and severe competition margins remained under pressure through out the year.

The gross turnover for the year 2013-14 declined 16.23% at ₹203.22 crores as against ₹242.57 crores in the previous year. The sale of Polyester Chips was lower at ₹138.73 crore as compared to ₹156.76 Crore during the previous year whereas the sale of Yarn (including spun yarn) for the year 2013-14 was lower at ₹56.55 Crore as compared to ₹ 72.57 Crore in the previous year.

Earnings before interest tax and depreciation (excluding other income) also declined at ₹3.17 crore as against ₹ 10.96 crore in the previous year.

The sale of chips was lower at 13064 MT for the year 2013-14 as compared to 15159 MT in the previous year. The total sale of polyester filament yarn (PFY) was lower at 3429 MT as compared to 4434 MT in the previous year.

The overall production of Chips was at 15363 MT during the year 2013-14 as compared to 18304 MT achieved in the previous year. Whereas the production of PFY during the year remained lower at 3314 MT as compared to 4322 MT in the previous year. The Company had to curtail the production during the year due to shortage of raw material as well as due to oversupply situation and slower domestic demand growth.

Apart from investing surplus funds in business the Company continued to pursue related business opportunities during the year, by building up its stock in trade of art and artifacts and pursuing its construction business activity.

Increase in the cost of major inputs, consequent to the rise in international crude oil prices, affected the performance of the Company, as the increase could not be entirely passed on to the customers.

Overview of Economy

India's economic growth remained subdued at 4.7% in 2013-14 and at 4.6% in the fourth quarter of the financial year; mainly due to a decline in manufacturing and mining output.

The country's economy or gross domestic products (GDP), had expanded at 4.5% in 2012-13, the slowest pace in the past decade. Growth in 2013-14 was less than the Central Statistics Office's advance estimates of 4.9%. The economy expanded 4.4% in the fourth quarter (January-March) of 2012-13.

The manufacturing sector declined 1.4% in the fourth quarter as against growth of 3% a year ago and contracted 0.7% in the financial year compared with growth of 1.1% in 2012-13. The growth in per capita income is estimated at 2.7% during 2013-14 against 2.1% during 2012-13.

Industry Scenario

During the year under review, the market of Polyester Filament Yarn remained subdued. The slow pace of growth in demand and increase in supply due to capacity expansion by large players were contributing factor. In respect of yarn activity, the operating margins are likely to remain under pressure due to lower sales realization.

In polyester chips, the domestic supply has increased and outstrips demand largely. This has put considerable pressure on sale and margins. The raw material prices are expected to go up and likely to put further pressure on margins.

The Company is gearing up to meet the challenges to continue improvement in quality, reduction in costs, better marketing arrangement and improved product mix.

Opportunities, Threats and Challenges

The Company is experiencing pressure on margins due to severe competition from other low-cost countries like China. There is also a threat of high inflation rates as the prices of commodities have been increasing.

The Company perceives threat from imports and consequent pressure on domestic prices, apart from the increase in cost of raw materials and other inputs due to spurt in crude oil prices. Further, any unforeseen slow-down affecting the growth of the Indian economy, may adversely affect the investments in the textile sector.

The continuing demand sluggishness and over supply situation does not indicate any immediate upswing in the performance of polyester industry. However, with a lot of global feedstock capacities expected to go on stream, which may result in a softening of feedstock prices and improvement of margins. The Company can look forward to positive long term prospects.

Business Outlook

While there are near-term concerns around slowing market growth and inflationary pressures on consumers, we are confident of the medium-to-long term growth prospects of textile sector and remain focused on delivering consistent and competitive growth with sustainable operating margin improvement.

Your Company continues to leverage its in-house expertise in the area of procurement an import of raw materials for polyester industry and expand that line of business activities as well.

We expect your company will outperform the industry in terms of sales and profit growth over the medium term. In our opinion in the absence of a severe slowdown in the economy, the sluggishness would be temporary, especially for the POY industry, for which the global economic forecast for the next couple of years is healthy.

The introduction of GST should see a level playing field between your Company and other companies who are tax-exempt. This should further improve margins for your Company other things being same.

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

Internal Control

Your Company has proper and adequate systems of internal control. Regular Internal Audits and Checks are carried out and the management also constantly reviews the internal control systems and procedures to ensure orderly and efficient conduct of the Business. The internal auditors periodically interact with the Audit Committee of the Board of Directors of the Company to discuss various internal controls / internal audit issues.

Risk Management

Creation of new capacities in polyester yarn and chips has out-paced demand growth in the last 2-3 years. It has led to price instability and pressure on operating margins. Yet the medium-term for the industry is widely expected to be bright owing to the rapid demand growth expected.

High crude oil prices will result in high raw material and fuel oil costs which are key inputs for the Company. Unlike in the previous year it is possible that the Company and industry may not always be able to pass on the entire increase to the customer. Past history has shown that price increases are generally passed on. In the short-term however, very large price increases, do have a crimping effect on demand and create a reduced ability to pass on price increases.

Your Company remains exposed to adverse movements in raw material prices. Large changes in prices tend to cause uncertainty and reduce domestic demand for polyester filament yarn.

The Company is exposed to risks attached to various statutes and regulations including the Competition Act, 2002. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

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 concern, compliance of statutory and industrial requirement for environment protection and conservation of natural resources to the extent possible.

Directorate

Mr. Sanjay S. Shah, Managing Director of the Company requested the Members of the Board to relinquish him from the responsibilities of Wholetime Director with effect from 1st June 2014 and submitted his resignation to the Members of the Board. The Board of Directors accepted the same and requested Mr. Sanjay S. Shah to continue to be a Member of the Board as Non-executive Director.

The Board of Directors of the Company at their meeting held on 31st May 2014, subject to the approval of shareholders appointed Mr. M.R. Momaya, as Wholetime Director designated as Managing Director of the Company for a term of 5 (five) years effective from 1st June 2014 to 31st May 2019. On the recommendations of Remuneration Committee the Board has fixed the remuneration of Mr. M. R. Momaya for a period of 5 (five) years. The resolution for appointment is proposed to the Members in the Notice of the Annual General Meeting vide item No.4 and the explanatory statement includes the duration in terms of appointment. You are requested to consider the appointment of Mr. M. R. Momaya.

In terms of the provisions of Section 149 of the Companies Act, 2013, it is proposed to appoint Mr. Harihshchandra Bharucha as independent director for a period of 5 years with effect from 1st April 2014.

In terms of Section 152 of the Companies Act, 2013, Mr. Sanjay S. Shah would retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment. Mr. Sanjay S. Shah has offered himself for re-appointment.

The brief resume / details relating to Directors who are to be appointed / re-appointed as above forms part of this annual report.

Fixed Deposits

During the year the Company has not accepted any fixed deposits from the public. There are no fixed deposits outstanding with the Company as on 31st March 2014.

Energy, Technology and Foreign Exchange

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required, to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 is annexed herewith and forms part of this report.

Human Resources and Industrial Relations

Your Company's relations with its employees continue to be cordial. Dedicated work by the workmen, supervisors and executives of your Company made it possible to achieve success under difficult circumstances.

Your Company also associates itself with several social causes and empowers its employees to contribute to the society and carries out regular CSR activities reaching out to the less privileged.

Particulars of Employees

None of the employees of the Company are in receipt of remuneration prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Insurance

The properties and insurable assets and interests of your Company, like building, plant and machinery and stocks, among others, are adequately insured.

Auditors

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

As per the requirements of the Companies Act, 2013 (the Act) Natvarlal Vepari & Co., Chartered Accountants, have confirmed that the re-appointment if made would be within the limits specified under Section 141(3)(g) of the Act and that they are not disqualified to be appointed as statutory auditors in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

Since Messrs Natvarlal Vepari & Co., Chartered Accountants, have been functioning as the auditors of the Company for more than 10 years, in accordance with the aforesaid rules, the Audit Committee and the Board of Directors have recommended the re-appointment of auditors for a maximum period of three consecutive years, subject to ratification of their appointment at every AGM.

Cost Auditors

In accordance with Section 141 of the Companies Act, 2013 and subject to the approval of the Central Government, the Audit Committee has recommended and the Board of Directors had appointed M/s P.M. Nanabhoy & Co., Cost Accountant, Mumbai being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of the products manufactured by the Company during the financial year 2014-15.

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.

The Companies Act, 2013

The Ministry of Corporate Affairs (MCA) vide its Circular dated 4th April 2014 has clarified that the financial statements and documents annexed thereto, auditors report and board's report in respect of financial year that have commenced earlier than 1st April 2014 shall be governed by

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

the provisions of the Companies Act, 1956 and in line with the same, the Company's financial statements, auditors' report and Board's report and attachments thereto have been prepared in accordance with the provisions of the Companies Act, 1956.

Compliance with Minimum Public Shareholding requirement

The Company has met with the requirement of having minimum 25% Public Shareholding as permitted by SEBI and a confirmation to this effect has been sent to the Stock Exchanges also on 10th May 2013.

Directors' Responsibility Statement:

Pursuant to the requirement 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 2014, 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2014 and of the profit 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 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

Your Company continues to be committed to good corporate governance practices. Your Company complies with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate report on Corporate Governance along with the Auditors' Certificate on compliance with the Corporate Governance as stipulated in Clause 49 forms part of this report.

Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statement" within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results might differ materially from those either expressed or implied.

Appreciation

The Directors wish to place on record their appreciation for the continued support and co-operation by Banks, Government authorities and other stakeholders. Your Directors also acknowledge the support and assistance extended by the Company's suppliers and business associates and all the employees for their dedicated service and the confidence reposed in the Company and its management.

By Order of the Board of Directors

Surat, 31st May 2014.

Sanjay S. Shah
Managing Director

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"

Form for Disclosure of Particulars with respect to Conservation of Energy.

	2013-14	2012-13
A Power And Fuel Consumption		
1. Electricity		
a. Purchased Unit in lacs	101.28	114.41
Total amount ₹ in Lacs.	641.27	731.90
Rate / Unit ₹	6.33	6.24
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.)	60	69
Total Amount ₹ in Lacs.	24.79	25.25
Average rate ₹/ Ltr.	41.32	36.59
4. Others/Internal generation		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate / Unit ₹	NIL	NIL
B Consumption Per Unit of Production		
Product Details	SPUN	SPUN
	YARN	YARN
Unit	Kg.	Kg.
Electricity (Unit) *	5.74	5.35
Product Details	PFY	PFY
Unit	Kg.	Kg.
Electricity (Unit) *	1.07	1.03
Product Details	CHIPS	CHIPS
Unit	Kg.	Kg.

	2013-14	2012-13
Electricity (Unit) *	0.23	0.21
Furnace Oil	NIL	NIL
Coal / Lignite (Kg.)	NIL	NIL
Others	NIL	NIL

* The variation in consumption of Electricity per unit of production is due to changes in product mix.

II. TECHNOLOGY ABSORPTION

Efforts made in Technology absorption as per Form - B

a) Research & 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, however, due to subdued market conditions and the competitive pressure, the Company could not export its products during the year.

2. Total foreign exchange earnings and outgo : Nil.

By Order of the Board of Directors

Sanjay S. Shah
Managing Director

Surat, 31st May 2014.

REPORT ON CORPORATE GOVERNANCE

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms part of the report of the Board of Directors. The Company has complied with the applicable requirements of Code of Corporate Governance as prescribed in the Listing Agreement and in this regard the following details are provided for the information of stakeholders and public at large.

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of Governance

The Corporate Governance philosophy encompasses regulatory and legal requirements, such as the terms of listing agreements with stock exchanges which aims at a high level of business ethics, effective supervision and enhancement of value for all stakeholders.

The philosophy on Corporate Governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability etc. serve as the means for implementing the philosophy of Corporate Governance in letter and spirit.

2. Board of Directors

(a) Composition:

The composition of the Board of Directors of the Company is governed by the provisions of the Companies Act, 1956 and the listing requirements of the stock exchange where the securities issued by the Company are listed. The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operates under the supervision and control of the Board.

As on 31st March 2014, the Company's Board comprises four Directors including a Managing Director and three Non-executive Directors of which two Directors are Non-executive independent Directors. The Non-Executive Directors are having diverse backgrounds with considerable professional proficiency, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as member of the Board.

Transactions with related parties are disclosed in Note No.28 of 'Notes to the Financial Statements' for the year ended 31st March 2014. There has been no material pecuniary transaction or relationship between the Company and its Non-executive and/or independent Directors during the year 2014-15.

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

The details of the Board of Directors, their directorships in the other companies, their participation in the Board Meetings and the last Annual General Meeting of the Company is as under:

Name	Category	No. of Board Meetings attended	Attendance at the last AGM held on 24.06.13	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies
Shri Sanjay S. Shah	Managing Director	04	Yes	01	--
Shri M.R. Momaya	Non-executive	03	Yes	N.A.	--
Shri Y.C. Papaiya	Non-executive, Independent	04	Yes	N.A.	--
Shri H.B. Bharucha	Non-executive, Independent	04	Yes	01	--

(b) Directors' membership in Board / Committees of other Companies.

None of the Directors hold the office of director in more than the permissible number of companies under the Companies Act, 1956. Also, the Committee Chairmanships / Memberships are within the limits laid down in Clause 49 of the Listing Agreement.

(c) Board Meetings.

The Meetings of the Board are generally held at the Registered Office of the Company. During the year under review, 4 Meetings were held on 3rd May 2013, 10th August 2013, 13th November 2013 and 10th February 2014. The gap between any two Board Meetings did not exceed four months.

(d) Board Meeting Procedures

The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Managing Director and circulates the same in advance to the Members of the Board. Every Director is free to suggest inclusion of items of the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, when necessary. The minutes of the meetings is approved by the members of the Board at the next meeting. Senior management personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when necessary. The information as required to be placed before Board of Directors as per Code of Corporate Governance is being made available to the Board as and when applicable. The Board periodically reviews compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliance.

REPORT ON CORPORATE GOVERNANCE (Contd.)

3. BOARD COMMITTEES:

The Board currently has 4 committees: (a) Audit Committee, (b) Share Transfer and Investors' Grievance Committee, (c) Remuneration Committee and (d) Management Committee.

(a) Audit Committee

Constitution.

The Audit Committee comprises of the following Directors.

1. Shri Y. C. Papaiya	Chairman	Non-executive Independent
2. Shri H. B. Bharucha	Member	Non-executive Independent
3. Shri M. R. Momaya	Member	Non-executive

All the members of the Audit Committee are financially literate and have accounting and financial expertise.

Terms of reference

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement entered into with the stock exchanges and include the following:

Duties/Powers/Responsibilities:

- Recommendation for appointment, reappointment and terms of appointment of Auditors of the Company.
- Review and monitor auditor's independence and performance and effectiveness of Audit Process.
- Examining Financial Statement and Auditors' report thereon.
- Approval/Subsequent modification of transaction of the Company with related parties.
- Scrutiny of inter corporate loans and investments.
- Valuation of undertakings and assets of the Company.
- Valuation of internal financial control and risk management systems.
- Monitoring the end use of funds raised through public and related matters.

Call for Comments of the Auditors:

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

Meetings and attendance

The Audit Committee meetings are chaired by Shri Y. C. Papaiya who has a vast experience in the area of finance. He is a chartered accountant. None of the members received directly or indirectly, any consulting, advisory or compensatory fees from the Company other than the sitting fee as a Director.

During the financial year 2013-14, the Audit Committee of the Company met four times on 30.05.2013, 10.08.2013, 13.11.2013 and 10.02.2014. The gap between two Audit Committee meetings did not exceed four months. The Committee, in its meeting held on 3rd May 2013 reviewed the Annual Accounts for the year ended 31st March 2013.

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 24th June 2013 and he ensured that necessary clarifications and explanations were provided to the members of the Company on issues regarding accounts and finance.

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	Shri Y. C. Papaiya	Non-Executive, Independent	04
2	Shri H. B. Bharucha	Non-Executive, Independent	04
3	Shri M. R. Momaya	Non-Executive	03

(b) Share Transfer and Investors' Grievance Committee

The Shareholders/Investors Grievance Committee reviews complaints received and action taken by the Company in this regard. In addition, the Committee oversee investors' grievances and redressal mechanism and recommends measures to improve the level of Investor's Services. As on 31st March 2014, the Transfer and Shareholders' / Investors' Grievance Committee comprised of Shri Y. C. Papaiya, Shri H. B. Bharucha. The Company Secretary has been designated as the compliance officer.

During the Financial Year 2013-14, all the transfers of shares have been done within stipulated period. The share transfer agent / company has timely resolved / attended all the 38 complaints. There were no pending transfers as on 31st March 2014.

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.

REPORT ON CORPORATE GOVERNANCE (Contd.)**(c) Remuneration Committee**

The Remuneration Committee comprises Non-executive Independent Directors. The Remuneration Committee recommends and reviews the remuneration packages of the Managerial Personnel and formulation of broad policy framework for managerial remuneration. During the year 2013-14 no meeting was held as there was no proposal for review on managerial remuneration.

The Company has paid sitting fees to Non-Executive directors for attending meetings of the Board, Audit Committee and Share Transfer Committee meetings. The aggregate amount of sitting fees paid during the financial year 2013-14 was ₹54,000/-.

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

Details of remuneration paid/payable to Directors for the year ended 31st March 2014

Name of Director	Salary & Perquisites	Sitting fees	Commission
Shri Sanjay S. Shah	₹6,00,012/-	Not applicable	Not applicable

(d) Other Committees of Directors**Management Committee of the Board**

The Board of Directors has constituted Management Committee of Directors to approve routine and specific matters delegated by the Board. The composition of the Committee of Directors comprises Shri Y. C. Papaiya, Chairman and Shri Harish Bharucha as Member. During the year 2013-14 the Committee met on 02.04.2013 to discuss the matters coming within the Committee's purview.

MD/CFO Certification

The Managing Director and Chief Financial Officer (CFO) of the Company have certified to the Board of Directors the accuracy of financial statement and adequacy of internal controls for financial reporting purposes, as required under Clause 49(V) of the Listing Agreement, for the year ended 31st March 2014.

Appointment/Re-appointment of Directors

Mr. Sanjay S. Shah is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

4. General Body Meetings

- (a) The date time and location of the Annual General Meeting held during the preceding 3 years and no special resolution was passed at the AGMs held on last 3 years:

Year	Location	Date	Time	No. of Special Resolutions passed at AGM
2010-11	Garden Mills Complex, Sahara Gate, Surat.	24th August 2011	10.30 a.m.	None.
2011-12	Garden Mills Complex, Sahara Gate, Surat.	30th July 2012	10.30 a.m.	None.
2012-13	Garden Mills Complex, Sahara Gate, Surat.	24th June 2013	11.00 a.m.	None.

- (b) **Postal Ballot: No special resolution was passed during the last year through postal ballot.**

5. COMPANY POLICIES:**Code of Conduct:**

The Company's Board has laid down a code of conduct for all Board members and senior management of the Company. The code of conduct is available on the website of the Company. All Board members and senior management personnel have affirmed compliance with the code of conduction during the year 2013-14. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

Preventing Conflict of Interests

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

Insider Trading Code

The company has adopted a 'Code of Conduct for Prevention of Insider Trading ("the Code") in accordance with the requirements of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with effect from October 1 2002.

The Securities and Exchange Board of India (SEBI) has over the years introduced various amendments to the insider Trading Regulations of 1992 which ordain new action steps by corporate and other market intermediaries for the purposes of prevention of Insider Trading. This Code is amended from time to time reflecting the changes brought in by SEBI in the Insider Trading Regulations. The said Code is applicable to all Directors and such Designated Employees who are reasonably expected to have access to unpublished price sensitive information relating to the Company.

6. AFFIRMATIONS AND DISCLOSURES:**Compliances with Governance Framework.**

The Company is in compliance with all mandatory requirements of Clause 49 of the Listing Agreement. In addition, the Company has also adopted the non-mandatory requirements of constitution of the Remuneration Committee.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Related Party Transactions

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

Transactions with related parties as per requirements of Accounting Standard (AS)18 – 'Related Party Disclosures' are disclosed in the Financial Statements in the Annual Report.

Disclosure of Accounting Treatment

In the preparation of the financial statements, the Company has followed the Accounting Standards referred to in Section 211(3)(C) of the Companies Act, 1956. The significant accounting policies which are consistently applied are set out in the Note No.1 forming part of the Financial Statements.

Details of Non-Compliance:

The Company has complied with all requirements of Listing Agreement entered into with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last three years.

Reconciliation of Share Capital Audit

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

7. 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.

8. CFDS FILING:

As per the requirements of Clause 52 of the Listing Agreement, all such information, statements and reports as required are being filed on the www.corpfiling.co.in / Corporate Filing and Dissemination System (CFDS) portal.

9. GENERAL SHAREHOLDER INFORMATION:

(a) 68th Annual General Meeting:

Date	:	Wednesday, 23rd July 2014.
Time	:	11:00 a.m.
Venue	:	Bella Mill Compound, Outside Sahara Gate, Surat 395010.

(b) Financial Calendar (2014-15)

Results for the quarter ending June 30 2014	:	July/August 2014.
Results for the quarter ending September 30 2014	:	October/November 2014
Results for the quarter ending December 31 2014	:	January/February 2015
Results for the year ending March 31 2015	:	April/May 2015

(c) Book closure dates

	:	Tuesday, 15th July 2014 to
	:	Wednesday, 23rd July 2014.
	:	(Both days inclusive)

(d) Listing on Stock Exchanges

	:	Stock Code
1. Ahmedabad Stock Exchange Limited,	:	58110
Kamdhenu Complex,	:	
Opp. Sahajanand College,	:	
Panjara Pole, Ambawadi,	:	
Ahmedabad 380015.	:	
2. Bombay Stock Exchange Limited,	:	
Phiroze Jeejeebhoy Towers,	:	30185(Physical Segment)
Dalal Street, Mumbai 400001	:	530185 (Demat Segment)

Demat ISIN for NSDL & CDSL.	:	INE 936A01025
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(e) **Annual Listing Fees:** The Company has paid the Annual Listing fees to the above stock exchanges for the financial year 2014-2015.

REPORT ON CORPORATE GOVERNANCE (Contd.)**(f) Market Price Data**

The High/Low market price of the shares during the year 2013-14 at the Bombay Stock Exchange (BSE) are as under.

Month	High (₹)	Low (₹)
April 2013	1.71	1.30
May 2013	1.84	1.21
June 2013	1.50	0.95
July 2013	1.70	1.06
August 2013	1.42	1.06
September 2013	1.35	1.06
October 2013	2.05	1.09
November 2013	1.64	1.37
December 2013	1.59	1.37
January 2014	1.80	1.33
February 2014	1.69	1.22
March 2014	1.88	1.20

(g) Registrar and Share Transfer Agents:

Karvy Computershare Private Limited	Tel : 040-23420815 to 24
Unit: Surat Textile Mills Limited	Fax : 040-23420814
Plot No.17 to 24, Vittalrao Nagar,	e-mail: einward.ris@karvy.com
Madhapur,	http://www.karvy.com
Hyderabad 500081	

(h) Share Transfer System:

All the share related work is being undertaken by the company's Registrar & 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 2014:

Sr. No.	Category of Members	No. of Shares held	% of total Shares
1.	Promoters.	166503917	74.98
2.	Indian Public.	30536495	13.75
3.	Banks, Financial Institutions & Insurance Companies.	17457307	7.86
4.	NRI's / Overseas Body Corporates	50077	0.03
5.	Bodies Corporate.	7466879	3.36
6.	Trusts	0	0.00
7.	Others (NSDL+CDSL) Clearing Members	49765	0.02
	TOTAL.	222064440	100.00

(j) Categorywise Summary of Holders / Holdings as on 31st March 2014:

No. of Equity Shares	No. of Shareholders	% of total Shareholders	No. of Shares held	% of total Shares
1 - 5000	37365	98.03	11095683	5.00
5001 - 10000	380	1.00	2967052	1.34
10001 - 20000	178	0.47	2530066	1.14
20001 - 30000	69	0.18	1725234	0.78
30001 - 40000	25	0.07	892573	0.40
40001 - 50000	24	0.06	1110911	0.50
50001 - 100000	41	0.10	2748083	1.24
100001 & above	33	0.09	198994838	89.60
Total	38115	100.00	222064440	100.00

REPORT ON CORPORATE GOVERNANCE (Contd.)**(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:

219345170 Equity Shares aggregating to 98.77% of the total Equity Capital is held in dematerialized form as on 31.03.2014 of which 92.50% (205412960 Equity Shares) of total equity capital is held with NSDL and 6.27% (13932210 Equity Shares) of total equity capital is held with CDSL as on 31.03.2014.

(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 500081
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,
Tulsi Krupa Arcade, 3rd Floor,
Puna-Kumbharia Road,
Dumbhal, Surat 395010 |

(o) Eliminate Duplicate Mailing

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

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 Company has a Managing Director who looks after the day to day management, 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.

Compliance Certificate of the Auditors:

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to this Report.

The Certificate from the Statutory Auditors will be sent to the Listed Stock Exchanges along with the Annual Report of the Company

CEO/CFO CERTIFICATION

The Board of Directors,
Surat Textile Mills Limited.

Re: Financial Statements for the year 2013-14

We certify that:

1. We have reviewed the financial statement, read with the cash flow statement of Surat Textile Mills Limited ('the Company') for the year ended 31st March 2014 and to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statement and other financial information included in this report present a true and fair view of the Company's affair and are in compliance with the existing accounting standards, applicable laws and regulations;
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct;
3. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting;
4. We have disclosed to the Company's Auditors and the Audit Committee of the Company's Board of Directors all significant deficiencies in the design or operation of the internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify the deficiencies;
5. We have indicated to the Auditors and the Audit Committee:
 - (a) significant changes in the Company's internal control over financial reporting during the year.
 - (b) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
 - (c) instances of significant fraud of which we have become aware and involvement therein if any of management or other employees having a significant role in the Company's internal control system over financial reporting.

For Surat Textile Mills Limited
Sanjay S. Shah
Managing Director

DECLARATION

Compliance with the Code of Business Conduct and Ethics

I confirm that all Directors and members of the senior management have affirmed compliance with Code of Business Conduct and Ethics for the year ended March 31, 2014.

Place: Surat
Date: 31st May 2014

Sanjay S. Shah
Managing Director

AUDITORS CERTIFICATE ON 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 ("the Company"), for the year ended on 31st March 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and 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 the abovementioned Listing Agreement.

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
Firm Registration Number: 123626W

R. N. VEPARI
Partner
Membership No.: 6728

Surat, 31st May 2014

INDEPENDENT AUDITOR'S REPORT

To The Members of
Surat Textile Mills Limited,

Report on the Financial Statement

We have audited the accompanying financial statements of **Surat Textile Mills Limited** (the "Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the Act) read with the General Circular 16/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error; In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31 2014;
- b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2 As required by section 227(3) of the Act, 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, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under Act read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - e) On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms Section 274(1)(g) of the Act.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company

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

R. N. VEPARI
Partner

Surat, 21st May 2014

Membership No.: 6728

Annexure to Independent Auditors' Report

Referred to in Paragraph 1 under the heading of "report on other legal and regulatory requirements" 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 taken or granted any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956. The other clauses (iii)(b) to (iii)(d) of the Order, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the Order.
- (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. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (5) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act 1956 have been entered in the register required to be maintained under this section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the 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 time.
- (6) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Companies Act 1956 and the rules framed there under.
- (7) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (8) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (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 is 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, Custom Duty, Excise Duty 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 2014 for a period of more than six months from the date of becoming payable.
- (10) In our opinion,
 - (a) the Company does not have any accumulated losses as at 31st March 2014;
 - (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 or debenture holders as at the balance sheet date 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) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (15) 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.
- (16) The Company did not raise any new term loan during the year. The term loans outstanding at the beginning of the year have been applied for the purpose for which they were raised.
- (17) On the basis of an overall examination of the balance sheet of the Company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- (18) 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 during the year.
- (19) The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
- (20) The Company has not raised any money by public issues during the year.
- (21) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

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

R. N. VEPARI
Partner

Membership No.: 6728

Surat, 21st May 2014

BALANCE SHEET AS AT 31ST MARCH, 2014

		(₹ in Lacs)	
	Notes	As at 31st March, 2014	As at 31st March, 2013
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	2,220.64	2,220.64
Reserves and Surplus	3	5,588.22	5,472.58
		<u>7,808.86</u>	<u>7,693.22</u>
Non-Current liabilities			
Long-Term Borrowings	4	137.27	56.84
Other Long-Term Liabilities	5	151.76	144.26
Long-Term Provisions	6	130.23	138.51
		<u>419.26</u>	<u>339.61</u>
Current Liabilities			
Short-Term Borrowings	7	429.64	0.00
Trade Payables	8	1,313.46	1,875.80
Other Current Liabilities	9	614.03	620.60
Short-Term Provisions	10	1,383.29	1,450.11
		<u>3,740.42</u>	<u>3,946.51</u>
TOTAL		<u>11,968.54</u>	<u>11,979.34</u>
ASSETS			
Non-Current Assets			
Fixed Assets:	11		
Tangible Assets		2,043.79	1,978.76
Capital Work-in-Progress		0.00	0.00
		<u>2,043.79</u>	<u>1,978.76</u>
Non-Current Investments	12	1,293.54	1,291.55
Deferred Tax Assets (net)	13	438.66	459.32
Long-Term Loans and Advances	14	1,267.34	1,335.95
		<u>5,043.33</u>	<u>5,065.58</u>
Current Assets			
Inventories	15	4,809.04	4,850.95
Trade Receivables	16	1,382.63	383.83
Cash and Bank Balances	17	180.87	731.46
Short-Term Loans and Advances	18	552.67	947.52
		<u>6,925.21</u>	<u>6,913.76</u>
TOTAL		<u>11,968.54</u>	<u>11,979.34</u>
Significant Accounting Policies	1		
Notes on Financial Statements	1 to 30		

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, 21st May, 2014

For and on behalf of the Board
SANJAY S. SHAH
 Managing Director

Y. C. PAPAIYA
 Director

JIGAR K. VYAS
 Company Secretary
 Surat, 21st May, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

	Notes	(₹ in Lacs)	
		2013-14	2012-13
Income:			
Revenue from Operations (Net)	19	18,150.82	21,776.61
Other Income	20	119.51	416.59
Total Revenue		18,270.33	22,193.20
Expenses:			
Cost of Materials Consumed	21	13,810.78	16,256.19
Purchases of Stock-in-Trade	22	255.00	486.96
Changes in Inventories of Finished Goods, Stock-in-Process and Stock-in-Trade	23	243.37	(387.42)
Employee Benefits Expense	24	512.52	536.71
Finance Costs	25	134.98	22.86
Depreciation and Amortisation Expense	11	130.87	148.60
Other Expenses	26	3,012.83	3,789.19
Total Expenses		18,100.35	20,853.09
Profit Before Tax		169.98	1,340.11
Tax Expenses:			
Current Tax		33.68	442.82
Deferred Tax		20.66	140.07
Profit for the year		115.64	757.22
Earnings per equity share of face value of ₹1 each			
Basic and Diluted (in ₹)	27	0.05	0.34
Significant Accounting Policies	1		
Notes on Financial Statements	1 to 30		

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, 21st May, 2014

For and on behalf of the Board
SANJAY S. SHAH
Managing Director

Y. C. PAPAIIYA
Director

JIGAR K. VYAS
Company Secretary
 Surat, 21st May, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

	(₹ in Lacs)	
	Year ended 31st March, 2014	Year ended 31st March, 2013
A. Cash flow from Operating Activities		
Profit before tax	169.98	1,340.11
Adjustments for:		
Depreciation and Amortisation Expense	130.87	148.60
Finance Costs	110.23	22.86
Interest Income	(117.87)	(23.80)
Net gain on sale of current investments	0.00	(10.09)
Credit balances written off	0.00	(0.77)
Dividend Income	(1.64)	(0.74)
Foreign Exchange Gain	24.75	(1.40)
Provision for diminution in value of Investments	0.00	873.63
Share of Loss in Partnership Firm	0.01	0.03
Net surplus on disposal of fixed assets	0.21	(379.79)
	146.56	628.53
Operating Profit before Working Capital Changes	316.54	1,968.64
(Increase) / Decrease in Trade and other Receivables	(1,438.71)	(842.08)
(Increase) / decrease in Inventories	41.91	(627.49)
(Decrease) / Increase in Trade and Other Payable	(662.22)	1,260.52
	(2,059.02)	(209.05)
Cash Generated from Operations	(1,742.48)	1,759.59
Direct Taxes (Paid) / Refund.	(31.29)	(1.23)
Net Cash Flow from Operating Activities (A)	(1,773.77)	1,758.36
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(196.24)	(1,025.74)
Capital Advances Received Back	1,000.00	0.00
Sale of Fixed Assets	0.12	499.51
Purchase of Investments	0.00	(2,181.35)
Sale of Investments	0.00	2,191.44
Dividend Income	1.64	0.74
Investment In Partnership Firm	(2.00)	(700.00)
Net Cash Inflow from Investing Activities (B)	803.52	(1,215.40)
C. Cash Flow from Financing Activities		
Proceeds from Short Term Borrowings	429.64	0.00
Proceeds from Long Term Borrowings	131.00	0.00
Repayment of Long Term Borrowings	(27.23)	(17.25)
Interest Paid	(89.00)	(7.28)
Foreign Exchange Gain	(24.75)	1.40
Net Cash Outflow from Financing Activities (C)	419.66	(23.13)
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	(550.59)	519.83
Cash and Cash Equivalents at the beginning of the year	731.46	211.63
Cash and Cash Equivalents at the end of the year	180.87	731.46

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, 21st May, 2014

For and on behalf of the Board

SANJAY S. SHAH

Managing Director

Y. C. PAPAIIYA

Director

JIGAR K. VYAS

Company Secretary

Surat, 21st May, 2014

NOTES ON FINANCIAL STATEMENTS

Note 1 : Significant Accounting Policies:

(a) Basis of Preparation of Financial Statements

The financial statements are prepared and presented under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) and the provisions of The Companies Act, 1956. 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.

(b) Use of Estimates

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

(c) Fixed Assets

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

(d) Depreciation and Amortisation

Depreciation is provided in accordance with the provision of Section 205(2) read with Section 350 of the Companies Act, 1956 except:

- (i) Depreciation on fixed assets purchased up to 1984 is provided as per written down value method at the rates prescribed by Schedule XIV to the Companies Act, 1956, as amended from time to time.
- (ii) Depreciation on fixed assets purchased during the year 1985 and 1986 is provided as per straight-line method at the rates corresponding to the rates applicable under Income-tax Rules at that time.
- (iii) Depreciation on assets purchased during the year 1987 and onwards has been provided as per straight-line method at the rates and on the basis prescribed by Schedule XIV to 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 Accounting Standards (AS) 28 on "Impairment of Assets" issued by The Institute of Chartered Accountants of India, depreciation has been worked out after reassessing the useful life of the assets from the brought down level and accordingly charged, considering brought down level as a base.

(e) Investments

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

(f) Impairment of Assets

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

(g) Valuation of Inventories

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

Inventory valuation is determined on the following basis :

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

(h) Revenue Recognition

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

NOTES ON FINANCIAL STATEMENTS (Contd.)

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

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

(j) Cenvat.

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

(k) Expenses

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

(l) Employee Benefits :

- (i) Short Term Employee Benefits
All employee benefits falling due within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, bonus, leave salary ex-gratia are recognised in the period in which employee renders the related services.
- (ii) For Defined Contribution Plans (PF, FPF and ESI)
Contributions to Defined Contribution Plans are recognized as expenses in the Profit and Loss Account as they are incurred.
- (iii) For Defined Benefit Plans
As per requirement defined in Accounting Standard 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India, the entity has relied on the Actuarial valuation undertaken by the certified actuary for the present value of obligation and the same is unfunded.

(m) Borrowing Cost

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

(n) Provision for Current and Deferred Tax

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

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

(o) Foreign Currency Transactions

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

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 2 : Share Capital		
Authorised Share Capital		
75,00,00,000 (75,00,00,000) Equity Shares of ₹1/- each	7,500.00	7,500.00
Issued, Subscribed and Paid up		
22,20,64,440 (22,20,64,440) Equity Shares of ₹ 1/- each fully paid up	2,220.64	2,220.64

2.1 Reconciliation of Shares Outstanding

	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	₹ in Lacs	No. of Shares	₹ in Lacs
Balance at the beginning of the year	222064440	2,220.64	222064440	2,220.64
Shares issued during the year	0	0.00	0	0.00
Outstanding at the end of the year	222064440	2,220.64	222064440	2,220.64

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

Name of the Shareholder	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	% held	No. of Shares	% held
Shri Praful A. Shah (Individual)	27910497	12.57%	25117205	11.31%
Vareli Trading Company Ltd.	77500000	34.90%	77500000	34.90%
IDBI Bank Ltd.	15456807	6.96%	15456807	6.96%
Garden Silk Mills Limited	14500000	6.53%	14500000	6.53%

2.3 Rights, Preferences and Restrictions attached to Shares**Equity Shares:**

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

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 3 : Reserves and Surplus		
Surplus in Statement of Profit and Loss		
Balance as per last Balance Sheet	5,472.58	4,715.36
Add: Profit for the Year	115.64	757.22
TOTAL	5,588.22	5,472.58

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 4 : Long-Term Borrowings		
Secured		
Long-Term Maturities of Term Loans from Bank	137.27	56.84
TOTAL	137.27	56.84

NOTES ON FINANCIAL STATEMENTS (Contd.)

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

- 4.1 Term loans from HDFC Bank and Kotak Mahindra Prime Limited aggregating to ₹179.68 Lacs (Previous year ₹ 75.90 Lacs) under vehicle finance scheme are secured by an exclusive charge by way of hypothecation of specific vehicles purchased under the arrangements. Interest rate on term loans are 10 % and 10.93 % respectively.

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013

Note 5 : Other Long-Term Liabilities

Trade Deposits	151.76	144.26
TOTAL	151.76	144.26

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013

Note 6 : Long-Term Provisions

Provision for employee benefits	130.23	138.51
TOTAL	130.23	138.51

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013

Note 7 : Short-term Borrowings

Loan repayable on demand		
Cash Credit Facility (Refer Note 7.1)	429.64	0.00
TOTAL	429.64	0.00

- 7.1 Cash Credit facilities availed from Bank of Baroda is secured by hypothecation by way of first pari passu charge on all its current assets and by way of second pari passu charge on immovable and all movable properties (excluding current assets) of the Company. Rate of Interest on Cash Credit facility is 13.5%.

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013

Note 8 : Trade Payables

Acceptances:

Under usance Letter of Credit	633.60	0.00
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Sundry creditors:

Micro, Small and Medium Enterprises	3.61	0.65
Others	676.25	1,875.15
TOTAL	1,313.46	1,875.80

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

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Principal amount due and remaining unpaid	0.00	0.00
Interest due on above and the unpaid interest	0.00	0.00
Interest paid	0.00	0.00
Payment made beyond the appointed day during the year	0.00	0.00
Interest due and payable for the period of delay	0.00	0.00
Interest accrued and remaining unpaid	0.00	0.00
Amount of further interest remaining due and payable in succeeding years	0.00	0.00

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 9 : Other Current Liabilities		
Current maturities of long term debt	42.40	19.06
Creditors for Capital Expenditure	0.00	0.83
Advance Received	96.18	123.04
Other Payables	475.45	477.67
TOTAL	614.03	620.60

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 10 : Short-Term Provisions		
Provision for employee benefits.	13.42	13.48
Provision for taxation	1,318.13	1,315.75
Other Provisions (Refer 10.1)	51.74	120.88
TOTAL	1,383.29	1,450.11

10.1 The Company had recognised liability based on substantial degree of estimation for excise duty payable on clearance of goods lying in stock as on 31st March, 2013 of ₹120.88 Lacs as per the estimated pattern of dispatches. During the year, ₹120.88 Lacs was utilised for clearance of goods. Provision recognised under this class for the year is ₹51.74 Lacs, which is outstanding as on 31st March, 2014. Actual outflow is expected in the next financial year.

Note 11 : Fixed Assets

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 01/04/13	Additions during the Year	Adjustment during the Year	Total	As at 01/04/13	For the Year	Adjustment during the Year	Total	As at 3/31/2014	As at 3/31/2013	
	1	2	3	4	5	6	7	8	9	10	11
Tangible Assets											
Land	1,102.00	0.00	0.00	1,102.00	123.84	0.00	0.00	123.84	978.16	978.16	
Building	2,316.25	0.00	0.00	2,316.25	1,951.60	26.33	0.00	1,977.93	338.32	364.65	
Plant and Machinery	14,038.46	0.00	0.00	14,038.46	13,670.77	79.07	0.00	13,749.84	288.62	367.69	
Furniture and Equipment	18.17	0.34	0.00	18.51	16.12	0.21	0.00	16.33	2.18	2.05	
Office Equipment	199.82	13.33	0.92	212.23	44.54	9.40	0.59	53.35	158.88	155.28	
Vehicles	133.93	182.57	0.37	316.13	23.00	15.86	0.36	38.50	277.63	110.93	
Total	17,808.63	196.24	1.29	18,003.58	15,829.87	130.87	0.95	15,959.79	2,043.79	1,978.76	
Previous Year	18,006.07	54.50	251.94	17,808.63	15,917.66	148.60	236.39	15,829.87	1,978.76		
Capital Work-in-Progress									0.00	0.00	

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 12 : Non-Current Investments		
(Valued at cost, unless stated otherwise)		
Quoted:		
In Equity Shares of Group Company		
734778 (734778) Equity Shares of Garden Silk Mills Limited of ₹ 10 each fully paid up.	1,446.76	1,446.76
Other Investments in Equity Shares		
16600 (16600) Equity Shares of Dena Bank Ltd. of ₹ 10 each fully paid up	4.98	4.98
15900 (15900) Equity Shares of IDBI Ltd. of ₹ 10 each fully paid up	13.46	13.46
Investment in Government Securities - Unquoted		
National Saving Certificate	0.01	0.01
Investment in Partnership Firm		
M/s. Isha Enterprises	701.96	699.97
	2,167.17	2,165.18
Less : Provision for Diminution in value of Investments	873.63	873.63
TOTAL	1,293.54	1,291.55
Aggregate amount of quoted investments (Net)	591.57	591.57
Market Value of quoted investments	296.77	395.36
Aggregate Amount of unquoted investments	701.97	699.98

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

12.2 Details of Investment in Partnership Firm:

The Company is a partner in M/s.Isha Enterprises. The other partners are Armorax Business Centre Pvt. Ltd., Intro Scope Properties Pvt. Ltd. and Praful Amichand Shah. The share of each partners in the firm is 49%, 2%, 39% and 10% respectively. The total capital of the firm is ₹1402.98 Lacs (Previous year ₹1501.00 Lacs)

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 13 : Deferred Tax Assets (Net)		
(a) Deferred Tax Liability	0.00	0.00
(b) Deferred Tax Asset on account of :		
Difference between book and tax written Down Value of Fixed Assets	85.32	121.24
Disallowances under the income Tax Act, 1961	12.98	19.46
Unabsorbed depreciation	1,656.35	1,696.59
Total	1,754.65	1,837.29
Net Deferred Tax Assets	1,754.65	1,837.29
Deferred Tax asset recognised at 25%	438.66	459.32
Current year (Credit)/ Charge	(20.66)	

13.1 The management is of the view that there is virtual certainty supported by evidence that only 25% of the above amount will result in absorption or unabsorbed depreciation in near-term to long-term. Accordingly, the deferred tax assets have been recognised to that extent.

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 14 : Long Term Loans and Advances		
Unsecured		
Considered good:		
Capital Advances	0.00	1,000.00
Trade Deposits	900.00	200.00
Security Deposits	363.14	125.41
Loans and advances to employees	4.20	10.54
TOTAL	1,267.34	1,335.95

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 15 : Inventories		
Raw Materials	459.66	541.77
Raw Materials in transit	633.60	631.93
Work-in-progress	49.63	41.24
Finished goods	596.57	1,172.47
Stock in Trade (Art & Artifacts)	2,303.89	2,048.89
Stores, Spares and Chemicals	620.54	242.15
Property under Development (Includes Land at revalued cost)	56.75	84.10
Stock in trade (Land at Vareli)	88.40	88.40
TOTAL	4,809.04	4,850.95

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 16 : Trade Receivables		
Exceeding Six months		
Unsecured, Considered good	91.18	78.63
Considerd doubtful	77.21	77.21
	168.39	155.84
Less: Provision for doubtful debts	77.21	77.21
	91.18	78.63
Other receivables		
Unsecured, Considered good	1,291.45	305.20
TOTAL	1,382.63	383.83

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 17 : Cash and Bank Balances		
Cash and Cash Equivalents		
Cash on hand	3.88	15.10
Balances with banks		
in current accounts	163.91	315.23
Other Bank Balances		
Fixed Deposits with Banks - held as margin money		
Maturity less than 12 months	1.45	388.50
Maturity more than 12 months	11.63	12.63
TOTAL	180.87	731.46

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
Note 18 : Short-Term Loans and Advances		
Unsecured		
Considered good:		
Loans to employees	5.39	13.48
Advance to Suppliers	114.66	756.96
Advance Recoverable in cash or in kind or for value to be received	389.64	150.24
Balance with Customs, Central Excise Authorities etc.	42.98	26.84
TOTAL	552.67	947.52

	(₹ in Lacs)	
	2013-14	2012-13
Note 19: Revenue from Operations (Net)		
Sale of Products	20,322.19	24,256.99
Less:Excise Duty	2,171.37	2,480.38
TOTAL	18,150.82	21,776.61

19.1 Particulars of Sale of Products		
Polyester Chips	13,872.80	15,676.20
Polyester filament Yarn	4,444.96	5,751.43
Spun Yarn	1,210.50	1,505.89
Shopping Complex	153.00	782.00
P.T.A.	427.80	380.28
M.E.G.	56.80	18.60
Others	156.33	138.97
Polygenta Oligomer	0.00	3.62
TOTAL	20,322.19	24,256.99

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	2013-14	2012-13
Note 20 : Other Income		
Interest Income		
Bank deposits	5.28	10.25
ICD interest	82.39	0.00
Loans and advances	12.57	1.97
Others	17.63	11.58
Dividend Income on		
Long Term Investments	1.64	0.74
Other non-operating income		
Credit balances written off	0.00	0.77
Miscellaneous income	0.00	1.40
Net gain on sale of current investments	0.00	10.09
Net surplus on disposal of fixed assets	0.00	379.79
TOTAL	119.51	416.59

	(₹ in Lacs)			
	2013-14		2012-13	
Note 21 : Cost of Materials Consumed				
Raw Materials				
Imported	1.16%	160.06	1.47%	238.61
Indigenous	98.84%	13,650.72	98.53%	16,017.58
	100.00%	13,810.78	100.00%	16,256.19

	(₹ in Lacs)	
	2013-14	2012-13
21.1 Particulars of materials consumed		
M.E.G.	3,506.33	3,911.84
P.T.A.	9,117.73	10,210.97
Polygenta Oligomer	0.00	20.79
Polyester Chips	411.61	1,045.65
Spun Yarn	747.71	892.98
Cost of Shopping Complex Sold	27.40	173.96
TOTAL	13,810.78	16,256.19

	(₹ in Lacs)	
	2013-14	2012-13
Note 22 : Purchase of Stock-in-Trade		
Art & Artifacts	255.00	486.96
TOTAL	255.00	486.96

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	2013-14	2012-13
Note 23: Changes in Inventories of Finished Goods, Work-in-Process and Stock-in-Trade		
Opening Stock		
Stock in Process	41.24	48.68
Finished Goods & Stock-in-trade	3,221.36	2,831.61
	<u>3,262.60</u>	<u>2,880.29</u>
Closing Stock		
Stock in Process	49.63	41.24
Finished Goods & Stock-in-trade	2,900.46	3,221.36
	<u>2,950.09</u>	<u>3,262.60</u>
Add/(Less): Variation in excise duty on opening and closing stock of finished goods	(69.14)	(5.11)
TOTAL	<u>243.37</u>	<u>(387.42)</u>

	(₹ in Lacs)	
	2013-14	2012-13
Note 24 : Employee Benefits Expense		
Salaries and Wages	454.97	463.36
Contribution to Provident and Other Funds	42.12	42.05
Gratuity	1.47	19.76
Staff Welfare Expenses	13.96	11.54
TOTAL	<u>512.52</u>	<u>536.71</u>

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

	(₹ in Lacs)			
	As at 31st March 2014	As at 31st March 2013	As at 31st March 2014	As at 31st March 2013
	Gratuity (Unfunded)	Gratuity (Unfunded)	Leave encashment (Unfunded)	Leave encashment (Unfunded)
Amount recognised in Balance Sheet				
(i) Present Value of Defined Benefit Obligation				
- Wholly Unfunded	115.66	120.13	28.00	31.86
(ii) Amount Reflected in the Balance Sheet				
- Liability	0.00	120.13	28.00	31.86
- Assets	115.66	0.00	0.00	0.00
Net Liability	115.66	120.13	28.00	31.86
Net expense recognized in the Statement of Profit and Loss				
Total, included in "Payments to and provision for Employees" (Refer Note 24)	1.47	19.76	17.92	33.63
Actuarial Assumptions				
Discount Rate (Per Annum)	9.10%	8.10%	9.10%	8.10%
Rate of Escalation in Salary (Per Annum)	9%	8%	9%	8%
Mortality Table (LIC)	1994-96	1994-96	1994-96	1994-96 (Ultimate)

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	2013-14	2012-13
Note 25 : Finance Costs		
Interest Expenses	83.07	17.09
Exchange Gain / Loss	24.75	0.00
Other borrowing costs	27.16	5.77
TOTAL	134.98	22.86

	(₹ in Lacs)	
	2013-14	2012-13
Note 26 : Other Expenses		
Manufacturing expenses		
Consumption of Stores, Spares and Chemicals	1,023.20	1,068.13
Packing Charges	92.27	93.15
Power and Fuel	1,269.37	1,274.98
Repairs to Plant and Machinery	49.23	41.01
Repairs to Buildings	16.06	11.35
Repairs - Others	0.90	1.39
Lease Rent	12.00	12.00
Selling and Distribution Expenses		
Commission and Discount	22.88	29.16
Other Selling and Distribution Expenses	70.04	73.73
Establishment Expenses		
Insurance	17.98	16.44
Rent	158.47	123.78
Rates and Taxes	18.15	11.82
Auditors' Remuneration	5.17	4.20
General Charges	256.89	154.39
Share of Loss in Partnership firm	0.01	0.03
Diminution In Value of Investment	0.00	873.63
Net Loss on disposal of Fixed Assets	0.21	0.00
TOTAL	3,012.83	3,789.19

26.1 Value of Stores, Chemicals and Component Consumed

	2013-14		2012-13	
	%	₹ in Lacs	%	₹ in Lacs
Imported	78.91%	807.37	86.37%	922.54
Indigenous	21.09%	215.83	13.63%	145.59
	100.00%	1,023.20	100.00%	1,068.13

	(₹ in Lacs)	
	2013-14	2012-13
26.2 Value of Imports on CIF Basis in respect of		
Raw Materials	129.70	189.29
Stores, Spare parts, Components and Chemicals	972.13	418.19
Capital goods	0.00	0.00

NOTES ON FINANCIAL STATEMENTS (Contd.)

	(₹ in Lacs)	
	2013-14	2012-13
26.3 Payment to Auditors		
Statutory Audit Fees	3.30	3.30
Tax Audit Fees	0.70	0.50
Cost Audit Fees	1.11	0.40
Certification Fees	0.06	0.00
Total	5.17	4.20

Note 27 : Earnings Per Share (EPS)

	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
(i) Net Profit attributable to Equity Shareholders (₹ in Lacs)	115.64	757.22
(ii) Weighted average number of Equity Shares outstanding (Nos.)	222,064,440	222,064,440
Basic and Diluted EPS (₹)	0.05	0.34
Face Value of Share (₹)	1.00	1.00

Note 28 : Related Party Disclosures:

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

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

Sr. No.	Name of Related Party	Relationship
1	Garden Silk Mills Limited	Group Company
2	M/s Isha Enterprises	Partnership Firm
3	(1) Shri M. R. Momaya *	Key Management Personnel
	(2) Smt. Shilpa P. Shah **	
	(3) Shri Sanjay S. Shah ***	
	* Whole time Director upto 01/05/2012	
	** Resigned w.e.f. 30/05/2012	
	*** Appointed as Managing Director w.e.f. 30/05/2012	
4	Shri Alok P. Shah	Relatives of key Management
5	Shri Rajen P. Shah	Personnel where transactions have
6	Amika Indian Textiles & Art Museum Pvt. Ltd.	taken place.

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

NOTES ON FINANCIAL STATEMENTS (Contd.)**(ii) Transactions during the year with Related Parties:**

Nature of Transactions	(₹ in Lacs)				
	Group Company	Partnership firm	Key management Personnel	Others	Total
Sales	6,304.98	0.00	0.00	0.00	6,304.98
	(8,501.45)	(0.00)	(0.00)	(0.00)	(8,501.45)
Purchases	1,476.75	0.00	0.00	0.00	1,476.75
	(2,224.34)	(0.00)	(0.00)	(0.00)	(2,224.34)
Purchase of Art & Artifacts	264.50	0.00	0.00	25.00	289.50
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Electric Power and Fuel Charges	1,073.53	0.00	0.00	0.00	1,073.53
	(1,144.64)	(0.00)	(0.00)	(0.00)	(1,144.64)
Lease Rent Paid	12.00	0.00	0.00	0.00	12.00
	(12.00)	(0.00)	(0.00)	(0.00)	(12.00)
Rent Paid	0.00	0.00	0.00	120.00	120.00
	(0.00)	(0.00)	(0.00)	(112.50)	(112.50)
Remuneration	0.00	0.00	6.00	13.65	19.65
	(0.00)	(0.00)	(6.21)	(13.65)	(19.86)
Payment under Capital Account	0.00	2.00	0.00	0.00	2.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Repayment of loan	0.00	0.00	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Contribution towards Capital	0.00	0.00	0.00	0.00	0.00
	(0.00)	(700.00)	(0.00)	(0.00)	(700.00)
Share of loss	0.00	0.01	0.00	0.00	0.01
	(0.00)	(0.03)	(0.00)	(0.00)	(0.03)
Payments under Current Account	9,492.55	0.00	0.00	0.00	9,492.55
	(11,952.97)	(0.00)	(0.00)	(0.00)	(11,952.97)
Receipt under Current Account	11,506.36	0.00	0.00	0.00	11,506.36
	(18,226.11)	(0.00)	(0.00)	(0.00)	(18,226.11)
Balance at the beginning of the year					
Current Account	1,187.28	0.00	0.00	0.00	1,187.28
Capital Account	0.00	699.97	0.00	0.00	699.97
Payables	0.00	0.00	0.81	1.65	2.46
Balance at the end of the year					
Current Account	277.11	0.00	0.00	0.00	277.11
Capital Account	0.00	701.96	0.00	0.00	701.96
Payables	0.00	0.00	0.55	1.62	2.17

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

NOTES ON FINANCIAL STATEMENTS (Contd.)

Note 29 : Segment Reporting:

The Company has identified three reportable segments viz. Yarns, Construction and Art & Artifacts as per Accounting standard 17 of ICAI. During the year, there is revenue generation from Yarns and Construction segments consequentially The Segment wise information as required under the above standard is as under. There is no revenue generation from Art & Artifacts, consequentially segment assets being the only effectively reportable item for Art & Artifacts segment.

Particulars	(₹ In Lacs)							
	Year ended 31/03/2014	Year ended 31/03/2013	Year ended 31/03/2014	Year ended 31/03/2013	Year ended 31/03/2014	Year ended 31/03/2013	Year ended 31/03/2014	Year ended 31/03/2013
	Yarns	Yarns	Construction	Construction	Art & Artifacts	Art & Artifacts	Total	Total
Revenue								
External Sale	17,997.82	20,994.61	153.00	782.00	0.00	0.00	18,150.82	21,776.61
Inter Segment Sale	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	17,997.82	20,994.61	153.00	782.00	0.00	0.00	18,150.82	21,776.61
Result								
Segment result	179.36	754.93	125.60	608.04	0.00	0.00	304.96	1,362.97
Unallocable Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unallocable Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Profit	179.36	754.93	125.60	608.04	0.00	0.00	304.96	1,362.97
Interest and financial charges (net)	134.98	22.86	0.00	0.00	0.00	0.00	134.98	22.86
Profit before taxes	44.38	732.07	125.60	608.04	0.00	0.00	169.98	1,340.11
Corporate taxes							54.34	582.89
Net Profit							115.64	757.22
Other information								
Segment Assets	9,519.50	9,757.95	145.15	172.50	2,303.89	2,048.89	11,968.54	11,979.34
Segment Liabilities	4,063.81	4,163.38	95.87	122.74	0.00	0.00	4,159.68	4,286.12
Capital Employed	5,455.69	5,594.57	49.28	49.76	2,303.89	2,048.89	7,808.86	7,693.22
Capital Expenditure	196.24	54.50	0.00	0.00	0.00	0.00	196.24	54.50
Depreciation	130.87	148.60	0.00	0.00	0.00	0.00	130.87	148.60

Note 30 :

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

As per our attached report of even date

For **NATVARLAL VEPARI & CO.**

Firm Registration Number: 123626W

Chartered Accountants

R. N. VEPARI

Partner

Membership No.6728

Surat, 21st May, 2014

For and on behalf of the Board

SANJAY S. SHAH

Managing Director

Y. C. PAPAIIYA

Director

JIGAR K. VYAS

Company Secretary

Surat, 21st May, 2014

SURAT TEXTILE MILLS LIMITED

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

CIN:L17119GJ1945PLC000214, Website:www.surattextilemillsLtd.com

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

Form No. MGT-11

PROXY FORM

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

Name of the member(s):

Registered address:

E-mail Id:

Folio No./Client Id:

DP ID:

I/We, being the member(s) holding shares of the above named Company, hereby appoint

1. Name Address:.....
..... Signature:, or failing him
2. Name Address:.....
..... Signature:, or failing him
3. Name Address:.....
.....Signature:.....

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 68th Annual General Meeting of the Company, to be held on Wednesday, 23rd July 2014 at 11.00 a.m. at Bella Mill Compound, Outside Sahara Gate, Surat 395010 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.		Optional *	
		For	Against
1	Adoption of audited Financial Statements for the financial year ended March 31, 2014 and reports of the Board of Directors and the Auditors thereon		
2	Appointment of Mr. Sanjay S. Shah, who retires by rotation.		
3	Re-appointment of Auditors and fixing their remuneration.		
4	Appointment of Mr. M.R. Momaya as Managing Director of the Company		
5	Ratification of payment of remuneration of the Cost Auditors.		
6	Appointment of Mr. Harishchandra Bharucha as an Independent Director		

Signed this day of2014,

Signature of Proxy holder(s):

Signature of shareholder:

Affix
Revenue
Stamp

Note:

This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting,

* It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.



SURAT TEXTILE MILLS LIMITED

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

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Phone: (0261) 2311197, 2311615 Fax: (0261) 2311029

ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING HALL AND HAND IT OVER AT THE ENTRANCE

I/We hereby record my/our presence at the 68th Annual General Meeting of Surat Textile Mills Limited held at Bella Mill Compound, Outside Sahara Gate, Surat 395010 on Wednesday, 23rd July 2014 at 11.00 a.m.

Name of the Shareholder :

Registered Address of the Shareholder :

Ledger Folio No./CL ID/DP ID No. :

Number of shares held :

Name of the Proxy/Representative, if any :

Signature of the Member/s/Proxy :

Signature of the Representative :



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BALLOT / POLL FORM

(The members who are not able to attend the Annual General Meeting can send their assent or dissent in writing in respect of the resolutions as set out in the Notice by sending the duly filled and signed Ballot / Poll Form to Mr. Kunjal Dalal, Proprietor K. Dalal & Co., Practising Company Secretaries, (the Scrutinizer) c/o Karvy Computershare Pvt. Ltd. Unit: Surat Textile Mills Limited, Plot No. 17-14, Vittal Rao Nagar Madhapur, Hyderabad-500 081 so as to reach him on or before 16th July, 2014.)

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

*Applicable for investors holding shares in Electronic form.

I/We hereby exercise my/our vote in respect of the Ordinary Resolution(s) / Special Resolution(s) as specified in the Notice of Surat Textile Mills Limited dated 31st May, 2014 to be passed through Ballot / Poll for the businesses stated in the said Notice by conveying my/our assent or dissent to the said Resolution in the relevant box below:

Sl. No.	Resolution	Type of resolution (Ordinary / Special)	I / We assent to the resolution (For)	I / We dissent to the resolution (Against)
Ordinary Business				
1.	Adoption of audited Financial Statements for the financial year ended March 31, 2014 and reports of the Board of Directors and the Auditors thereon	Ordinary		
2.	Appointment of Mr. Sanjay S. Shah, who retires by rotation.	Ordinary		
3.	Re-appointment of Auditors and fixing their remuneration.	Ordinary		
Special Business				
4.	Appointment of Mr. M.R. Momaya as Managing Director of the Company	Special		
5.	Ratification of payment of remuneration of the Cost Auditors.	Ordinary		
6.	Appointment of Mr. Harishchandra Bharucha as an Independent Director	Ordinary		

Place :

Date :

 Signature of Member / Beneficial owner


If undelivered, please return to:

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