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GINI SILK MILLS LIMITED

31st ANNUAL REPORT

2010 - 2011



LORD GANESH TEMPLE IN TARAPUR FACTORY

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THIRTYFIRST ANNUAL GENERAL MEETING

on Tuesday, 30th August, 2011
12.00 P.M. at Maheshwari Pragati Mandal,
Maheshwari Bhawan,
603, Girgaon Road, Mumbai – 400002

As a Measure of economy, copies of the Annual Report not be distributed at the Annual General Meeting.

Shareholders are requested to kindly bring their copies to the meeting.

CORPORATE INFORMATION
BOARD OF DIRECTORS

Vishwanath Harlalka - *Executive Chairman*
Deepak Harlalka - *Managing Director*
Ramprasad Poddar - *Director*
Rajendra Kumar Rajgarhia - *Director*
Dinesh Poddar - *Director*

REGISTERED OFFICE

413, Tantia Jogani Industrial Premises
J. R. Boricha Marg, Lower Parel (East)
Mumbai – 400011

WORKS

E – 15, MIDC, Tarapur (Boisar)
Dist. Thane, Maharashtra

AUDITORS

M/s. Vatsaraj & Co.
Chartered Accountants

BANKERS

State Bank of India
Kotak Mahindra Bank Limited

REGISTRARS & TRANSFER AGENTS

BIGSHARES SERVICES PVT. LTD.
E-2/3, Ansa Industrial Estate
Sakivihar Road, Saki Naka
Andheri (East), Mumbai - 400072



NOTICE

NOTICE is hereby given that the Thirty First Annual General Meeting of **GINI SILK MILLS LIMITED** will be held on Tuesday 30th, August, 2011 **at 12.00 P.M.** at **Maheshwari Pragati Mandal, Maheshwari Bhawan, 603, Girgaon Road, Mumbai – 400002** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2011 and Profit and Loss Account for the year ended on that date along with the Reports of the Directors' and Auditors' thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a director in place of Mr. R. K. Rajgarhia, who retires by rotation, and being eligible, offers him self for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Regd. Office:

413, Tantia Jogani Industrial Premises
J. R. Boricha Marg,
Lower Parel (East)
Mumbai – 400 011

Place : Mumbai

Date : 25/07/2011

By Order of the Board

(Vishwanath Harlalka)
Executive Chairman

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE, THE PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME TO THE ANNUAL GENERAL MEETING. A FORM OF PROXY IS GIVEN AT THE END OF THIS ANNUAL REPORT.**
2. The Register of Members and Share transfer Books will remain closed from Tuesday, August 23, 2011 to Tuesday, August 30, 2011(both days inclusive).
3. The Company has entered into agreement with both the depository's viz. National Securities Depository Ltd. (NSDL) and Central depository Services (India) Ltd. (CDSL) for custody and dematerialization of securities. Members having Physical holdings can avail the depository facilities by approaching any of the depository participants of NSDL or CDSL. For further information, the shareholders may contact directly to the Company's Registrars and Share Transfer Agents, M/s. BIGSHARE SERVICES PRIVATE LIMITED, Mumbai. (Tele. Nos. +91 22 28470652 Fax No. +91 22 28475207).
4. Members are requested to note that copies of Annual Report will not be distributed at the Annual General Meeting.
5. Members holding share in multiple folios in physical mode are requested to apply for consolidation to the Registrar & Transfer Agent along with relevant Share Certificates.
6. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amount which remain unpaid/unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After such transfer, there remains no claim to the members whatsoever on the said amount. Therefore, Members are advised to encash their Dividend warrants immediately.
7. The Company has paid the Annual Listing fees for the financial year 2011-2012.

Regd. Office:

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J. R. Boricha Marg,
Lower Parel (East)
Mumbai – 400 011

Place : Mumbai

Date : 25/07/2011

By Order of the Board

(Vishwanath Harlalka)
Executive Chairman

DIRECTOR'S REPORT

Dear Members,

Your Directors are pleased to present the **Thirty First** Annual Report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2011.

Corporate overview

The Company prepares its financial statements in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. Overall the financial statements have been prepared on the historical cost basis.

FINANCIAL RESULTS

(₹ In Lacs)

PARTIULARS	2010-2011	2009-2010
	₹	₹
Net Sales/ Income from operations	3581.19	3373.36
Other Income	184.00	349.97
	<u>3765.19</u>	<u>3723.33</u>
Profit (before interest, depreciation and taxation)	589.24	686.65
Interest	5.23	15.20
Depreciation	45.90	46.37
Provision for		
Current Taxation	140.00	125.00
Deferred Tax	0.62	2.23
Net Profit after Tax	<u>397.49</u>	<u>497.85</u>
Add : Balance brought forward From Previous year	1236.92	781.59
Excess/ Short provision for Tax in respect of earlier Year	0.12	6.62
Profit available for appropriation	<u>1634.52</u>	<u>1286.06</u>
APPROPRIATIONS		
Proposed Dividend	41.94	41.94
Distribution Tax	6.97	7.20
Profit Carried to Balance Sheet	<u>1585.61</u>	<u>1236.92</u>
Total	<u><u>1634.52</u></u>	<u><u>1286.06</u></u>

DIVIDEND

For the year under review, the Directors have recommend a dividend of ₹ 0.75 per share (₹ 0.75 per shares for the previous year) on the 5592600 Equity shares amounting to ₹ 41,94,450/-

DIRECTORS:

Mr. R. K. Rajgarhia, Director of the company is liable to retire by rotation and being eligible, offers himself for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

The Directors state that-

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year covered under this report and of the profit of the Company for the year.



- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, the Management Discussion and Analysis, the Corporate Governance Report, together with the Auditor's Certificate on compliance with the conditions of Corporate Governance as laid down, forms part of the Annual Report.

AUDITORS

M/s. Vatsaraj & Co., Chartered Accountants, Mumbai hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The members are requested to re-appoint them as Auditors of the Company till the conclusion of the next Annual General Meeting.

FIXED DEPOSITS

The Company has not accepted or renewed any deposits from the public during the year under review within the meaning of Section 58A of the Companies Act, 1956 and rules made there under.

PARTICULARS OF EMPLOYEES:

There are no employee drawing remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 (as amended) and hence no details are required to be annexed to this report.

ENVIRONMENT AND SAFETY MEASURES**i) EFFLUENT CONTROL**

Effluent at Process House unit at Tarapur is carefully monitored and treated conforming to the requirements of the State Pollution Control Board.

ii) SAFETY

The Process equipments have built-in safety system and all the employees are well trained for safe working of plant operations. Adequate fire protection system is installed for the safety of men, material and machinery.

iii) INSURANCE

Your Company continued to cover all assets mainly; plant & machinery, building, materials, stocks, furniture & fixtures against possible risks like fire, flood, terrorism and earthquake.

iv) INDUSTRIAL RELATIONS

The industrial relations at the plants of the Company during the year under review continued to be cordial through out the year.

PARTICULARS REGARDING CONSERVATION OF ENERGY ETC.

Information in accordance with the provisions of section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 regarding conservation of energy technology absorption and foreign exchange earnings and outgo is given in the statement annexed hereto forming part of the Report.

LISTING OF SHARES & SECURITIES

The Company's Shares are listed on the BOMBAY STOCK EXCHANGE LIMITED.

APPRECIATION:

Your Directors would like to place on record their appreciation for the co-operation and assistance received from the banks, for the utmost confidence reposed in the management by the shareholders and customers during the year under review. Your Directors wish to thank for the services of the executive, staff and workers of the Company at all levels for their dedication, devotion, determination and discipline. The Directors express their profound thanks to the shareholders for their continued support and goodwill and they look forward to the future with confidence.

For and on behalf of the board

Place: Mumbai
Date : 25/07/2011

vishwanath harlalka
Executive Chairman

ANNEXURE TO DIRECTORS' REPORT
(FORM - A) (See Rule 2)
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:
PART 'A'

POWER & FUEL CONSUMPTION	2010-2011	2009-2010
(1) A PURCHASED		
Unit (KWH)	2395099	2254030
Total Amount (₹.lacs)	124.68	106.34
Rate per unit (₹.)	5.20	4.71
B OWN GENERATION		
Though Diesel Generator :		
Units (KWH)	82229	93041
Units Per Ltr.of Diesel oil	3.50	3.50
Cost per unit (₹.)	11.43	10.16
(2) COAL		
Quantity (Kgs.)	6757180	5932879
Total Cost (₹. In lacs)	335.96	279.24
Average rate per Kg. (₹.)	4.97	4.70
(3) GAS		
Quantity (Kgs.)	38000	30704
Total Cost (₹. In lacs)	20.58	13.97
Average rate per Kg. (₹.)	54.15	45.50
(4) DIESEL OIL		
Quantity (Ltrs)	23267	26790
Total cost (₹.lacs)	9.40	9.46
Average Rate Per Ltr. (₹.)	40.41	35.32

NOTE : * in cluding demand charges ** including Transport charges

PART 'B'
CONSUMPTION PER UNIT OF PRODUCTION ENERGY
ENERGY
FABRICS PROCESSING (PER METER)

	<i>Current Year</i>	<i>Previous Year</i>
Electricity (Kwh.)	0.11	0.12
Coal (Kgs.)	0.31	0.30

A. CONSERVATION OF ENERGY

The Company's operation involves low energy Consumption Nevertheless energy Conservation measures have already been taken wherever possible. Efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

B. TECHNOLOGY AND TECHNICAL ABSORPTION AND ADOPTION
1. TECHNOLOGY ABSORPTION

The Company's present manufacturing activities are such that the same do not require any specialized Technology, since in India; technical know-how for Textile Industries has been standardized and is being used in the Industry. Besides, the Promoters of the Company are engaged in Textile business since last 3 decades and the business is inherited. In view of the above, the question of technical absorption and adaptation does not arise.

2. RESEARCH & DEVELOPMENT

At present the company does not have separate division for carrying out Research and Development work. No expenditure has therefore been earmarked for this activity.

for and on behalf of the Board

PLACE : MUMBAI
DATED : 25 /07 /2011

VISHWANATH HARLALAKA
CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

Our textile sector has been focusing on heritage and craft, rather than technology and scale, ever since Independence. Also, the general approach of policy makers has been to support weak units to survive rather than to create conditions in which inefficient production can be replaced with efficient manufacturing facilities. In the context of growing unemployment in the country, the priority has been to sustain employment at any cost. Loss making units of NTC were funded by government for long time, mainly for paying its employees. Government funds are policy measures like the Hank Yarn Packing Obligation continue to be used even now for sustaining weak handloom units. During fiscal 2010-2011, government placed export restrictions on cotton yarn. The Handloom Reservation Order prohibits organized units and power loom sector from producing certain specified products, so that hand loom sector alone can produce them. These are all instances of economic policies being used for social purposes at the cost of industrial efficiency.

The production facilities in many segments of our textile sector are by and large small units based on tradition rather than scale economies. There are historical reasons for this, in addition to government policies. When imports were practically banned, our small scale units could survive on government doles, since there was no external competition for the domestic producers. But from the time the process of economic liberalization started, the business environment has been changing fast. With increasing liberalization of imports, inherent cost competitiveness of the units has become the decisive factor for growth of businesses. But several government policies continue to ignore this reality.

The adverse impact of efforts to sustain weak units is clearly evident in our fabric sub-sector. In 1951 over 70% of fabric production in the country was in the organized sector. By 2010, this declined to 3.3% and the decline was almost consistent from year to year. Since decentralized units are not able to deliver large lots of quality fabrics with shade consistency, our large garment makers are forced to import fabrics. The trend of significant yarn exports as well as fabric imports during recent years is a clear manifestation of what has gone wrong with our approach to developing the fabric sector over the decades. The power loom and hand loom sectors continue to look for government support, since their inherent strength is inadequate for survival even after decades of hand holding by government.

The role of Asia in the textile and clothing markets has been increasing in recent years and indications are that this trend will be sustained in the coming years. In addition, the consumption of textile products in most of the Asian countries has been increasing, driven by impressive economic growth in the emerging markets. Thus, in the next one or two decades, there will be dramatic increase in textile production in various Asian countries, both for domestic consumption as well as for exports. In the developed countries, there is a trend of increasing imports and declining domestic production in this industry because of high cost of production. However, in the case of technical textiles, developed countries and the new industrialized economies in Asia dominate the markets and are expected to remain competitive.

Outlook for the Global Economy in FY 2011-12

The US economic growth is fluid and Europe is in a precarious situation due to the Greece's debt situation. The debt to GDP in Greece is 124 per cent next only to Japan whose ratio is 202 per cent. The situation in Greece is so serious that it has cost the majority of Chancellor Angelo Markel in the German Parliament. The economies developed nations are struggling and in the words of Nobel laureate Paul Krugman, the US economy is shaky. Given the fluid economic situation in the US and Europe, what will be the situation of the Indian textile industry?

In June 2010, the British Chancellor of Exchequer (Finance Minister) retired the customary budget box, which has been in existence for over 150 years. The budget box known as "Red Box" was first used by William Gladstone in 1960, when Britain ruled most of the world till the current Chancellor or Exchequer, George Osborne. The famous red box had only two interruptions in its service, which witnessed the might of British Empire to the current Britain which at the brink of dire economic situation if not already in such a situation. Now, the red box presented an austere budget with axe and tax provisions. The debt to GDP ratio in the UK is 70 per cent and serious budget cuts have to be enforced there. More importantly, the coalition government between the Conservatives and the Liberal Democrats has to get the British financial house in order.

In the US, the legislators are axing and exploring tax hikes to balance the budget and to cut down long term deficits, which means freezing public projects such as building roads and bridges, bring of new employees and defense spending. All these will have implications on jobs and spending. The old adage "customer is the King" still holds well and particularly will impact the Indian textile Industry. Indian textile Industry makes big bucks by exporting. The US and EUROPE MAKE UP FOR 60 PER CENT OF India's textile exports. The financial troubles in these countries will be of interest and concern to the Indian textile sector.

The Indian textile sector should plan for the lack of growth in developed economies and should concentrate on the following:

1. Increasing incentives for R&D in the technical textiles sector. Indian Government should convene a workshop involving policy makers, international trade bodies, international and Indian academia, R&D sector, and Indian trade bodies such as Indian Technical Textiles Association, FICCI, etc., to chart out a national strategy to boost the technical textiles sector and innovation in this sector.

2. Enable international trade and academic visits specifically focusing on technical textiles products and converting sector.

To conclude, the future of the Indian textile industry is in the development of small and medium scale enterprise along with roll good manufacturers in the technical textiles and processing sector. In the classical 1940 Hollywood movie, "City for conquest", a wanderer in the street of New York city is pushed by a police officer on the beat to move on and not to say put in one spot. The wanderer says "Officer, which way? I don't know which way to go?" This is exactly the situation of the Indian textile industry- not knowing the direction to move forward. The movie ends as the wanderer says, "After all, the city has heart beat, meaning life." Surely, there is life for the Indian textile industry by growing small and medium scale enterprises surrounding the technical and processing textiles sectors.

Production & Sales Review:

During the year under review, your company has registered a turnover of ₹ 3581.19 Lacs as compared to ₹ 3373.36 Lacs in the previous year.

The production in the Company's Process House at Tarapur (Maharashtra) i.e. Dyeing & printing of textile fabrics was 21,361,474. Mtrs. as against 19,567,414 Mtrs. in previous year. The sales revenue from Processing of Fabric increased from ₹ 1493.54 Lacs to ₹ 1652.65 Lacs during the year under review. The sale revenue from sale of fabrics decreased from ₹ 2140.87 lacs to ₹ 2140.50 lacs.

Internal Control Systems and Their Adequacy:

The Company has management, which is much concerned about the adequacy of Internal Control System. It is aware that for a multi-faceted growth of any organization, only the strict overall control & efficient supervision can check all the operations, whether minor or major, and such control are backbone of any commercial establishment or manufacturing units.

The management of your Company has taken appropriate steps by constituting Internal Audit team with well-experienced and hard working personnel under the supervision of Audit Committee of the Board; which frequently checks and reviews functions of various departments and effectiveness of Audit checks and revision of systems and procedures periodically.

In the year under review, the Company initiated a focused policy to evaluate the design effectiveness of existing management controls across all its locations. Under this initiative, the company also undertook steps to implement new control measures in line with global best-in-class practices.

The Financial and Operational Performance:

The financial statement given in the Report of the Directors for the financial year 2010–2011 is quite satisfactory. It reflects the genuine steps taken by the management for transparency and best judgment for the estimate made to correctly reflect the true & fair affairs of the Company.

Human Resource Development:

The people of any industry serve as propeller for upliftment of the industry and thus indirectly contribute the National Product and through this to the exchequer of India. The management has always remained conscious of these inter-related factors and maintained a favorable climate during the year to suit the growth and excellence in the Company. The management has always strived to maintain cordial relationship between the staff, workers and management. This attitude created an atmosphere where each and every staff and worker started feeling a sense of 'ONENESS'.

Cautionary statement:

The Statements in Management Discussion and Analysis Report may contain certain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statements as important factors could influence the company's operations such as Government policies, political and economic development etc.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is fully compliant with the mandatory requirements of Clause 49 of the Listing Agreement formulated by Securities and Exchange Board of India and Stock Exchanges. The Company presents its report on compliance of governance conditions specified in Clause 49 of the Listing Agreement

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company believes that Corporate Governance is powerful mediums to sub serve the long-term interest of all the shareholders, creditors, customers, employees and other stakeholders. Corporate Governance strengthens Investors and Creditors trust and ensures a long-term partnership that helps in fulfilling our quest for achieving significant growth and profits. Your Company is committed to benchmarking itself with good governance and operates with transparency, professionalism, good conduct and value based systems.

2. BOARD OF DIRECTORS

The present strength of Board of Directors is 5 (Five), whose composition and category is given below:

- Two - Promoter, Executive Director
- Three - Independent Directors

(A) THE CONSTITUTION OF THE BOARD AS ON MARCH 31, 2011

The Composition of the Board of Directors and also the number of other Board of Directors or Board Committees of which they are member/ Chairman are given below:

Directors	Category	No. of other Directorship		No. of other Committee positions	
		Public	Private	Member	Chairman
Vishwanath S. Harlalka	Promoter, Executive	-	5	-	-
Deepak V. Harlalka	Promoter, Executive	2	7	-	-
Ramprasad Poddar	Independent	8	2	-	1
Dineshkumar Poddar	Independent	6	2	4	1
Rajendrakumar Rajgarhia	Independent	4	2	-	1

None of the Directors is a member in more than ten committees and acts as chairman in more than 5 committees across all the companies in which they are Director.

(B) BOARD PROCEDURE

Agenda is sent to each Director in advance of Board and Committee meetings to enable the Board discharge its responsibilities effectively; the Managing Director briefs the Board at every meeting on the overall performance of the Company, followed by discussion by the Directors. The Board also reviews:

- Strategy and business plans
- Operations and capital expenditures
- Finance and Banking operations
- Adoption of quarterly/half yearly/ annual results
- Compliance with statutory/ regulatory requirements and review of major legal issues
- Significant labour issues

(C) ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING:

During the year ended March 31, 2011, 11 (Eleven) Board Meetings were held on 30th April 2010, 1st July, 2010, 7th July, 2010, 31st July, 2010, 11th August, 2010, 19th August, 2010, 18th October, 2010, 27th October 2010, 30th October, 2010, 30th December, 2010 & 24th January 2011. Annual General Meeting during the year was held on September 27, 2010.