

Surat Textile Mills Limited.

REPORT

ANNUAL

2011-12

STM

SURAT TEXTILE MILLS LIMITED

BOARD OF DIRECTORS

M. R. MOMAYA
S. M. VIG
S. N. GOUR
Y. C. PAPAIYA
M. PARAMESWARAN

Wholetime Director

Nominee of Unit Trust of India

AUDITORS

NATVARLAL VEPARI & Co.,
Chartered Accountants.

BANKERS

DENA BANK

COST AUDITORS

P.M. NANABHOY & CO.
Mumbai.

REGISTERED OFFICE

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

PLANTS

- i. Varachha Road, Surat.
- ii. Village Vareli, Taluka Palsana, Dist. Surat.
- iii. Village Jolva, Taluka Palsana, Dist. Surat.
- iv. Village Khadoli, Silvassa, Dadra & Nagar Haveli (UT)

**REGISTRARS &
SHARE TRANSFER AGENTS**

MCS LIMITED,
Neelam Apartment,
88, Sampatrao Colony,
Behind Federation Bldg., Alkapuri,
Baroda 390 005.
Phone : 0265 - 339397
Fax : 0265 - 341639

FIFTY-SIXTH ANNUAL GENERAL MEETING

On Thursday, September 26, 2002 At 10.30 A.M.
At Garden Mills Complex, Sahara Gate, Surat 395 010

56th Annual Report 2001-2002

NOTICE TO THE SHAREHOLDERS.

NOTICE is hereby given that the Fifty-sixth Annual General Meeting of the Members of Surat Textile Mills Limited will be held at the Registered office of the Company at Garden Mills' Complex, Sahara Gate, Surat 395 010 on Thursday, the 26th September 2002 at 10:30 a.m. to transact the following business :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2002, and the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. M. Vig who retires from Office by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. N. Gour who retires from Office by rotation, and being eligible offers himself for re-appointment.
4. Appointment of Auditors :

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

"RESOLVED THAT pursuant to the Provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs Natvarlal Vepari & Co., the retiring Auditors of the Company be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, for the Financial Year 2002-2003 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors in connection with the work of audit to be carried out by them".

NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (2) Proxy in order to be effective must be received at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 19th September, 2002 to Thursday, the 26th September, 2002 (both days inclusive).
- (4) The members are requested to notify immediately any change of address to their DPs in respect of their electronic

share accounts and to the Company's Share Department in respect of their physical share folios, if any.

- (5) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed / unpaid dividends upto the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government.

Those shareholders, who have so far not claimed or collected their dividend for the said period, may claim their dividend directly from the Registrar of Companies - Gujarat, Opp. Rupal Park Flats, Near Ankur Bus Stand, Naranpura, Ahmedabad 380 013 by submitting an application in the prescribed form.

- (6) Members are hereby informed that dividends which remain unclaimed / unencashed over a period of 7 years have to be transferred by the Company to the Investor Education & Protection Fund constituted by the Central Government under Sec. 205(A) and 205(C) of the Companies Act, 1956.

It may be noted that no claim of the shareholders will be entertained for all the unclaimed dividends which have been transferred to the credit of the Investor Education & Protection Fund of the Central Government under the provisions of Sec. 205(B) of the Companies Act, 1956.

In view of the above, the Shareholders are advised to send all the unencashed dividend warrants to the Registered Office of the Company for revalidation and encash them before the due date for transfer to the Central Government.

- (7) Members, holding shares in multiple folios and in identical name(s) or joint accounts in the same order, are requested to apply for consolidation of such folios and send the relevant share certificates to the Company for doing the needful.
- (8) Members are requested to affix their signature at the space provided for the attendance sheet annexed to the Proxy Form and hand over the slip at the entrance to the place of the meeting.
- (9) Members / Proxies are requested to bring their copies of Annual Report alongwith them.

By Order of the Board of Directors

M. R. MOMAYA
Wholtime Director

Surat, July 5, 2002.

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

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****Item No. 4**

Section 224A of the Companies Act, 1956, provides, inter alia that in the case of a Company in which not less than 25% of the subscribed share capital is held, either singly or in combination by public financial institutions or any Government or nationalised banks or any other financial institutions referred to therein, the appointment or re-appointment of Auditors shall be made by a special resolution.

Since, the combined shareholding of IDBI and UTI in the Company exceeds 25% of the subscribed share capital of the Company, the re-appointment of M/s Natvarlal Vepari & Co., Chartered Accountants, as Auditor of the Company is proposed by a special resolution.

As required under Section 224 of the Act, a certificate has been obtained from them to the effect that their appointment, if made,

will be in accordance with the limits specified in Section 224(1B) of the Act. The Shareholders' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors in consultation with them.

The Board recommends their re-appointment.

None of the Director of the Company is concerned or interested in the resolution.

By Order of the Board of Directors

M. R. MOMAYA
Wholetime Director

Surat, July 5, 2002.

Regd. Office:
Garden Mills Complex,
Sahara Gate,
Surat 395010.

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DIRECTORS' REPORT

To the Members of

SURAT TEXTILE MILLS LIMITED

The Directors hereby present their fifty-sixth Annual Report on the business and operations of the Company and the Financial Accounts for the year ended March 31, 2002.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2001-02	2000-01
Total Income from operations	16451.95	17807.33
Profit / (Loss) before Interest,		
Depreciation & Tax	(13.85)	209.54
Less: Financial Charges (Net)	116.79	83.83
Profit / (Loss) before Depreciation	(130.64)	125.71
Less: Depreciation	922.88	918.38
Loss for the year	1053.52	792.67
Less: Prior period Adjustments	14.57	0.00
Net Loss after Prior period		
Adjustments	1038.95	792.67
Add: Balance brought forward		
from Previous year	3757.54	2964.87
Balance carried to Balance Sheet	4796.49	3757.54

PERFORMANCE

Recessionary conditions in textile industry continued during the year. Oversupply situation and continued price reduction in the Polyester Chips and Spun Yarn Segment during the year under review, resulted in reduced contribution which was not sufficient to absorb the fixed cost.

The Company was forced to temporarily suspend the operations from December, 2001, at its cotton spinning unit at Varachha Road, Surat on account of mounting operating losses due to unremunerative prices of cotton yarn. In the absence of contribution from the said activity, the fixed overheads resulted in a loss, which had an adverse impact on Company's performance. The year under review resulted in net loss of Rs.1053.52 lacs as compared to Rs.792.67 lacs for the previous year.

Gross income for the year was marginally lower at Rs.19467.91 lacs compared to Rs.21200.42 lacs for the previous year. During the year under review, the total production of Polyester Filament Yarn and Polyester Chips were 8875.239 MT and 25972.150 MT respectively.

DIVIDEND

In view of the losses incurred by the Company, your Directors regret their inability to propose any dividend for the year under review.

MANAGEMENT DISCUSSION & ANALYSIS**Industry Scenario**

During the year under review, the production growth in case of polyester filament yarn was low due to sluggish domestic and

international markets. PFY continues to be subjected to the highest slab of excise duty reducing its demand potential. The polyester filament yarn spinning industry has gone through a difficult period with a number of players closing down, going sick, or merging with a stronger entity. It is hoped that consolidation will lead to better realisations in the future.

In polyester chips, the domestic supply has increased and outstrips demand significantly. This has put considerable pressure on sale and margins. The raw material prices are expected to go up and is likely to put pressure on margins. The Company hopes to counter this effect by improved product mix. In respect of spun yarn activity, the operating margins are likely to remain under pressure due to lower price realisation.

Outlook

The domestic textile industry remains sluggish. Demand has not picked up as per expectations. Cotton Spinning units have suffered heavily on account of unfavourable market conditions, and selling pressure has resulted into drastic decline in prices resulting into huge losses.

Since there has been no production in the Company's Cotton Spinning Division at Varachha, the fixed cost continues to be a burden on the Company's profitability and resources. The Company hopes to resume operation of Cotton Spinning Division once margins improve.

Based on the performance of the chips and POY plant in the first quarter of current year, the Company would sustain the operations in both the divisions due to contribution from their operations. However, the contribution is not enough for the Company to service its huge long term debt.

The domestic polyester Industry which witnessed a very difficult period in the last few years is hopeful of a revival. It is hoped that once the current recession ends, the Company can look forward to positive long term prospects once again.

Internal Control System and their adequacy.

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. The Company has suitable systems in place for ensuring adherence to all internal control policies and procedures as well as compliance with all applicable regulations. The Audit committee of the Board of Directors reviews the adequacy of internal controls. The directors consider the existing internal controls as adequate.

REFERENCE TO BIFR.

As reported last year, as per audited accounts as at 31st March, 2001, the Company became a potentially sick Company within the meaning of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

Despite Company's efforts to improve the operational working, the accumulated losses of the Company as at 31st March, 2002 have exceeded the net-worth. As a result, the Company falls within the meaning of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985. Your Directors have

therefore to make a reference to the BIFR as required under Section 15 (1) of the said Act.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. S. M. Vig and Mr. S. N. Gour will retire by rotation and being eligible, offer themselves for re-appointment.

FIXED DEPOSITS

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

DEPOSITORY SYSTEM

Facilities for dematerialization of the Company's shares have already become fully operational bearing the ISIN Number vide code INE 936A01017. Shares of your Company are under compulsory DEMAT for trading in BSE and ASE. As on 31st March, 2002, 61487435 Equity Shares of the Company forming 91.68% of the Share Capital of the Company, stands dematerialized.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars in respect of conservation of energy, technology absorption and foreign exchange earning and outgo are set out in Annexure 'A' to the Directors' Report.

PARTICULARS OF EMPLOYEES

The Company does not have any employee in the category as specified under Section 217(2A) of the Companies Act, 1956, and as such the particulars of employees as contemplated under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not attached to this report.

AUDITORS & THEIR OBSERVATION

M/s. Natvarlal Vepari & Co., the retiring Auditors, are eligible for re-appointment and have furnished a Certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224 (1 B) of the Companies Act, 1956.

The observations of the Auditors read with relevant notes to the accounts and paras in Italics in the Auditors' Report are self explanatory in nature and, therefore, do not call for any further explanations under Section 217(3) of the Companies Act, 1956.

COST AUDIT

In pursuance of Section 233 - B of the Companies Act, 1956, your Directors have appointed M/s. P. M. Nanabhoy & Co. as the Cost Auditors for the year ending 31st March, 2003 subject to the approval of the Central Government.

DIRECTORS' RESPONSIBILITY STATEMENT

As required Under Section 217 of the Companies Act, 1956, the Directors hereby confirm that :

- (1) in the preparation of the annual accounts, the applicable accounting standards as specified by the Institute of Chartered Accountants of India have been followed except for the following material departures, for which proper explanation has been given in the notes to accounts.
 - (a) Non-provision of interest aggregating to Rs.1904.99 Lacs for the year ended 31st March, 2002 on Secured Redeemable Debentures privately placed with Industrial Development Bank of India and Unit Trust of India. (Cumulative unprovided interest upto 31st March, 2002 amounting to Rs.6601.66 Lacs);
 - (b) Non-provision of interest aggregating to Rs.189.00 Lacs on Term Loan availed from Industrial Development Bank of India. (Cumulative unprovided interest upto 31st March, 2002 amounting to Rs.378.00 Lacs);
 - (c) Non-provision of diminution in the value of long term investment amounting to Rs.1184.69 Lacs.
- (2) the Accounting Policies have been applied consistently subject to deviations mentioned in (1) above and the judgements and estimates that have been made for the preparation of the accounts are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the loss of the Company for the year;
- (3) the Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and taken steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- (4) the Annual Accounts have been prepared on going concern basis.

CORPORATE GOVERNANCE

In line with guidelines recommended by Securities and Exchange Board of India (SEBI) Committee on Corporate Governance, adequate steps have been taken to ensure that all the provisions of Clause 49 of the Listing Agreement are duly complied with. Your Company has implemented all the stipulations on Corporate Governance prescribed by SEBI. The certificate of the Statutory Auditors regarding compliance of conditions of Corporate Governance in line with Clause 49 of the Stock Exchange Listing Agreement, is annexed to and forms a part of the Directors' Report.

ACKNOWLEDGMENTS

Your Directors wish to place on record appreciation for the valuable support received from the Banks, Financial Institutions, Suppliers and Customers. The Board also thanks the employees at all levels for their contribution.

By Order of the Board of Directors

Surat, July 5, 2002.

M. R. Momaya
Wholtime Director



ANNEXURE "A"**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 Measure taken:**

- Installation of new traps at poly condensation recovery with correct sizing, minimizing loss of live steam.

— increase in Take up temperature by 2-3 degree centigrade.

b. Impact of above measures for reduction of energy consumption and consequent impact on the cost of production:

— Reduction of fuel/electricity consumption.

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		
	2001-02	2000-01
A. Power And Fuel Consumption		
1. Electricity		
a. Purchased Unit in lacs	207.98	309.15
Total amount Rs. in Lacs.	1122.98	1421.40
Rate/Unit Rs.	5.40	4.60
b. Own Generation		
i. Through Diesel Generator		
Units in lacs	13.29	23.33
Units per Ltr. of Diesel Oil	2.45	2.61
Unit per SCM of Gas Consumption	3.05	3.25
Cost/Unit Rs.	4.90	4.41
ii. Through Steam turbine/Generator		
Units	NIL	NIL
Units per Ltr. of fuel oil/gas	NIL	NIL
Cost/Unit Rs.	NIL	NIL
2. Coal/Lignite for Generation of Steam		
Quantity (M.T.)	NIL	NIL
Total Cost Rs. in lacs	NIL	NIL
Average rate Rs./M.T.	NIL	NIL
3. Furnace Oil		
Quantity (K.Lts.)	4984	5842
Total Amount Rs. in Lacs.	410.14	565.62
Average rate Rs./Lts.	8.23	9.68
4. Others/Internal generation		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate/Unit Rs.	NIL	NIL
B. Consumption Per Unit of Production		
Product Details	SPUN YARN	SPUN YARN
Unit	Kg.	Kg.
Electricity (Unit)*	5.44	6.10
Product Details	PFY	PFY
Unit	Kg.	Kg.
Electricity (Unit)*	0.92	1.20
Product Details	CHIPS	CHIPS
Unit	Kg.	Kg.
Electricity (Unit)*	0.15	0.18
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.

ANNEXURE "A"

to the Directors' Report (Contd.)

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**Research and Development**

1. Specific areas in which R & D carried out by the Company:
 - Implementation of reusable palletized/jumbo packing
2. Benefits derived as a result of the above efforts:
 - Reduction in packing cost & damage to bobbin during transit.
3. Future Plan of Action
 - The Company is committed to upgrading its Research & Development Facilities wherever required to meet the challenges.
4. Expenditure on R & D:
 - The Company, from time to time incurs capital expenditure, exposes itself to better technology and keeps itself abreast of technological improvements world over.

Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards absorption, adaptation and innovation:
 - Modifications of process and products are carried out from time to time to suit market requirements and to improve operational efficiency.
2. Benefits derived as a result of the above efforts:
 - Better quality of yarn will be produced at low costs.
3. Particulars of Technology Imported:
 - The technology used by the Company is indigenously developed and no technology has been imported.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Details relating to foreign exchange earnings and outgo are given in Note No.15 of Schedule 13 annexed to the accounts.

By Order of the Board of Directors

Surat, July 5, 2002

M. R. MOMAYA
Wholetime DirectorReport  junction.com

CORPORATE GOVERNANCE REPORT

The Corporate Governance Code, introduced by the Securities & Exchange Board of India (SEBI) has been incorporated in Clause No.49 of the Listing Agreement of the Stock Exchange and the Companies (Amendment) Act, 2000.

The Company's Policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the year ended 31st March 2002, are given hereunder :

I. Company's Philosophy on Corporate Governance :

The Company's philosophy on corporate governance is aimed at assisting the management in carrying out its business affairs efficiently and in a transparent manner in order to optimize Shareholders value.

II. Board of Directors.

(a) Composition of the Board :

The Board of Directors of the Company is comprised of 5 Directors including a Nominee from Financial Institution. Of the said Directors 4 (Four), are Non-Executive. The Non-executive Directors are professionally competent. Mr. M. R. Momaya, Wholetime Director of the Company is the only Executive Director on the Board. All the Directors on the Board are independent Directors.

The composition and category of the Directors on the Board of the Company are furnished in the following table :

Sr. No.	Name of the Director.	Category	No. of Other Directorship held	No. of other Board / Committee/s of which he is a member	No. of other Board / Committee/s of which he is a Chairperson
1	Mr. M.R. Momaya	Executive Director	None	None	None
2	Mr. S.M. Vig	Non-Executive & Independent	None	None	None
3	Mr. S.N. Gour	Non-Executive & Independent	None	None	None
4	Mr. Y.C. Papaiya	Non-Executive & Independent	None	None	None
5	Mr. M. Parmeswaran	Non-Executive & Independent	1	None	None

(b) Number of Board Meetings and Attendance Record of Directors.

The Board meets at least once in a quarter to consider amongst other business the performance of the Company and financial results. The particulars of Board Meeting held during 2001-02 as well as attendance of Directors at the Board Meetings and the last AGM are given herebelow.

Number of Board Meetings held during 2001-02

Sr. No.	Date of Board Meeting
1	28.06.2001
2	28.07.2001
3	29.10.2001
4	30.01.2002

Attendance Record of Directors :

Name of the Director	Number of Meetings held	Number of Meeting Attended	Whether attended last AGM held on 29.12.2001.
Mr. M.R. Momaya	4	2	Yes
Mr. S.M. Vig	4	4	Yes
Mr. S.N. Gour	4	4	Yes
Mr. Y.C. Papaiya	4	4	Yes
Mr. M. Parmeswaran	4	2	No