



ANNUAL REPORT 2008-2009

STM
SURAT TEXTILE MILLS LIMITED

BOARD OF DIRECTORS

M. R. Momaya	Wholetime Director
S. M. Vig	Director
Y. C. Papaiya	Director
C. K. Koshy	Special Director (BIFR)

AUDITORS

Messrs Natvarlal Vepari & Co.,
Chartered Accountants

BANKERS

Dena Bank
Bank of Baroda

REGISTERED OFFICE

Garden Mills' Complex,
Sahara Gate,
Surat 395 010

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

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

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

**63rd Annual General Meeting on Tuesday, 11th August, 2009 at 10.30 a.m.
at the Registered Office of the company.**

* The Company has appointed Karvy Computershare Private Limited as the new Registrar & Transfer. Agents in place of MCS Limited, w.e.f. 15th November, 2008

NOTICE

Notice is hereby given that the Sixty-third Annual General Meeting of the Members of **SURAT TEXTILE MILLS LIMITED** will be held on **Tuesday, 11th August, 2009 at 10.30 a.m.** at the Registered Office of the Company at **Garden Mills' Complex, Sahara Gate, Surat 395010**, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March 2009 and Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Y. C. Papaiya, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration.

By Order of the Board of Directors

M. R. Momaya
Wholetime Director

Surat, 30th June, 2009.

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself. Such a proxy need not be a member of the Company. Proxies in order to be valid and effective, must be delivered at the Registered Office of the Company not later than forty-eight hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 5th August, 2009 to Tuesday, 11th August 2009 (both days inclusive).
3. Members holding shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to write to the Company's Share Transfer Agent M/s Karvy Computershare Private Limited, to consolidate their holdings in one folio.
4. The unclaimed dividend upto the financial year ended March 31, 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.

5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1995-96 which had remained unpaid/unclaimed for a period of 7(seven) years have been transferred to the Investor Education and Protection Fund (the fund) constituted by the Central Government under section 205C of the Companies Act, 1956. It may kindly be noted that once the unclaimed dividend is transferred to the aforesaid Fund of the Central Government, no claim shall lie in respect thereof.
6. 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 the Meeting to enable the Company to keep the information ready at the Meeting.
7. Members, who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
8. Members who are holding shares in physical form are requested to notify change in address, if any, to the Company's Share Transfer Agent quoting their folio number. Shareholders holding shares in dematerialised form, should intimate change of their address, if any, to their Depository Participant.
9. 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.
10. As per provisions of the Companies Act, 1956, facility for making nominations is now available to Individuals, holding shares in the Company. The Nomination Form-2B, prescribed by the Government for the purpose, can be obtained from the Share Department or the Share Transfer Agent of the Company.

By Order of the Board of Directors

M. R. Momaya
Wholetime Director

Surat, 30th June, 2009.

Particulars of the Directors seeking Appointment / Re-appointment at the ensuing Annual General Meeting (pursuant to Clause 49 of the Listing Agreement).

Name	Mr. Y. C. Papaiya
Age	57 years.
Date of Appointment	23.10.2000
Qualification	F.C.A.
Expertise in functional areas	He has over 25 years of experience in the field of Finance, Accounting and Auditing. He is also associated with the Group as Consultant and rendering his professional services to other companies also.
Directorship in other companies	1. Saanika Textiles Private Limited 2. Porus Textiles Private Limited
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Members,

Your Directors are pleased to present the sixty-third Annual Report on the business and operations of your Company together with the audited accounts for the year ended 31st March 2009.

Financial Results

	(Rs. in Lacs)	
	2008-09	2007-08
Gross Sales and Job Charges Income	17521.73	9547.39
Profit before interest, depreciation and tax	892.83	339.91
Financial Charges (Net)	7.67	125.09
Profit before Depreciation and Tax	885.16	214.82
Depreciation	182.29	183.88
Profit before Tax	702.87	30.94
Provision for Tax	82.00	0.90
Net Profit for the year	620.87	30.04

Dividend

In order to conserve the resources of the Company and taking into account the prevailing uncertain economic situation the Board of Directors have decided not to recommend dividend for the financial year ended 31st March 2009.

Review of Operations

During the year under review, consequent to the infusion of fresh working capital as envisaged in the rehabilitation scheme, the Company was able to utilise its capacity for own production.

Gross sales and job charges income for the year ended 31st March, 2009 increased to Rs.175.22 crores as compared to Rs.95.47 crores in the previous year, registering a growth of over 83%. The substantial increase in sales was primarily on account of higher chips sale as the Company discontinued its conversion and processing activity on third party job work basis, and utilised its capacities for own production.

The total production of chips increased from 22585 MT to 24542 MT whereas the production of polyester filament yarn remained at 7142 MT as compared to 7661 MT in the previous year.

Apart from substantial increase in sales of chips, the Company's stress on quality and on specialty products has also paid off in improving its performance.

Margins in the first half of 2008-09 remained under pressure due to the volatility in crude oil and petrochemical prices coupled with financial crisis & slowdown of major economies resulting in lower demand growth. With the fall in crude oil prices which was reflected in PTA / MEG prices as well the margins improved in the second half of the year under review.

Rehabilitation Scheme

Your Company has successfully implemented provisions of the sanctioned scheme as per the directives of the Hon'ble Board for Industrial and Financial Reconstruction (BIFR). As part of the implementation of Rehabilitation Scheme, the promoters of the Company have contributed an aggregate amount of Rs.44.50 crores comprising of a soft loan of Rs.29 crores to the Company and by subscribing fresh equity shares at par on a preferential basis for an amount aggregating to Rs.15.50 crores. The dues of the secured creditors have been completely settled in accordance with the terms of the One Time Settlement (OTS) approved by the Hon'ble BIFR.

Further, with the implementation of the Rehabilitation Scheme sanctioned by the BIFR in January, 2008, the net worth of the Company became positive in the first year of rehabilitation i.e. 2007-08 and in the current year 2008-09 the entire accumulated losses have been wiped out and as at 31st March, 2009 the Company recorded a net worth of Rs.24.49 crores with reserves and surplus of Rs.2.28 crores. On payment of dues to the term lenders / trustees of the debentures, the charge created in their favour on the properties of the Company have been satisfied in full. The suit filed by the institutions in Debt Recovery Tribunal (DRT) has also been withdrawn.

Industry Scenario

The Indian textile sector is a major contributor to the Indian economy in terms of gross domestic products (GDP), industrial production and the country's total export earnings. The Indian textile industry is currently passing through a turbulent phase. With the global downturn ravaging economies, the textile sector is one of the worst hit. However it is expected that the economy may improve from the second half of the financial year 2009-10.

The macroeconomic environment is expected to recover gradually translating into higher demand for polyester. Growth in non cotton fabrics is expected to drive the demand growth for PFY. Direct exports of PSF and PFY are forecast to increase which will provide a further boost to demand.

The prospects of synthetic yarn industry in short term is linked with the movement of crude oil prices in international market however the long term prospects seems good with the growing Indian economy and demand growth in end-use products.

To boost polyester yarn demand growth, the Indian Government has reduced excise duty in December 2008, from 8% to 4%. This coupled with falling crude oil prices, has helped improve the margins in the short term as the demand has started picking up since January 2009.

Opportunities, Threats, Risk and Concern

In the medium term, uncertain availability and volatility in prices of key raw materials is a major concern. The industry is dependent on the international price of crude oil, which directly impacts the price of both our key raw materials PTA and MEG. Any crude supply shock could have an adverse impact on the performance of the Company.

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

Slowing down of Indian economy in general and the lower demand growth may further reduce the growth of the industry. Price realisation of PFY is partly dependent on cotton yarn prices. If demand of finished products stagnates, margins in the Company's product i.e. chips and PFY will be affected, given the large capacities in place. A substantial increase in the cotton crop and the consequent reduction in cotton yarn prices would curtail growth in the industry. It is expected that the present raw material prices may help boost domestic demand. Increase in use of synthetic yarn in new areas of fashion fabrics and technical textiles will provide further push to the growth of this industry.

With the polyester prices declining, while viscose and cotton prices are remaining firm; making polyester more attractive and supporting polyester demand. In the current adverse macroeconomic environment, consumers may opt to purchase more polyester fabrics because of its affordability.

Business Outlook

The growth in demand is expected to continue to rely on high consumption in the domestic market. Your Company is committed to build business with long term goal based on your Company's intrinsic strength in terms of product quality and customer network. Your Company is also focused on bringing down costs and streamlining operations to improve future profitability while strengthening the management team at the functional level.

Your Company is pursuing cost control measures, increased productivity, improving efficiencies in manufacturing areas and a thrust in sales and better price realisation with better product mix. However, the performance of the Company would be largely dependent on the overall industrial scenario.

Internal Control

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

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

Risk Management

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company has no exposure in foreign exchange transactions and therefore not affected to such risks. The Company proactively manages these risks in inputs through better inventory management, vendor development and relationship. The Company mitigates the impact of price risk on finished goods with Company's strong reputation for quality, products differentiation and service to the customers with better marketing network.

Environment and safety

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

Cautionary Statement

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

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

Directorate

In accordance with the Articles of Association of the Company Mr. Y. C. Papaiya, Director of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The information on the particulars of Directors seeking re-appointment as stipulated under Clause 49 of Listing Agreements with the Stock Exchanges, are provided in the notes to Notice forming part of the Annual Report.

Change of Registrars & Transfer Agents

The Company has changed the Registrar & Transfer Agent (RTA) related activities from MCS Limited to Karvy Computershare Private Limited w.e.f 15th November 2008. Both the depositories i.e. NSDL and CDSL have also shifted connectivity to new Registrar & Transfer Agent of the Company. The necessary information to the concerned stock exchanges have been provided and the notice stating the details of change was also published in the interest of members and the proposed investors.

Fixed Deposits

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

Energy Conversion, Technology Absorption and Foreign Exchange Earnings and Outgo

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 is annexed hereto as annexure 'A' and forms part of this report.

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.

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

There has been cordial and harmonious industrial relations during the year across all the locations and the management received full co-operation from all the employees.

Listing at Stock Exchanges

In response to the Company's application for listing of 15,50,00,000 Equity Shares of Re.1/- each issued at par and allotted to Promoters on preferential basis pursuant to BIFR Order, the Bombay Stock Exchange Limited and Ahmedbad Stock Exchange Limited granted their approval for listing and trading of the aforesaid shares vide their letter dated 11th September, 2008 and 25th March, 2009 respectively

Auditors & Auditors' Report

Messrs Natvarlal Vepari & Co., Chartered Accountants, statutory auditors of the Company hold office upto the forthcoming Annual General Meeting are recommended for re-appointment to audit the accounts of the Company for the financial year 2009-10. As required under the provisions of the section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from statutory auditors that their appointment, if made, would be in conformity with the limits specified in the Section.

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

Cost Auditors

As per the requirement of Central Government and pursuant to Section 233B of the Companies Act, 1956 your Company carries out an audit of cost records relating to textiles every year. Subject to the approval of the Central Government, the Company has appointed Messrs P. M. Nanabhoy & Co., cost accountants, as auditors to audit the cost accounts of the Company for the financial year 2009-10.

Cash Flow Analysis

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

Directors' Responsibility Statement

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- (1) in the preparation of the Annual Accounts, 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;
- (2) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (3) 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
- (4) 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 Annual Report.

Acknowledgement

The Directors wish to place on record their appreciation for their continued support and co-operation by Financial Institutions, 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, 30th June, 2009.

M. R. Momaya
Wholetime Director

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:**

- 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.

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

FORM "A"			
Form for Disclosure of Particulars with respect to Conservation of Energy.			
	2008-09	2007-08	
A Power And Fuel Consumption			
1. Electricity			
a. Purchased Unit in lacs	159.69	172.14	
Total amount Rs. in Lacs.	1171.23	1053.48	
Rate / Unit Rs.	7.33	6.12	
b. Own Generation			
i. Through Diesel Generator			
Units in lacs	NIL	NIL	
Units per Ltr. of Diesel Oil	NIL	NIL	
Unit per SCM of Gas Consumption	NIL	NIL	
Cost/Unit Rs.	NIL	NIL	
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.Ltrs.)	1202	115	
Total Amount Rs. in Lacs.	205.52	21.92	
Average rate Rs./ Ltr.	17.10	19.11	
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) *	4.61	4.38	
Product Details	PFY	PFY	
Unit	Kg.	Kg.	
Electricity (Unit) *	1.12	1.12	
Product Details	CHIPS	CHIPS	
Unit	Kg.	Kg.	
Electricity (Unit) *	0.18	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.			

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

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

- Specific areas in which R & D carried out by the Company:
 - The Company has no specific Research & Development Department however, the Company has quality control department to check the quality of different products manufactured.
- Benefits derived as a result of the above efforts:
 - The Company has been strengthening its product portfolio, improving the quality of its existing products and also been able to reduce the cost of production.
- Future Plan of Action
 - Management is committed to strengthen quality control department, further to improve its competitiveness in times to come.
- 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.

Technology absorption, adaptation and innovation

- 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.
- Benefits derived as a result of the above efforts:
 - Better quality of yarn will be produced at low costs.
 - Improvement in capacity utilisation.
- 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.20 of Schedule 11 annexed to the accounts.

By Order of the Board of Directors

M. R. Momaya
Wholetime Director

Surat, 30th June, 2009.

CORPORATE GOVERNANCE REPORT

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself to increasing long-term Shareholders value, keeping in view the needs and interests of all its Stakeholders. The Company's governance process and practice has ventured to achieve a transparency and professionalism in action as well as the implementation of policies and procedure to ensure ethical standards as well as responsible management.

The Company has listed out its various compliances with the statutory requirements of the day, as well as the spirit of the practice.

II. BOARD OF DIRECTORS:

Composition of the Board:

The Board of the Company comprises with adequate blend of professional, executive and independent directors. The total number of Directors on the Board as on date of this report is four. Out of four, three are non-executive independent directors which includes special director appointed by the BIFR.

Name of Directors	Category (Executive/Non-Executive)	No. of Board Meetings attended	Whether last AGM held on 24.09.08 attended	Other Directorship held at the year end.	No. of Committee membership / Chairmanship in other Companies
Mr. M.R. Momaya	Wholetime Director	1	Yes	None	None
Mr. S.M. Vig	Non-executive, Independent	4	Yes	None	None
Mr. Y.C. Papaiya	Non-executive, Independent	4	Yes	None	None
Mr. C. K. Koshy	Special Director(BIFR)	1	No	2	None

* Excludes Directorships in Indian Private Ltd. companies & foreign companies & membership of Managing committees of various bodies.

A total of four meetings of the Board of Directors were held on 29th May, 2008, 30th July, 2008, 25th October, 2008 and 30th January, 2009. The Company has thus observed the provisions of the Listing Agreement(s), allowing not more than four months gap between two such meetings. None of the non-executive director is holding any shares in the Company as at the year end. The Company does not have any convertible instrument as at 31st March, 2009.

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

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

III. AUDIT COMMITTEE:

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement with Stock Exchanges and other relevant statutory/regulatory provisions. The Audit Committee consists of three Directors

1. Mr. Y. C. Papaiya (Chairman) Non-executive and Independent Director
2. Mr. S. M. Vig, (Member) Non-executive and Independent Director
3. Mr. M. R. Momaya, (Member) Executive Director

Mr. Y. C. Papaiya is a Chartered Accountant by profession. The Company Secretary acts as the Secretary to the Committee. 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.

Four meetings were held during the financial year ended 31st March, 2009 i.e. on 29.05.2008, 30.07.2008, 25.10.2008 and 30.01.2009. Mr. Y. C. Papaiya and Mr. S. M. Vig were present for each of the four meetings and Mr. M. R. Momaya was present at the meeting held on 30.07.2008. The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 24th September, 2008 and he ensured that necessary clarifications and explanations were provided to the members of the Company on issues regarding accounts and finance.

CORPORATE GOVERNANCE REPORT (Contd.)**IV. REMUNERATION OF DIRECTORS:**

The Committee consists of 3 Non-executive Directors viz; Mr. Y. C. Papaiya, Mr. S. M. Vig and Mr. C. K. Koshy, as members. The terms of reference of the Remuneration Committee in brief pertain to determining the Company's policy on and approve specific remuneration packages for executive directors after taking into the account financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, interest of the company and shareholders etc.

The Remuneration Committee did not meet during the year, since the remuneration payable to Mr. M. R. Momaya, the Executive Director on the Board of the Company, has already been approved for a five year term with effect from 11th December, 2005. The same was approved by the members in the Annual General Meeting held on 6th September, 2005, however in terms Section II of Part II of Schedule XIII no remuneration has been paid to Mr. M. R. Momaya for the year 2008-09.

The Company pays sitting fees and traveling expenses to all the Non-executive directors for attending any meeting of the Board or any Committee thereof. Sitting fees paid to the directors for the year ended 31st March, 2009, is as follows: Mr. S. M. Vig Rs.23,000/-, Mr. Y. C. Papaiya Rs.23,000/-, Mr. C. K. Koshy Rs.1,000/-.

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

V. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

Mr. Y. C. Papaiya is the Chairman of Shareholders' / Investors' Grievance Committee and Mr. S. M. Vig is the member of the Committee. The Secretary has been designated as the compliance officer.

During the year 56 complaints were received from Shareholders which were duly replied to / resolved. No complaint was pending as on 31st March, 2009.

VI. GENERAL BODY MEETINGS:

Location and time where last three Annual General Meetings were held:

Year	Location	Date	Time
2005-06	Garden Mills Complex, Sahara Gate, Surat.	31/08/2006	10.30 a.m.
2006-07	Garden Mills Complex, Sahara Gate, Surat.	14/08/2007	10.30 a.m.
2007-08	Garden Mills Complex, Sahara Gate, Surat.	24/09/2008	10.30 a.m.

1. In the Annual General Meeting held on 31st August, 2006, a Special Resolution was passed in order to appoint the Auditors and fixing their remuneration.
2. In the Annual General Meeting held on 14th August, 2007, a Special Resolution was passed with regard to appoint and fixing of remuneration of Auditors.
3. There was Special Resolution passed on the Annual General Meeting held on 24th September, 2008.
4. In any of the 3 previous years, no Special Resolution was passed by postal ballot. As of date there lies no proposal to pass any resolution by postal ballot.

VII. DISCLOSURES:

- i) Disclosure on materially significant related party transactions:

Details of related party transactions during the year have been set out under Note 15 of the Schedule 11 of the Annual Accounts. These are not having any potential conflict with the interests of the Company at large.

- ii) Details of Non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any Statutory authorities on any matter related to Capital Markets:

All the requirements of the listing agreement with the Stock Exchanges as well as regulations and guidelines of SEBI have been complied with by the Company. No penalty has been imposed or stricture has been made by SEBI, Stock Exchanges or any Statutory Authorities on matters relating to Capital Markets during the last three years.

- iii) Whistle Blower Policy:

The Company does not have any Whistle Blower Policy as of now but no personnel is being denied any access to the Audit Committee.

- iv) Details of compliance with mandatory requirement and adoption of non-mandatory requirements:

All the mandatory requirement have been appropriately complied with.

CORPORATE GOVERNANCE REPORT (Contd.)**VIII. CODE OF CONDUCT:**

The Company has framed a specific Code of Conduct for the members of the Board of Directors and Senior Management personnel of the Company.

A certificate from the Managing Director, affirming compliance of the said code is also annexed herewith.

IX. POLICY ON INSIDER TRADING:

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

X. Compliance Certificate by Auditors:

The Company has obtained a certificate from the Statutory Auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49 which is annexed herewith.

XI. 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.

XII. EDIFAR/CFDS Filing:

As per the requirements of Clause 51/newly inserted Clause 52 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc. have been electronically filed on the EDIFAR website, www.sebiedifar.nic.in / Corporate Filing and Dissemination System (CFDS) portal, www.corpfiling.co.in.

XIII. General Shareholder Information:**(a) 63rd Annual General Meeting:**

Date	:	Tuesday, 11th August, 2009.
Time	:	10:30 a.m.
Venue	:	Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395010.

(b) Financial Calendar (2009-10):

Results for the quarter ending June 30, 2009	:	July, 2009.
Results for the quarter ending September 30, 2009	:	October, 2009
Results for the quarter ending December 31, 2009	:	January, 2010
Results for the year ending March 31, 2010	:	April/June, 2010

(c) Book closure dates

: Wednesday, 5th August, 2009 to
Tuesday, 11th August, 2009.
(Both days inclusive)

(d) Listing on Stock Exchanges

	:	Stock Code
1. Ahmedabad Stock Exchange Limited, Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad 380015.	:	58110
2. Bombay Stock Exchange Limited, LPhiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	:	30185(Physical Segment) 530185 (Demat Segment)
Demat ISIN for NSDL & CDSL.	:	INE 936A01025

(e) Annual Listing Fees: The Company has paid the Annual Listing fees to the above stock exchanges for the financial year 2009-2010.