



SURAT TEXTILE MILLS LIMITED

ANNUAL REPORT
2009-2010

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

AUDITORS

Messrs Natvarlal Vepari & Co.,
Chartered Accountants, Surat.

BANKERS

Bank of Baroda

REGISTERED OFFICE

Garden Mills' Complex,
Sahara Gate,
Surat 395 010

MANUFACTURING FACILITIES

- i. Village Vareli,
Taluka Palsana,
Dist. Surat 394327
Tel.No. (02622) 276046.
- ii. Village Jolva, Taluka Palsana,
Dist. Surat 394305
Tel.No.(02622) 273287, 273289
- iii. Survey No.285, Village Khadoli,
Silvassa-Khanvel Road,
Silvassa (DNH).
Tel. No.(0260) 2699009

REGISTRARS & 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

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

**64th Annual General Meeting on Wednesday, 28th July, 2010 at 10.30 a.m.
at the Registered Office of the company.**

NOTICE

Notice is hereby given that the **Sixty-fourth Annual General Meeting** of the Members of SURAT TEXTILE MILLS LIMITED will be held on **Wednesday, 28th July, 2010 at 10.30 a.m.** at the Registered Office of the Company at **Garden Mills' Complex, Sahara Gate, Surat 395 010**, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S. M. Vig, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable Sections of the Companies Act 1956 ("the Act"), read with and in accordance with the conditions specified in Schedule XIII thereto as amended up-to date, including any statutory modification(s) or re-enactment thereof, for the time being in force, approval of the Members of the Company be and is hereby accorded to the re-appointment of Mr. M.R. Momaya, as Whole-time Director designated as Managing Director of the Company, for a period of 5 (five) years with effect from 11th December, 2010, on the terms and conditions including remuneration as set out in the Explanatory Statement as annexed to the Notice of this meeting and the draft agreement to be entered between the Company and Mr. M.R. Momaya, placed before this Meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors of the Company (hereinafter referred to as the 'Board' which terms shall be deemed to include any Committee constituted by the Board including the Remuneration Committee) to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mr. M.R. Momaya), in such manner as may be agreed to between the Board and Mr. M.R. Momaya, provided however, that the remuneration payable to Mr. M.R. Momaya shall not exceed the limits specified in the said agreement and the limits prescribed under Schedule XIII to the Act including any amendment, modification(s), variation 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 Mr. M. R. Momaya 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 XIII to the Act.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, 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 re-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 this resolution."

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

"RESOLVED THAT Mrs. Shilpa P. Shah, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 28th April, 2010 and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing her candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. 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 198, 269, 309, 310, 311 and all other applicable Sections of the Companies Act 1956 ("the Act"), read with and in accordance with the conditions specified in Schedule XIII thereto as amended up-to date, including any statutory modification(s) or re-enactment thereof, for the time being in force, approval of the Members of the Company be and is hereby accorded to the appointment of Mrs. Shilpa P. Shah as Whole-time Director designated as Executive Director of the Company, for a period of 5 (five) years with effect from 1st June, 2010, on the terms and conditions including remuneration as set out in the Explanatory Statement as annexed to the Notice of this meeting and the draft agreement to be entered between the Company and Mrs. Shilpa P. Shah, placed before this Meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors of the Company (hereinafter referred to as the 'Board' which terms shall be deemed to include any Committee constituted by the Board including the Remuneration Committee) to

NOTICE (Contd.)

alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mrs. Shilpa P. Shah), in such manner as may be agreed to between the Board and Mrs. Shilpa P. Shah, provided however, that the remuneration payable to Mrs. Shilpa P. Shah shall not exceed the limits specified in the said agreement and the limits prescribed under Schedule XIII to the Act, including any amendment, modification(s) variation, 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 Mrs. Shilpa P. Shah, the remuneration payable to her 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 XIII to the Act.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, 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 this resolution."

By Order of the Board of Directors

M. R. Momaya
Whole-time Director

Surat, 29th May, 2010

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and the proxy need not be a member of the Company.
2. Proxies, in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
3. The Explanatory Statement setting out the material facts concerning Special Business in respect of Item Nos. 4, 5 & 6 of the accompanying Notice as required by Section 173 of the Companies Act, 1956, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 21st July, 2010 to Wednesday, 28th July, 2010 (both days inclusive) in connection with the Annual General Meeting.
5. 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.

6. 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.
7. 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.
8. Members desiring any information about the Company's working are requested to write to the Company at an early date so as to enable the Management to reply at the Annual General Meeting.
9. Members, 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.
10. 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.
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. As per provisions of the Companies Act, 1956, facility for making nomination is now available to Individuals in respect of the shares held by them. 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
Whole-time Director

Surat, 29th May, 2010

NOTICE (Contd.)

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

Name	Mr. S.M. Vig
Age	64 Years
Date of Appointment	23.10.2000
Qualification	Engineer
Expertise in functional areas	He is having vast experience and in-depth knowledge of the polyester textile industry. He is a technocrat and an entrepreneur par excellence
Directorship in other companies	Nil
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

Name	Mr. M.R. Momaya
Age	78 Years
Date of Appointment	23.10.2000
Qualification	Engineer
Expertise in functional areas	Having wide experience in Textile Industry. He was associated with one of the most reputed textile Company of Surat for about 33 years. He is presently rendering his services as Consultant Engineer
Directorship in other companies	1. Como Textiles Private Ltd. 2. Amalfi Textiles Private Ltd. 3. Sorrento Textiles Private Ltd. 4. Porus Textiles & Trading Pvt. Ltd.
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

Name	Mrs. Shilpa P. Shah
Age	66 Years
Date of Appointment	28.04.2010
Qualification	M.A. (University of California, U.S.A.)
Expertise in functional areas	Industrialist
Directorship in other companies	1. Garden Silk Mills Ltd. 2. Prabhat Silk Mills Ltd. 3. Vareli Fabrics Pvt. Ltd. 4. Amika Indian Textiles & Art Museum Pvt. Ltd.
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	1,00,15,450

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

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business under item No.4, 5 and 6 of the accompanying Notice dated 29th May, 2010.

Item No. 4

The shareholders had at their 59th Annual General Meeting held on 6th September, 2005, approved the appointment and remuneration of Mr. M.R. Momaya as Whole-time Director with substantial powers of management as Managing Director of the Company for a period of five years with effect from 11th December, 2005.

Mr. M. R. Momaya is a qualified Engineer having wide experience in the textile industry. He was associated with one of the most reputed textile company of Surat for about 30 years 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 29th May, 2010 considered and re-appointed Mr. M. R. Momaya as Whole-time Director designated as Managing

NOTICE (Contd.)

Director of the Company for a further period of 5 (five) years w.e.f. 11th December, 2010. His reappointment is subject to the approval of Members at the General Meeting by way of Special Resolution as his age is above 70 years.

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.

I. Period: From 11th December, 2010 to 10th December, 2015

II. Remuneration

a) Salary: upto Rs.1,00,000/- per month with such increments as may be decided by the Board of Directors (which includes any Committee thereof) from time to time, after taking into account the Company's performance.

b) Perquisites and Allowances:

- i) In addition to the salary and commission, Mr. M. R. Momaya shall also be entitled to perquisites and allowances, including furnished accommodation or house rent in lieu thereof, house maintenance allowance, together with utilities thereof such as gas, electricity, water and furnishings, repairs, servants salaries, society charges and property tax, medical reimbursement, medical and personal accident insurance, leave travel concessions for self and family, club fees, and such other allowances and perquisites as the Board may in its absolute discretion, determine from time to time.
- ii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these are either singly or together, not taxable under the Income Tax Act; Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling for remuneration specified above.
- iii) Car for use on Company's business and telephone and other communication facilities at residence, shall not be considered as perquisites.
- iv) Leave with full pay or encashment thereof as per the Rules of the Company.
- v) Reimbursement of actual entertainment expenses, actual traveling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.

vi) Other perquisites:

Subject to overall ceiling on remuneration mentioned herein below, the Whole-time Director may be given any other allowances, benefits and perquisites as the Board of Directors (which includes any Committee thereof) may from time to time decide.

Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

The Board is entitled to terminate the agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956 or by giving 6 months' notice in writing by either party.

c) Commission:

Such remuneration by way of commission, in addition to the salary and perquisites and allowances, payable calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors (which includes any committee thereof) in its absolute discretion deem fit, for each Corporate Financial Year, provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceilings prescribed under Section 198 and 309 of the Companies Act, 1956.

III. Overall Remuneration:

The aggregate of salary, commission, perquisites and other allowances in any one financial year shall not exceed the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may, for the time being, be in force.

IV. 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 Paragraph A of Section II of Part II of Schedule XIII to the Act.

The terms and conditions of the said appointment and agreement may be altered and varied from time to time by the Board, as it may, in its discretion, deem fit within the maximum amounts payable to Managing Director, subject to the provisions of Sections 198, 309 and 310 and Schedule XIII of the Companies Act, 1956, or any other amendments made hereafter in this regard.

NOTICE (Contd.)

The Remuneration Committee of the Board has recommended and approved the aforesaid remuneration. In compliance with Sections 269 and 309 of the Act, the terms of remuneration and appointment specified above are now placed before the shareholders in general meeting for their approval.

The copy of the draft agreement as referred above is open for inspection by the members at the registered office of the Company during business hours on any working day, upto the date of the Annual General Meeting.

This Explanatory Statement read with the Resolution in respect of the draft agreement as referred above may also be treated as an abstract in compliance with Section 302 of the Companies Act, 1956.

Mr. M. R. Momaya is interested in the Resolution set out at Item No. 4 of the accompanying Notice, since it relates to his re-appointment.

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

Item No. 5 & 6

The Board of Directors of the Company at their meeting held on 28th April, 2010 unanimously appointed Mrs. Shilpa P. Shah as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956, Mrs. Shilpa P. Shah holds the office of Director upto the date of the ensuing Annual General Meeting.

Mrs. Shilpa P. Shah has Master of Arts Degree from University of California, Berkeley, USA. She has wide experience in the field of advertising & textile designing in addition to general management and financial aspects. Her advertisement and ad campaigns have won several coveted and prestigious awards. Mrs. Shilpa P. Shah is also an Executive Director of Garden Silk Mills Limited, the promoters of the Company and has been associated with the Company since inception. During her tenure as a Member of the Board she has been actively involved in the activities of the Company.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received, together with requisite deposits, from a member signifying his intention to propose the appointment of Mrs. Shilpa P. Shah as a candidate for the office of Director of the Company, liable to retire by rotation.

In view of Mrs. Shilpa P. Shah having vast experience of the Indian Textile industry and in depth knowledge of the said field, the Board of Directors at their meeting held on 29th May, 2010 considered and appointed Mrs. Shilpa P. Shah as Whole-time Director designated as Executive Director of the Company for a period of 5 (five) years w.e.f. 1st June, 2010, subject to the approval of Members at the General Meeting.

The remuneration and perquisites of Mrs. Shilpa P. Shah is considered reasonable having regard to the qualification, experience and expertise and the value which she is expected to add to the business of the Company. The terms of the appointment and remuneration payable to Mrs. Shilpa P. Shah have been approved in accordance with the applicable provisions of the Companies Act, 1956.

The salient features of the terms and conditions of appointment of Mrs. Shilpa P. Shah as the Whole-time Director designated as Executive Director as set out in the draft agreement placed before this Meeting are as follows:

I. Remuneration:

(a) **Salary:** upto Rs.1,00,000/- per month with such increments as may be decided by the Board of Directors (which includes any Committee thereof) from time to time, after taking into account the Company's performance.

(b) Perquisites and Allowances:

- i) In addition to the salary and commission, Mrs. Shilpa P. Shah shall also be entitled to perquisites and allowances, including furnished accommodation or house rent in lieu thereof, house maintenance allowance, together with utilities thereof such as gas, electricity, water and furnishings, repairs, servants salaries, society charges and property tax, medical reimbursement, medical and personal accident insurance, leave travel concessions for self and family, club fees, and such other allowances and perquisites as the Board 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 a) above.

Perquisites shall be valued as per the Income Tax Rules, wherever applicable and in the absence of such rule, perquisites shall be valued at actual cost.

- ii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling on remuneration as specified above.
- iii) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.
- iv) Leave with full pay or encashment thereof as per the Rules of the Company.
- v) Reimbursement of actual entertainment expenses, actual traveling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.
- vi) Other perquisites:

Subject to overall ceiling on remuneration mentioned herein below, the Whole-time

NOTICE (Contd.)

Director may be given any other allowances, benefits and perquisites as the Board of Directors (which includes any committee thereof) may from time to time decide.

(c) Commission:

Such remuneration by way of commission, in addition to the salary and perquisites and allowances, payable calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors (which includes any committee thereof) in its absolute discretion deem fit, for each Corporate Financial Year, provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceilings prescribed under Section 198 and 309 of the Companies Act, 1956.

II. Overall Remuneration:

The aggregate of salary, commission, perquisites and other allowances in any one financial year shall not exceed the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

III. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of the Whole-time 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 Paragraph A of Section II of Part II of Schedule XIII to the Act.

The terms and conditions of the said appointment and agreement may be altered and varied from time to time by the Board, as it may, in its discretion, deem fit within

the maximum amounts payable to Whole-time Director, subject to the provisions of Sections 198, 309 and 310 and Schedule XIII of the Companies Act, 1956, or any other amendments made hereafter in this regard.

The Directors are of the view that the appointment of Mrs. Shilpa P. Shah as Whole-time Director will be beneficial to the operations of the Company and the remuneration payable to her is commensurate with her ability and experience. The Remuneration Committee of the Board has approved the aforesaid remuneration.

In compliance with the provisions of Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956, read with the Schedule XIII to the Act, the terms of remuneration specified above are now being placed before the shareholders for their approval.

This Explanatory Statement read with the Resolution in respect of the draft agreement as referred above may also be treated as an abstract in compliance with Section 302 of the Companies Act, 1956.

The copy of the draft agreement as referred above is open for inspection by the members at the registered office of the Company during business hours on any working day, upto the date of the Annual General Meeting.

Mrs. Shilpa P. Shah is interested in the Resolution set out at Item No. 5 & 6 of the accompanying Notice, since it relates to her appointment.

The Board commends the passing of the Resolution set out in Item Nos.5 & 6 of the accompanying Notice.

By Order of the Board of Directors

Surat, 29th May, 2010

M. R. Momaya
Whole-time Director

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF SURAT TEXTILE MILLS LIMITED

Your Directors have pleasure in presenting the Sixty-fourth Annual Report on the business and operations of the Company together with the audited accounts for the year ended 31st March 2010.

Summarised Financial Results

	(Rs. in Lacs)	
	2009-10	2008-09
Gross Sales and Job Charges Income	26023.92	17521.73
Profit before interest, depreciation and tax	1448.81	892.83
Financial Charges	399.72	7.67
Profit before Depreciation and Tax	1049.09	885.16
Depreciation	182.41	182.29
Profit before Tax	866.68	702.87
Provision for Tax	146.00	82.00
Net Profit for the year	720.68	620.87

Dividend

In order to strengthen the reserves of the Company and with a view to ensure sufficient liquidity to take advantage of the growth potential, your directors consider it prudent not to recommend a dividend.

Review of Operations

During the year under review, sales of polyester filament yarn increased to Rs. 6824.81 lacs, compared to Rs. 6556.70 lacs achieved in the previous year; however the sale of polyester chips was lower at Rs. 8130.91 lacs as compared to Rs. 9604.39 lacs for the previous year. The gross turnover was higher during the year also on account of trading activities by leveraging on the Company's in-house expertise in the import and procurement of raw materials for the polyester industry.

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

During the year under review, your Company discharged its obligation towards payment of interest on soft loan availed from the promoter.

Successful Implementation of Sanctioned Scheme

With the successful implementation of the sanctioned scheme, the net worth being positive and the accumulated losses of the Company completely wiped out as on 31st March, 2009, your Company ceased to be "Sick Industrial Company" under Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 and was discharged from the purview

of SICA by BIFR vide its Order dated 18th December, 2009. As on 31st March, 2010 the net worth of the Company further increased to Rs. 3169.63 lacs.

Overview of Economy

The country's economy grew by 7.4% in 2009-10, compared to 6.7% expansion in the previous fiscal, when it came under the ripple effect of the global financial melt down. Growth is projected to recover to 8-9% in the next two years. The recovery of Indian GDP could be even faster than what is projected. But the rising interest rates, rupee appreciation and continued low growth in high-income nations could cause hurdles to the recovery. India's recovery could also be impacted by volatility in capital inflows and high inflation.

Industry Scenario

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 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 sales realisation.

Opportunities, Threats and Challenges

Low per capita consumption of polyester in India is still way behind the world average. This provides an opportunity for future growth in the Indian Polyester Industry. The Company perceives threat from imports and consequent pressure on domestic prices, apart from the increase in prices of raw materials and other inputs due to any spurt in crude oil prices.

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

Business Outlook

The recent budget proposals have withdrawn the stimulus package by roll back of excise duty earlier reduced for the overall growth of the manufacturing sector, putting further pressure on the Company.

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

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

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.

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

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

Environment and safety

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

Cautionary Statement

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

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

Directors

In accordance with the Articles of Association of the Company Mr. S. M. Vig retire by rotation at the 64th Annual General Meeting and, being eligible, offers himself for re-appointment.

Mrs. Shilpa P. Shah was appointed as an additional director by the Board at its meeting held on 28th April, 2010. Mrs. Shah holds office until the conclusion of the ensuing annual general meeting and is eligible for re-appointment. The Company has received notice from a member under Section 257 of the Companies Act, 1956, proposing her candidature for the office of Director, liable to retire by rotation. The Directors recommend her appointment.

Mr. C. K. Koshy, appointed as special director by the BIFR on the Company's Board of Directors, stands discharged w.e.f. BIFR order dated 18th December, 2009. While taking note of the withdrawal of nomination of Mr. Koshy, the directors place on record their sincere appreciation of the valuable services rendered by him during his tenure as a special Director on the Board of the Company.

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

Fixed Deposits

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

Energy Conversion, Technology Absorption and Foreign Exchange Earnings and Outgo

Your Company makes every effort to conserve energy required for all its operations. The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 with respect to conversation of energy, technology absorption and foreign exchange earnings / outgo is annexed hereto as annexure 'A' and forms part of this Report.

Employee relations

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

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

Auditors

Messrs Natvarlal Vepari & Co., the Statutory Auditors retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received the certificate from the retiring auditors to the effect that the appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

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 2010-11.