

Annual Report

2010-11



SURAT TEXTILE MILLS LIMITED

BOARD OF DIRECTORS

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

* (w.e.f. 26/11/10)

** (upto 27/11/10)

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) 271241
- 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 AND 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.”)

**65th Annual General Meeting on Wednesday, 24th August, 2011
at 10.30 a.m. at the Registered Office of the Company.**

NOTICE

NOTICE is hereby given that the Sixty-fifth Annual General Meeting of the Members of **SURAT TEXTILE MILLS LIMITED** will be held on **Wednesday, 24th August, 2011 at 10.30 a.m.** at the Registered Office of the Company at Garden Mills' Complex, Sahara Gate, Surat - 395010, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. M. R. Momaya, 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 an Ordinary Resolution:

"RESOLVED THAT Mr. Harish Bharuchi, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 26th November, 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 his 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."

By Order of the Board of Directors

Vishal Tibrewal
Company Secretary

Surat, 6th July, 2011.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself 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 No. 4 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 Thursday, 18th August, 2011 to Wednesday, 24th August, 2011 (both days inclusive) in connection with the Annual General Meeting.
5. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Company's Share Transfer Agent M/s. Karvy Computershare Private Limited, for consolidation into a single folio.
6. The unclaimed dividend upto the financial year ended 31st March, 1995 have been transferred to the General Revenue

Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those shareholders who have so far not claimed their dividend for the financial year ended 31st March, 1995 may claim their dividend from the Registrar of Companies – Gujarat by submitting an application in the prescribed form.

7. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividend for the financial year 1995-96 to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Please note 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 holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company/Registrars and Transfer Agent, M/s. Karvy Computershare Private Limited
10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding share in physical form can submit their PAN details to the Company/Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited.
11. Non-Resident Indian Members are requested to inform to the Registrars and Transfer Agents of the Company, M/s. Karvy Computershare Private Limited of:
 - a) Change in their residential status on return to India for permanent settlement.
 - b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
12. 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.
13. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding 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.
14. As required under the Revised Clause 49 IV G (i) of the Listing Agreement executed with the stock exchanges brief profiles of Directors are given as Annexure to the Notice.

By Order of the Board of Directors

Vishal Tibrewal
Company Secretary

Surat, 6th July, 2011.

NOTICE (Contd.)**Important Communication to Members**

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies and has issued circulars stating that service of notice/documents including Annual Report can be send by e-mail to its members. To support this green initiative of the Government in full measures, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants and members holding shares in physical form are requested to register their e-mail address with the Company's Registrar & Transfer Agent M/s Karvy Computershare Private Limited at stm.cs@karvy.com mentioning their Folio No.

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

Name	Mr. M.R. Momaya
Age	79 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 34 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	Mr. Harish Bharuchi
Age	68
Date of Appointment	26.11.2010
Qualification	Graduate
Expertise in functional areas	30 years
Directorship in other companies	Creative Processing Ltd.
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

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 of the accompanying Notice dated 6th July, 2011.

Item No. 4

The Board of Directors of the Company at their meeting held on 7th December, 2010 unanimously appointed Mr. Harish Bharuchi as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956, Mr. Harish Bharuchi holds the office of Director upto the date of the ensuing Annual General Meeting.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received, together with requisite deposit, from a member signifying his intention to propose the appointment of Mr. Harish Bharuchi as a candidate for the office of Director of the Company, liable to retire by rotation.

The Directors are of the view that the appointment of Mr. Harish Bharuchi as a Director will be beneficial to the operations of the Company.

Mr. Harish Bharuchi is interested in the Resolution set out at Item No. 4 of the accompanying Notice, since it relates to his appointment.

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

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

To the Members of

Surat Textile Mills Limited

Your Directors have pleasure in presenting the sixty-fifth Annual Report on the business and operations of the Company together with the audited accounts for the year ended 31st March, 2011.

Summarised Financial Results

	(₹ in Lacs)	
	2010-11	2009-10
Net Sales	27162.09	24203.59
Profit before interest, depreciation and tax	1639.09	1448.82
Interest and Finance Charges	385.35	399.72
Profit before Depreciation and Tax	1253.74	1049.10
Depreciation	167.88	182.41
Profit before Tax	1085.86	866.69
Provision for Tax	248.20	146.00
Net Profit for the year	837.66	720.69

Dividend

In order to strengthen the reserves of the Company and with a view to ensure sufficient liquidity your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2010-11.

Review of Operations

During the year under review, your Company achieved net sales of ₹ 27162.09 lacs as compared to ₹ 24203.59 lacs in the previous year. This was largely 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.

The sale of polyester chips was higher at ₹ 9746.87 lacs as compared to ₹ 8130.91 lacs in the previous year. The sales of polyester filament yarn increased to ₹ 7294.28 lacs as compared to ₹ 6824.81 lacs achieved in the previous year.

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

Apart from investing surplus funds in business the Company is also pursuing related business opportunities by building up its stock-in-trade of art and artifacts during the year.

Overview of Economy

The country's economic growth was around 8.6% in 2010-11, compared to 7.4% expansion in the previous fiscal. Growth is projected to 8-9% in the next two years with a fear of hardening inflation. The growth of Indian GDP could be even faster than what is projected, but the rising interest rates, rupee appreciation and vulnerability of exports to high-income nations could cause hurdles to the growth. India's growth could also be impacted by volatility in capital inflows.

Industry Scenario

In polyester chips, the domestic supply has increased and outstrips demand largely. The demand for Partially Oriented Yarn (POY) grew marginally during the year. The slow growth in the domestic market was however offset by the buoyancy in the export market. The strong export performance was the result of supply tightness in the global fibre/yarn market due to limited availability of cotton/cotton yarn.

The raw material prices are expected to go up and likely to put further pressure on margins. Tightness in supply due to planned maintenance shut downs is expected to cause PTA and MEG spreads to go up in 2011-12. The Company hopes to counter this effect by better material management.

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. Apart from increase in per capita consumption high cotton prices are expected to push POY prices further up over the next two years. The Company perceives threat from imports and consequent pressure on domestic prices, increase in prices of raw materials and other inputs due to any spurt in crude oil prices apart from the expected capacity expansions by other companies in the same industry.

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

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.

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

Directors

In accordance with the Articles of Association of the Company Mr. M. R. Momaya retire by rotation at the 65th Annual General Meeting and, being eligible, offers himself for re-appointment.

Mr. Harish Bharuchi was appointed as an additional director by the Board with effect from 26th November, 2010 at its meeting held on 7th December, 2010. Mr. Harish Bharuchi 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 his candidature for the office of Director, liable to retire by rotation. The Directors recommend his appointment.

Mr. S.M. Vig who was associated with the Company as a director of the Company since October, 2000 ceased to be a Director with effect from 27th November, 2010. The Board places on record its deep sense of appreciation of the invaluable contribution made by him to the growth of the Company during the tenure of his office as a director of the Company for over 10 years.

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 are provided in the Annexure 'A' to this Report.

Transfer of amounts to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividends, interest on debentures and matured debentures which remained unpaid or unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund.

Employee relations

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

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder is provided in an Annexure forming part of this Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining copy of the same may write to the Company Secretary.

Auditors

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

The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

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

Cost Auditors

Audit of Cost Accounts of the Company relating to textiles for the year ended 31st March, 2011 will be audited by Cost Auditors, M/s. P.M. Nanabhoy & Co. Cost Accountants, Mumbai and Cost Audit Report will be submitted to the Ministry of Corporate Affairs, Government of India. The cost accounts alongwith the Cost Auditors Report for the year ended 31st March, 2010 has already been filed with the Ministry of Corporate Affairs within specified time limit on 29th September, 2010. The due date for the same was 30th September, 2010.

The Central Government has granted its approval for the re-appointment of M/s. P.M. Nanabhoy & Co. Cost Accountants, Mumbai as Cost Auditors of the Company for the year 2011-12.

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:

As required under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the year ended 31st March, 2011, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- (ii) the Directors have selected such accounting policies, and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profits of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Corporate Governance

The report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the annual report. The requisite Certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

Acknowledgement

Your Directors place on record their appreciation for the continued support and co-operation received from customers, suppliers, dealers, banks and government authorities. The Board also, expresses its appreciation for the understanding and support extended by the shareholders and employees of the Company.

By Order of the Board of Directors

M. R. Momaya
Managing Director

Surat, 6th July, 2011.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)**ANNEXURE TO THE DIRECTORS' REPORT**

Information as per Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

I. CONSERVATION OF ENERGY:

- a) Energy Conservation measures taken:
 - The Company makes an ongoing study to identify and implement energy saving system to reduce energy consumption and cost of production.
 - Energy conservation is an ongoing process in our organisation. Continuous monitoring, planning, development and modifications for energy conservation are done at the plants.
 - Energy Audit is also being carried out by external agencies.
- b) Impact of above measures for reduction of energy consumption and consequent impact on the cost of production:
 - Reduction in consumption of electricity and fuel oils with consequent reduction in the cost of production.
- c) Total energy consumption and energy consumption per unit of production as per Form "A" as per annexure to the Rules.

FORM "A"			
Form for Disclosure of Particulars with respect to Conservation of Energy.			
		2010-11	2009-10
A. Power And Fuel Consumption			
1. Electricity			
a) Purchased Unit in lacs		176.08	158.53
Total amount ₹ in Lacs.		1290.27	1128.33
Rate/Unit ₹		7.33	7.12
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 ₹		NIL	NIL
ii. Through Steam turbine/Generator			
Units		NIL	NIL
Units per Ltr. of fuel oil/gas		NIL	NIL
Cost/Unit ₹		NIL	NIL
2. Coal/Lignite for Generation of Steam			
Quantity (M.T.)		NIL	NIL
Total Cost ₹ in lacs		NIL	NIL
Average rate ₹ /M.T.		NIL	NIL
3. Furnace Oil			
Quantity (K.Ltrs.)		546	477
Total Amount ₹ in Lacs.		135.78	113.45
Average rate ₹/Ltr.		24.87	23.78
4. Others/Internal generation			
Quantity		NIL	NIL
Total Cost		NIL	NIL
Rate/Unit ₹		NIL	NIL
B. Consumption Per Unit of Production			
Product Details	SPUN YARN	SPUN YARN	
Unit	Kg.	Kg.	
Electricity (Unit) *	4.62	4.20	
Product Details	PFY	PFY	
Unit	Kg.	Kg.	
Electricity (Unit) *	1.38	1.15	
Product Details	CHIPS	CHIPS	
Unit	Kg.	Kg.	
Electricity (Unit) *	0.21	0.19	
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.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)**II. TECHNOLOGY ABSORPTION**

Efforts made in Technology absorption as per Form - B

a) Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company:

- Productivity enhancement and development of new products.
- The Company has quality control department to check the quality of different products manufactured.

2. Benefits derived as a result of the above efforts:

- Reduction in operating and maintenance costs.
- Improvement in quality, customer satisfaction and enlargement of market base.

3. Future Plan of Action

- Management is committed to strengthen quality control department, further to improve its competitiveness in times to come with productivity enhancement and development of new products.

4. Expenditure on R & D:

- The Company, from time to time exposes itself to better technology and keeps itself abreast of technological improvements.

(i) Capital expenses	Nil
(ii) Recurring expenses	Nil
(iii) Total	Nil
(iv) Total R & D expenditure as a % of total turnover	Not Applicable

Technology absorption, adaptation and innovation

1. The Company has not taken any new technology in particular or entered into any technology agreement during the period hence the information required as per Form - D is not applicable.
2. The technology used by the Company is indigenously developed and no technology has been imported.

(i) Technology imported	Nil
(ii) Year of import:	Not Applicable
(iii) Has the technology been fully absorbed:	Not Applicable

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and exports plans:
Efforts were made to export the products of the Company in international market. The FOB value of such exports was ₹ 117.83 lacs during the year. The Company is in the process of identifying more value added products for export market in the current financial year.
2. Total foreign exchange used and earned is contained in Schedule 12 Note 12 (viii) and (ix) in Notes on Accounts.

By Order of the Board of Directors

Surat, 6th July, 2011.

M. R. Momaya
Managing Director

REPORT ON CORPORATE GOVERNANCE

Corporate governance refers to a set of laws, regulations and good practices that enable an organisation to perform efficiently and ethically generate long-term wealth and create value for all its stakeholders.

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of revised Clause 49 of the Listing Agreement.

A. MANDATORY REQUIREMENTS

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company not only adheres to the prescribed corporate practices as per Clause 49 but is constantly striving to adopt emerging best practices worldwide. It is our endeavour to achieve higher standards and provide oversight and guidance to management in strategy implementation and risk management and fulfillment of stated goals and objectives. 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

(a) Composition:

As of the year ended 31st March, 2011, the Board of Directors had 4 members comprising of 2 Executive Directors and 2 Non-Executive Independent Directors. The Chairman of the Board is an Executive Director.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting.

6 Board Meetings were held during the financial year 2010-11. Board Meetings were held on 28th April, 2010, 29th May, 2010, 2nd August, 2010, 29th October, 2010, 7th December, 2010 and 29th January, 2011. The attendance of each of the Directors at the said Board Meetings is as given below:

Name	Category	No. of Board Meetings attended	Attendance at the last AGM held on 28.07.10	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies
Mr. M.R. Momaya	Whole-time Director	06	Yes	—	—
Mrs. Shilpa P. Shah *	Whole-time Director	04	No	01	—
Mr. Y.C. Papaiya	Non-Executive, Independent	06	Yes	—	—
Mr. Harish Bharuchi **	Non-Executive, Independent	01	N.A.	01	—
Mr. S.M. Vig ***	Non-Executive, Independent	02	Yes	—	—

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

** appointed w.e.f. 26th November, 2010.

*** resigned w.e.f. 27th November, 2010.

No director is related to any other Director on the Board in terms of the provisions of the Companies Act, 1956.

The Company has not had any pecuniary relationship and transaction with any of the Non-Executive Directors during the year under review.

(c) Board Procedures

The information as required under Annexure 1A to Clause 49 of the listing agreement is being regularly placed before the Board. The Board also reviews the declaration made by the Managing Director of the Company regarding compliance with all laws applicable to the Company, on a quarterly basis.

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. BOARD COMMITTEES:

(a) Audit Committee

Your Company has an Audit Committee at the Board level, with the powers and the role that are in accordance with the Clause 49 II (C) and (D) of the Listing Agreement and with the requirements of Section 292(A) of the Companies Act, 1956, which acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process.

The audit committee met four times during the Financial Year 2010-11 on 29.05.2010, 31.07.2010, 28.10.2010 and 29.01.2011.

All members are financially literate and have relevant finance and/or audit exposure. Mr. Y. C. Papaiya the Chairman of the audit committee is a Chartered Accountant. The Committee, in addition to other business reviews the quarterly (unaudited) financial results, annual accounts and cost audit report etc. before submitting to the Board of Directors.

The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 28th July, 2010 and he ensured that necessary clarifications and explanations were provided to the members of the Company on issues regarding accounts and finance.

REPORT ON CORPORATE GOVERNANCE (Contd.)

The members of the Audit Committee and attendance of each member of the Audit Committee at the meetings held during the year are as under.

Sr. No.	Name	Category	No. of Meeting Attended
1	Mr. Y. C. Papaiya	Non-Executive, Independent	4
2	Mr. Harish Bharuchi *	Non-Executive, Independent	1
3	Mr. S. M. Vig **	Non-Executive, Independent	3
4	Mr. M. R. Momaya	Whole-time Director	4

* appointed w.e.f. 26th November, 2010.

** resigned w.e.f. 27th November, 2010.

(b) Transfer and Shareholders'/Investors' Grievance Committee

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, non-receipt of Annual Reports etc. As on 31st March, 2011, the Transfer and Shareholders'/Investors' Grievance Committee comprised of Mr. Y. C. Papaiya and Mr. Harish Bharuchi. The Secretary has been designated as the compliance officer. Mr. Harish Bharuchi was appointed w.e.f. 26th November, 2010 as a member of the Committee in place of Mr. S. M. Vig.

During the Financial Year 2010-11, 26 meetings were held to approve the transfer of shares. During the year 66 complaints were resolved to the satisfaction of complainants. No complaint was pending as on 31st March, 2011.

Other Committees of Board (Non-Mandatory)

In addition to the above referred Committees, which are mandatory under the Corporate Governance Code, the board of Directors has constituted Remuneration Committee and Management Committee of Directors.

(c) Remuneration Committee

(i) The Company has a Remuneration Committee of Directors.

(ii) The broad terms of reference of the Remuneration Committee are as under:

- To approve the annual remuneration plan of the Company;
- To approve the remuneration and commission/incentive remuneration payable to the Managing Director for each financial year;
- Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.

As of 31st March, 2011, the Committee comprised of 2 Non-Executive Independent Directors viz. Mr. Y. C. Papaiya and Mr. Harish Bharuchi. One meeting was held during the year on 29th May, 2010 to consider and recommend payment of remuneration to Mr. M. R. Momaya and Mrs. Shilpa P. Shah, Whole-time Directors. The members at the Annual General Meeting held on 28th July, 2010 approved the same. The agreement with each Wholetime Director is for a period of 5 years.

Mr. Harish Bharuchi was appointed w.e.f. 26th November, 2010 as a member of the Committee in place of Mr. S. M. Vig.

The Company pays sitting fees and traveling expenses to all the Non-Executive Directors for attending meeting of the Board or Committee thereof. Sitting fees paid to the directors for the year ended 31st March, 2011, is as follows: Mr. S. M. Vig ₹ 24,000/-, Mr. Y. C. Papaiya ₹ 38,000/-, Mr. Harish Bharuchi ₹ 11,000/- and Mrs. Shilpa P. Shah ₹ 1,000/-.

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

(d) Management Committee of Directors:

The Board of Directors has constituted Management Committee of Directors to approve routine and specific matters delegated by the Board. The composition of the Committee of Directors comprises Mr. Y. C. Papaiya, Chairman and Mr. Harish Bharuchi as Member. During the year 2010-11 the Committee met on 14.09.2010 to discuss the matters coming within the Committee's purview.

IV. GENERAL BODY MEETINGS

(a) The date and time of the Annual General Meeting held during the preceding 3 years and the Special Resolution(s) passed thereat are as under:

Year	Location	Date	Time
2007-08	Garden Mills Complex, Sahara Gate, Surat.	24th September, 2008	10.30 a.m.
2008-09	Garden Mills Complex, Sahara Gate, Surat.	11th August, 2009	10.30 a.m.
2009-10	Garden Mills Complex, Sahara Gate, Surat.	28th July, 2010	10.30 a.m.

1. In the Annual General Meeting held on 28th July, 2010, a Special Resolution was passed for re-appointment of Mr. M. R. Momaya as Whole-time Director designated as Managing Director of the Company and payment of remuneration.

2. No Special Resolution was proposed at the Annual General Meeting held on 24th September, 2008 and 11th August, 2009.

(b) Special Resolution passed through Postal Ballot:

Pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, approval of the shareholders was sought by Postal Ballot vide Notice dated 27th October, 2009 which was passed by the shareholders of the Company by requisite majority.