



SURAT TEXTILE MILLS LIMITED

ANNUAL REPORT

2012-2013

Company Information

Board of Directors

Mr. Sanjay S. Shah	Managing Director
Mr. M. R. Momaya	Non-Executive Director
Mr. Y. C. Papaiya	Non-Executive Director
Mr. Harish Bharucha	Non-Executive Director

Company Secretary

Mr. Jigar K. Vyas

Registered Office

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

Statutory Auditors

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

Cost Auditors

P. M. Nanabhoy & Co.,
Cost Accountants, Mumbai.

Bankers

Bank of Baroda

Registrars & Share 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)

Manufacturing Facilities

Vareli Complex,
Village Vareli , Taluka Palsana,
Dist. Surat 394327
Tel: (02622) 271241-47

Village Jolwa, Taluka Palsana,
Dist. Surat 394 305
Tel: (02622) 271287-89

Survey No.285, Village Khadoli,
Silvassa-Khanvel Road,
Silvassa (DNH).
Tel. No.(0260) 2699009

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

**67th Annual General Meeting on Monday, 24th June, 2013 at 11.00 a.m. at the
Registered Office of the company.**

NOTICE

NOTICE is hereby given that the Sixty-seventh Annual General Meeting of the Members of **SURAT TEXTILE MILLS LIMITED** will be held on **Monday, 24th June, 2013 at 11.00 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, 2013 and the Statement of Profit and Loss for the year ended 31st March, 2013 and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. M. R. Momaya, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Jigar K. Vyas
Company Secretary

Surat, 3rd May, 2013.

Notes:

1. A member entitled to attend and vote at the Sixty-seventh Annual General Meeting ("the Meeting") is entitled to appoint a proxy to attend and vote instead of himself –herself and the proxy need not be a Member of the Company.
2. The instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 18th June, 2013 to Monday, 24th June, 2013 (both days inclusive).
4. 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.
5. 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.
6. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, unclaimed dividend for the financial year 1995-96 have been transferred to the Investor Education and Protection Fund (the IEPF) established by the Central Government. The Company did not declare any dividends on equity shares for the financial years 1996-97 and onwards. Please note that once the unclaimed dividend is transferred to the aforesaid Fund of the Central Government, no claim shall lie in respect thereof.
7. Shareholders intending to require information about Accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.
8. 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
9. 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.
10. 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.
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. 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.
13. As a part of Green Initiatives in the Corporate Governance, The Ministry of Corporate Affairs vide its Circular Nos.17 & 18 dated April 21, 2011 and April 29, 2011 respectively, clarified that a company would have complied with Section 53 of the Companies Act, 1956, if the service of the document has been made through electronic mode, provided the company has obtained e-mail addresses of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the company.

Accordingly, the members are requested to intimate their e-mail address to the Company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited to their dedicated E-mail I.D. i.e., "stm.cs@karvy.com" and to the DP in respect of shares held in physical mode and demat mode respectively, in case the members wish to avail the aforesaid facility.
14. Disclosure pursuant to Clause 49 IV G (i) of the Listing Agreement relating to the Directors seeking reappointment / appointment at the meeting is attached hereto.
15. The Annual Report of the Company for the year 2012-13, circulated to the Members of the Company is available on the Company's website www.surattextilemillsld.com

NOTICE (Contd.)

16. The Ministry of Corporate Affairs, (MCA) Government of India, through its Circular Nos.17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011, respectively, has allowed companies to send documents viz. Notices of meetings, Annual Report and other shareholder communication to their shareholders electronically as part of its Green Initiatives in corporate governance.

The Company supports the measures in the Green Initiative. Members are also requested to join the Company in this initiative by registering their Email ID with the Company or its RTA.

Surat, 3rd May, 2013.

By Order of the Board

Jigar K. Vyas
Company Secretary

Particulars of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr. M. R. Momaya
Date of Birth	19.03.1932
Date of Appointment on the Board	23.10.2000
Qualifications	Engineer
Expertise in functional areas	He was associated with one of the most reputed textile Company of Surat for about 36 years. He is presently rendering his services as Consultant Engineer
Directorship held in other companies	1. Como Textiles Private Ltd. 2. Amalfi Textiles Private Ltd. 3. Sorrento Textiles Private Ltd. 4. Porus Textiles & Trading Pvt. Ltd.
Chairmanships / Memberships of Committee	Nil
No. of shares held in the Company	Nil
Relationship between directors Inter-se	Nil

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors present the Sixty-seventh Annual Report together with the audited accounts of the Company for the year ended 31st March 2013.

Financial Results

	(₹ in Lacs)	
	2012-13	2011-12
Revenue from Operations (Net)	21776.61	18841.79
Other Income	416.59	2896.21
Profit before interest, depreciation and tax	1511.57	3190.92
Finance Costs	22.86	285.36
Profit before Depreciation and Tax	1488.71	2905.56
Depreciation	148.60	154.54
Profit before Tax	1340.11	2751.02
Provision for Tax	582.89	772.99
Profit for the year	757.22	1978.03

Dividend

In order to strengthen the reserves of the Company, your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2012-13.

Overview and Review of Operations

Overall, the year was extremely challenging for your Company. In a challenging environment your Company has delivered broad-based competitive growth and margin improvement.

Your Company achieved a gross turnover of ₹242.57 crores as compared to ₹207.62 crores in the previous year, an increase of about 17%. The sale of Polyester Chips increased by 28% at ₹156.76 Crore as compared to ₹122.59 Crore during the previous year. The sale of Yarn (including spun yarn) for the year 2012-13 was lower at ₹72.57 Crore as compared to ₹83.81 Crore in the previous year, primarily due to lower demand growth and competitive pressure. Earnings before interest tax and depreciation (excluding other income) was higher at ₹10.95 crore as against 2.95 crore in the previous year.

In quantity terms, the sale of chips was higher at 15159 MT as compared to 13227 MT in the previous year. The total sale of yarn was lower at 4434 MT as compared to 5906 MT in the previous year.

Your Company achieved higher production of chips during the year at 18304 MT as compared to 15653 MT achieved in the previous year. The production of PFY during the year was lower at 4322 MT as compared to 5884 MT achieved in the previous year. The lower production was primarily on account of subdued market conditions, demand recession and price fluctuations in raw materials during the year.

During the year under review your Company discontinued the manufacturing activity at its Silvassa plant which had become unviable due to competitive market conditions and the prevailing circumstances. Consequent to the closure of business operations at the said location, the Company has disposed off the fixed assets of the said division.

Your Company also sold part of its property under development held under stock in trade which contributed to the Operating Income of the Company.

Apart from investing surplus funds in business the Company continued to pursue related business opportunities during the year, by building up its stock in trade of art and artifacts and actively pursuing its construction business activity.

Overview of Economy

The growth in GDP during 2012-13 is estimated at 5% as compared to a growth rate of 6.25% in 2011-12. According to Central Statistical Organization (CSO). In 2002-03, the GDP had grown at 4% since then the Indian Economy has been expanding at over 6%, the highest rate being 9.6% in 2006-07.

Manufacturing growth in 2012-13 is also expected to drop to 1.9% in this fiscal, from 2.7% last year.

The Indian economy is expected to rebound in 2014, boosted by lower inflation and interest rate cuts from the Reserve Bank of India. Some temporary factors like easing commodity prices are helping inflation to decline.

The Indian economy is approaching an inflation point, with GDP growth having bottomed out and corporate earnings having stabilized, it is expected that economic momentum and earnings will improve from current levels.

Industry Scenario

The year was characterized by global slowdown, weak retail demand at home, rising input cost coupled with lower growth in industrial production continuing high rate of inflation and depreciation of the rupee.

The growth in sales / earning was primarily driven by higher volume and price realization during the year. Margins came under pressure due to excess supply and slower domestic demand growth.

There was an overall drop in PTA and MEG prices declined by 9% and 10% respectively. The global textile industry faced subdued demand during the past year due to volatile economic situations in the US and Europe and geo-political disturbances in Africa and the Middle East regions.

Prices of Polyester products declined during the year as buyers turned cautious given the slow downstream demand and opted to cut losses by controlling inventory.

During FY 2012-13, the downstream polyester demand remained depressed, amidst subdued global markets due to high polyester inventories, lower margins and steep decline in the feed stock prices.

The prices of MEG and PTA went down in first quarter. Despite of capacity additions in fibre and filament and no new PTA and MEG capacities, prices did not show much improvement. The average price of PTA and MEG were of US\$ 1098 and US\$ 1043 due to lower demand.

Opportunities, Threats and Challenges

Large fluctuations in crude oil prices and the consequent impact on raw material and polyester prices hurt growth. Large volatility in the international markets especially on the downside will have adverse temporary effects on the polyester industry.

Capacity additions by new and existing players may have a temporary effect on your Company's margins.

The substantial expansion in production capacity of PFY by the major producers and with the rationalization of import duty structure, the PFY prices are expected to remain under pressure.

The Company perceives threat from imports and consequent pressure on domestic prices, apart from the increase in cost of raw materials and other inputs due to spurt in crude oil prices.

The Company is facing challenge in terms of higher production cost due to high power cost and other inputs. It is expected that with the better working capital management, the Company would be able to generate better cash flows.

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

A sluggish downstream demand could impact the Company's business. Inconsistent raw material supply and price volatility could impact production.

Business Outlook

We expect your company will outperform the industry in terms of sales and profit growth over the medium term. In our opinion in the absence of a severe slowdown in the economy, the sluggishness would be temporary, especially for the POY industry, for which the global economic forecast for the next couple of years is healthy.

Witnessing the increased consumer need for polyester a number of players are expanding / increasing polyester polymer and yarn capacity market. While utilization rates in the industry may temporarily fall as a consequence, your Company is confident of maintaining healthy operating rates owing to its special position in the market.

The introduction of GST should see a level playing field between your Company and other companies who are tax-exempt. This should further improve margins for your Company other things being same.

While there are near-term concerns around slowing market growth and inflationary pressures on consumers, we are confident of the medium-to-long term growth prospects of textile sector and remain focused on delivering consistent and competitive growth with sustainable operating margin improvement.

At the operating level, despite competitive business environment and sluggish demand growth, your Company posted better performance. The pricing and demand scenario is expected to remain muted in the near term and may result in pressure on the margins.

Internal Control

Your Company has adequate internal control procedures commensurate with the size of operations and the nature of the business. These controls ensure efficient use and protection of Company's financial and non-financial resources. Regular internal audit and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

Risk Management

Your Company is exposed to the risk of price fluctuation on major raw materials – PTA and MEG. While in regular course of business price fluctuations are passed on to the customers, sudden price reductions can result in freezing up of sales and consequent inventory losses.

The Company mitigates the impact of price risk on finished goods with Company's strong reputation for quality, product differentiation and service to the customers with better marketing network. Capacity additions by new and existing players may have a temporary effect on your Company's margins.

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates, commodity prices, business risk, compliance risks and people risks.

The Company is exposed to risks attached to various statutes and regulations including the Competition Act, 2002. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

Health, Safety and Environmental Measures

The Company continues to focus on maintenance and performance improvement of related pollution control facilities like effluent treatment plant and waste disposal facility at its manufacturing locations. The Company recognizes protection and management of environment as one of its highest priorities and every effort is made to conserve and protect the environment.

Cautionary Statement

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

Directorate

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri M. R. Momaya, Director, retire by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

Fixed Deposits

The Company has not accepted or renewed any deposits during the year. There are no outstanding and overdue deposits as at 31st March, 2013.

Energy, Technology and Foreign Exchange

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required, to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 is annexed herewith and forms part of this report.

Human Resources and Industrial Relations

Your Company recognizes human resources as the backbone of its long term success. Your Company maintains a cordial relationship with its employees. It emphasis on safe work practices and productivity improvement is unrelenting.

Your Company also associates itself with several social causes and empowers its employees to contribute to the society and carries out regular CSR activities reaching out to the less privileged.

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.

Insurance

The properties and insurable assets and interests of your Company, like building, plant and machinery and stocks, among others, are adequately insured.

Auditors

Messrs Natvarlal Vepari & Co., Chartered Accountants, the Statutory Auditors of the Company shall retire at the conclusion of forthcoming Annual General Meeting, and have confirmed their eligibility for re-appointment in accordance with Section 224(1B) of the Companies Act, 1956. The Board proposes the re-appointment of Messrs Natvarlal Vepari & Co., Chartered Accountants, Surat, as Statutory Auditors of your Company based on the recommendation of the Audit Committee, to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

Resolution seeking your approval on the item is included in the Notice convening the Annual General Meeting.

The observation made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

Cost Auditors

In terms of the provisions of Section 233B of the Companies Act, 1956, the Board of Directors of your Company have on the recommendation of the Audit Committee, appointed M/s P.M. Nanabhoy & Co., Cost Accountant as Cost Auditors, Mumbai to conduct the cost audit of your

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

Company for the financial year ending 31st March, 2014, subject the approval of the Central Government.

The Audit Committee has received a certificate from the cost auditors, certifying their independence and arm's length relationship with your Company. In accordance with the Cost Audit (Report) Rules, 2001, the report was filed on 31.12.2012 vide SRN No. S19715051 with Ministry of Corporate Affairs, New Delhi.

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 the requirements 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, 2013, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- (ii) such accounting policies have been selected and applied consistently and such judgments and estimates have been made as 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 ended on 31st March, 2013 and of the profits of the Company for that period;
- (iii) proper and sufficient care has been taken 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 statement of accounts for the year ended on 31st March, 2013 have been prepared on a going concern basis.

Corporate Governance

Your Company has taken adequate steps to ensure that the requirements of Corporate Governance as laid down in Clause 49 of the Listing Agreement are complied with.

A separate report on Corporate Governance along with the Auditors' Certificate on compliance with the Corporate Governance as stipulated in Clause 49 is set out in this Annual Report and forms part of this report.

The Auditors of the Company have certified that conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement are complied by the Company and their Certificate is annexed to the Report on Corporate Governance.

Appreciation

Your Directors take this opportunity to offer their sincere thanks to various departments of the Central and State Governments, government agencies, banks, shareholders, customers, employees and other related organizations, who through their continued support and co-operation, have helped your Company's progress.

By Order of the Board of Directors

Sanjay S. Shah
Managing Director

Surat, 3rd May, 2013.

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.

	2012-13	2011-12
A Power And Fuel Consumption		
1. Electricity		
a. Purchased Unit in lacs	114.41	154.17
Total amount ₹ in Lacs.	731.90	1347.44
Rate / Unit ₹	6.24	8.74
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	NIL	NIL
Consumption		
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.)	69	81
Total Amount ₹ in Lacs.	25.25	32.99
Average rate ₹/ Ltr.	36.59	40.73
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) *	5.35	5.37
Product Details	PFY	PFY
Unit	Kg.	Kg.
Electricity (Unit) *	1.03	1.56
Product Details	CHIPS	CHIPS

	2012-13	2011-12
Unit	Kg.	Kg.
Electricity (Unit) *	0.21	0.23
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.

II. TECHNOLOGY ABSORPTION

Efforts made in Technology absorption as per Form - B

- a) Research & 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, however, due to subdued market conditions and the competitive pressure, the Company could not export its products during the year.
2. Total foreign exchange earnings and outgo : Nil.

By Order of the Board of Directors

Sanjay S. Shah
Managing Director

Surat, 3rd May, 2013.

REPORT ON CORPORATE GOVERNANCE

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms part of the report of the Board of Directors. The Company has complied with the applicable requirements of Code of Corporate Governance as prescribed in the Listing Agreement and in this regard the following details are provided for the information of stakeholders and public at large.

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of 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.

2. Board of Directors

(a) Composition:

The Board has an optimum combination of Executive and Non-Executive Directors, and is in conformity with Clause 49 of the Listing Agreement and meets the composition criterion as laid down by SEBI. The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operates under the supervision and control of the Board.

As on 31st March, 2013, the Company's Board comprises four Directors including a Managing Director and three Non-executive Directors of which two Directors are Non-executive independent Directors. The Non-Executive Directors are having diverse backgrounds with considerable professional proficiency, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as member of the Board.

Transactions with related parties are disclosed in Note No.28 of 'Notes to the Financial Statements' for the year ended 31st March, 2013. There has been no material pecuniary transaction or relationship between the Company and its Non-executive and/or independent Directors during the year 2012-13.

The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company, which could have potential conflict of interest with the Company at large.

The details of the Board of Directors, their directorships in the other companies, their participation in the Board Meetings and the last Annual General Meeting of the Company is as under:

Name	Category	No. of Board Meetings attended	Attendance at the last AGM held on 30.07.12	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies
Shri Sanjay S. Shah	Managing Director	03	Yes	01	—
Smt. Shilpa P. Shah *	Wholetime Director	0	No	N.A.	—
Shri M.R. Momaya	Non-executive	05	Yes	N.A.	—
Shri Y.C. Papaiya	Non-executive, Independent	05	Yes	N.A.	—
Shri Harish Bharucha	Non-executive, Independent	05	Yes	01	—

* Resigned as member of the Board with effect from 30th May, 2012.

None of the above Directors are related inter-se.

(b) Directors' membership in Board / Committees of other Companies.

None of the Directors hold the office of director in more than the permissible number of companies under the Companies Act, 1956. Also, the Committee Chairmanships / Memberships are within the limits laid down in Clause 49 of the Listing Agreement.

(c) Board Meetings.

The Meetings of the Board are generally held at the Registered Office of the company at Garden Mills Complex, Sahara Gate, Surat 395010. During the year under review, 5 Meetings were held on 8th May, 2012, 30th May, 2012, 7th August, 2012, 31st October, 2012 and 5th February, 2013. The gap between any two Board Meetings did not exceed four months.

(d) Board Meeting Procedures

The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Managing Director and circulates the same in advance to the Members of the Board. Every Director is free to suggest inclusion of items of the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, when necessary. The minutes of the meetings is approved by the members of the Board at the next meeting. Senior management personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when necessary. The information as required to be placed before Board of Directors as per Code of Corporate Governance is being made available to the Board as and when applicable. The Board periodically reviews compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliance.

3 BOARD COMMITTEES:

The Board currently has 4 committees: (a) Audit Committee, (b) Share Transfer and Investors' Grievance Committee, (c) Remuneration Committee and (d) Management Committee.

REPORT ON CORPORATE GOVERNANCE (Contd.)

(a) Audit Committee

Constitution.

The Audit Committee comprises of the following Directors.

1.	Shri Y. C. Papaiya	Chairman	Non-executive Independent
2.	Shri Harish Bharucha	Member	Non-executive Independent
3.	Shri M. R. Momaya	Member	Non-executive

Terms of reference.

The role and terms of reference of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. All the members of the Audit Committee are financially literate and have accounting and financial expertise.

Meetings and attendance

The Audit Committee meetings are Chaired by Shri Y. C. Papaiya who has a vast experience in the area of finance. He is a chartered accountant. None of the members received directly or indirectly, any consulting, advisory or compensatory fees from the Company other than the sitting fee as a Director.

During the financial year 2012-13, the Audit Committee of the Company met four times on 30.05.2012, 07.08.2012, 31.10.2012 and 05.02.2013. The gap between two Audit Committee meetings did not exceed four months. The Committee, in its meeting held on 30th May, 2012 reviewed the Annual Accounts for the year ended 31st March, 2012.

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 30th July, 2012 and he ensured that necessary clarifications and explanations were provided to the members of the Company on issues regarding accounts and finance.

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	Shri Y. C. Papaiya	Non-Executive, Independent	04
2	Shri Harish Bharucha	Non-Executive, Independent	04
3	Shri M. R. Momaya	Non-Executive	04

(b) Share Transfer and Investors' Grievance Committee

The Shareholders/Investors Grievance Committee reviews complaints received and action taken by the Company in this regard. In addition, the Committee oversee investors' grievances and redressal mechanism and recommends measures to improve the level of Investor's Services. As on 31st March, 2013, the Transfer and Shareholders' / Investors' Grievance Committee comprised of Shri Y. C. Papaiya, Shri Harish Bharucha. The Company Secretary has been designated as the compliance officer.

During the Financial Year 2012-13, 25 meetings were held to approve the transfer of shares. 79 complaints were received during the year under review. All the complaints have been solved to the satisfaction of the shareholders. There were no pending transfers as on 31st March, 2013.

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

The Company has a Remuneration Committee to review and recommend payment of annual salaries, commission and other employment conditions of the Executive Directors comprising Managing Director and Wholtime Directors. The Committee periodically reviews and recommends suitable revision in the remuneration package of Executive Directors to the Board. One meeting of Remuneration Committee took place on 30th May, 2012 during 2012-13.

The Company has paid sitting fees to Non-Executive directors for attending meetings of the Board, Audit Committee and Share Transfer Committee meetings. The aggregate amount of sitting fees paid during the financial year 2012-13 was ₹83,000/-.

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

Details of remuneration paid/payable to Directors for the year ended 31st March, 2013

Name of Director	Salary & Perquisites	Sitting fees	Commission
Shri Sanjay S. Shah	₹5,03,714/-	Nil	Nil
Smt. Shilpa P. Shah *	₹67,407/-	Nil	Nil
Shri M. R. Momaya **	₹50,000/-	₹9,000/-	Nil
Total			

* Resigned as member of the Board with effect from 30th May, 2012.

** Resigned from the office of Managing Director with effect from 1st May, 2012 and continued a member of the Board of Directors of the Company.