

Annual Report

2013-2014



SURAT TEXTILE MILLS LIMITED

CORPORATE INFORMATION

Board of Directors

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

Company Secretary

Jigar K. Vyas

Registered Office

3rd Floor, Tulsi Krupa Arcade,
Near Aai Mata Chowk,
Puna-Kumbharia Road, Dumbhal,
Surat 395010.
CIN: L17119GJ1945PLC000214
Tel: (0261) 2311197, 2311615.
Fax: (0261) 2311029.
e-mail: stmlsecretary@gardenwareli.com
<http://www.surattextilemillsltd.com>

Statutory Auditors

Natvarlal Vepari & Co.,
Chartered Accountants, Surat.

Cost Auditors

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

Bankers

Bank of Baroda

Plants:

- i) Vareli Complex,
Village Vareli , Taluka Palsana,
Dist. Surat 394327
Tel: (02622) 271241-47
- ii) Village Jolwa, Taluka Palsana,
Dist. Surat 394305
Tel: (02622) 271287-89

Registrars & Share Transfer Agents

Karvy Computershare Private Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad 500081
Tel: 040-44655000
Fax No. 040-23420814
e-mail: einward.ris@karvy.com
http:// www.karvy.com

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

68th Annual General Meeting on Wednesday, 23rd July 2014 at 11.00 a.m. at Bella Mill Compound, Outside Sahara Gate, Surat 395010.

With effect from 1st July, 2013, the Registered Office of the Company has been shifted at Tulsi Krupa Arcade, 3rd Floor, Near Aai Mata Chowk, Puna-Kumbharia Road, Dumbhal, Surat 395010.

NOTICE

Notice is hereby given that the Sixty-eighth Annual General Meeting of the Members of Surat Textile Mills Limited will be held on **Wednesday, 23rd July 2014 at 11.00 a.m.** at the Bella Mill Compound, Outside Sahara Gate, Surat 395010, to transact the following business:

Ordinary Business:

- To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31st March 2014 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
- To appoint a Director in place of Mr. Sanjay S. Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
- 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 section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, Natvarlal Vepari & Co., Chartered Accountant (Firm Registration No. 123626W), be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the Seventy-one AGM of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax and other expenses etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors."

Special Business:

- To consider, and if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**:
"RESOLVED THAT in accordance with the provisions of Sections 196, 197, 203 read with Schedule V, and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) the approval of the Company be and is hereby accorded to the appointment of Mr. M.R. Momaya (DIN: 00023993) as Managing Director of the Company, for a period of 5 (five) years with effect from 1st June 2014 liable to retire by rotation, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any duly constituted Committee of the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration as it may deem fit and as may be acceptable to Mr. M.R. Momaya, subject to the same not exceeding the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956), or any statutory modification(s) 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 him 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 V to the Companies Act, 2013.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute all such 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 the aforesaid resolutions."

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

"RESOLVED THAT pursuant to Section 148 (3) of the Companies Act, 2013, read with Rules 14 of the Companies (Audit and Auditors) Rules, 2014, and other applicable provisions if any, (including any statutory modification(s) or re-enactment thereof, for the time being in force), payment of Remuneration of ₹60,000/- (apart from reimbursement of out of pocket expenses and applicable taxes) to M/s P. M. Nanabhoy & Co.; Cost Auditors, Mumbai (Registration No.7464), who were appointed by the Board of Directors in their meeting held on 31st May 2014 for carrying out Cost Audit of the Company for financial year 2014-15, be and is hereby approved and ratified.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

- 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 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Harishchandra Bharucha (holding DIN: 00138430), a non-executive Director of the Company, who has submitted a declaration that he meets the criteria for independent as provided in Section 149(6) of the Act and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years from 1st April 2014 to 31st March 2019 and that he shall not be liable to retire by rotation."

By Order of the Board of Directors

Surat, 31st May 2014.

Jigar K. Vyas
Company Secretary

Notes:

- 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. Proxies in order to be effective, must be received by the Company, at its Registered Office not less than 48 hours before the Meeting.

A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

- The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (erstwhile Section 173 of the Companies Act, 1956), relating to Special Business is annexed hereto.
- The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 15th July 2014 to Wednesday, 23rd July 2014 (both days inclusive).

NOTICE (Contd.)

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 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.
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. Members desirous of getting any information about the accounts and/or operations of the Company are requested to write to the Company at least seven days before the date of Meeting to enable the Company to keep the information ready at the 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. Details under clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment / re-appointment.
13. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members' facility to exercise their right to vote at the 68th Annual General Meeting ("AGM") by electronic means and the business may be transacted through e-voting services provided by Karvy Computershare Private Limited ("Karvy"). It may be noted that this e-voting facility is optional. The e-voting facility will be available at the link <https://evoting.karvy.com> during the following voting period: Commencement of e-voting: From 9 A.M. on 14th July, 2014 to 6 P.M. on 16th July, 2014.
14. E-voting shall not be allowed beyond 6 p.m on 16th July, 2014. During the e-voting period, shareholders of the company, holding shares either in physical form or in dematerialised form, as on Friday, 20th June 2014 may cast their vote electronically.
15. The login ID and password for e-voting along with process, manner and instructions for e-voting is being sent to the members who have not registered their e-mail IDs with the Company / their respective Depository Participants along with physical copy of the Notice. Those members who have registered their e-mail IDs with the Company / their respective Depository Participants are being forwarded the login ID and password for e-voting along with process, manner and instructions by e-mail.
16. The Company has appointed Mr. Kunjal Dalal, Proprietor K. Dalal & Co., Practising Company Secretaries, as Scrutinizer for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.
17. Electronic copy of the Annual Report for 2013-14 is being sent to all the members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2013-14 is being sent in the permitted mode.
18. Electronic copy of the Notice of the 68th Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 68th Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
19. In terms of section 108 of the Companies Act, 2013, and Rule 20 of the Companies (Management and Administration) Rules, 2014, the company has made arrangement to its members to exercise their right to vote at Annual General Meeting by electronic means.

By Order of the Board of Directors

Jigar K. Vyas
Company Secretary

Surat, 31st May 2014.

Explanatory Statement pursuant to Section 102(1) of the Companies Act 2013 (Act).

Item No.4

Resolution under Item No.4 of the Notice relates to the appointment of Mr. M.R. Momaya as Managing Director of the Company for a period of 5 (five) years from 1st June 2014 to 31st May 2019.

Mr. M.R. Momaya holds B.E. (Mechanical & Electrical) and also an Associate Member of Institute of Chemical Engineering (AMICE). He was associated with one of the most reputed textile company of Surat for more than three decades 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 21st May 2014 considered and appointed Mr. M.R. Momaya as Managing Director of the Company for a period of 5 (five) years w.e.f. 1st June 2014. His appointment is subject to the approval of Members at the General Meeting by way of Special Resolution in compliance to the conditions set out in Part I of schedule V to the Companies Act, 2013.

The Nomination and Remuneration Committee and the Board of Directors of the Company are of the opinion that he is fit and proper person to hold the said office and his appointment will be in the interest of the Company.

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.

The material terms of remuneration of Mr. M.R. Momaya effective from 1st June 2014 to 31st May 2019 as approved by both Remuneration Committee and Board of Directors in their respective meetings held on 21st May 2014 are as under.

Broad particulars of the terms of appointment of and remuneration payable to Mr. M.R. Momaya are as under:

- i) **Salary:** upto ₹24,00,000/- (Rupees Twenty-four Lacs only) per annum.
- ii) **Perquisites and Allowances:**
 - (a) in addition to the salary as above, Mr. M.R. Momaya shall be entitled to perquisites which includes accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for self and family including dependents; club fees, car(s) with driver and telephone(s) at residence and such other perquisites and/or other allowances as the Board (which includes any committee thereof) 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 i) above.
 - (b) The said perquisites and allowance shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.
 - (c) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these singly or together are not taxable under the Income-tax law, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to

the extent not taxable under the Income-tax law shall not be included for the purpose of computation of the overall ceiling of remuneration.

iii) **Remuneration based on net profits:**

In addition to the salary, perquisites and allowances as set out above, Mr. M.R. Momaya shall be entitled to receive remuneration based on net profits. Such remuneration based on net profits payable to him as also to the other Whole-time Directors of the Company will be determined by the Board and/or the Nomination and Remuneration Committee of the Board for each financial year.

The overall remuneration payable every year to the Managing Director and the Whole-time Directors by way of salary, perquisites and allowances, incentive / bonus / performance linked incentive, remuneration based on net profits, etc. shall not exceed in aggregate one percent of the net profits of the Company as computed in the manner laid down in Section 198 of the Act or any statutory modification(s) or re-enactment thereof.

- iv) The aggregate of salary, perquisites and commission in any one financial year shall not exceed the limits prescribed under Section 197(1) of the Companies Act, 2013, and the overall limit as laid down in Section 198 of the said Act read with Schedule V to the Act as may for the time being in force.

v) **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 Part II Section II of Schedule V to the Act.

vi) **Other Terms and Conditions:**

- (a) The Managing Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and confirm to comply with all such directions and regulations as may from time to time be given and made by the Board.
- (b) The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.
- (c) The Managing Director shall adhere to the Company's Code of Business Conduct & Ethics for Directors and Management Personnel.
- (d) The Managing Director shall be liable to retire by rotation.
- (e) The office of the Managing Director may be terminated by the Company or the concerned Director by giving the other 3 (three) months' prior notice in writing.

In compliance to the conditions set out in Part-I of Schedule V of the Act, the approval of shareholders is sought by special resolution. Mr. M.R. Momaya is not disqualified from being appointed as a Director in terms of Section 164 of the Act.

The Directors are of the view that the re-appointment of Mr. M.R. Momaya as Managing Director will be beneficial to the operations of the Company and the remuneration payable to him is commensurate with his ability and experience. The Nomination and Remuneration Committee of the Board has approved the same remuneration.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr. M.R. Momaya under Section 190 of the Act.

The draft agreement between the Company and Mr. M.R. Momaya is available for inspection by the Members of the Company at its Registered Office of the Company on all working days except Sunday and public holiday, between 10:00 hours and 12:00 hours up to the date of meeting.

Brief resume of Mr. M.R. Momaya, nature of his expertise in specific functional areas, venture companies in which he holds directorships and memberships / chairmanships of Board Committee, shareholding and relationships amongst directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are provided in the Corporate Governance Report forming part of the Annual Report.

Mr. M.R. Momaya is interested in the resolution set out at item No.4 of the Notice, which pertains to his appointment and remuneration payable to him.

The relatives of Mr. M.R. Momaya may be deemed to be interested in the resolution set out at item No.4 of the Notice, to the extent of their shareholding interest, if any, in the company.

Save and except the above, none of the other Directors / Key Managerial personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise in this resolution.

The Board commends the Special Resolution set out at item No.4 of the Notice for approval by the shareholders.

Item No.5

Pursuant to the recommendation of the Audit Committee, the Board of Directors had at its meeting held on May 31 2014, approved the reappointment of the Cost Auditors, P.M. Nanabhai & Co., Cost Accountants (Registration No.7464), Mumbai, and remuneration payable to them, as set out in the Resolution under this Item of the Notice.

Pursuant to section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company are required to approve and ratify the payment of remuneration of ₹60,000/- (apart from reimbursement of out of pocket expenses and applicable taxes) to the Cost Auditors as approved by the Board of Directors in their meeting held on 31st May 2014 for the Financial Year 2014-15

None of the Directors and Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No.5 of the Notice.

The Board recommends the resolution for the approval of the Members.

Item No.6

Pursuant to the provisions of Section 149 of the Companies Act, 2013, and other applicable provisions of the Act, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

Mr. Harishchandra B. Bharucha is the Non-Executive Independent Director under the Listing Agreement on the Board of the Company since 2010. He has an experience of over 30 years in the manufacturing of dyes and chemicals for textile industry. Mr. Bharucha does not hold any share in the Company.

Mr. Bharucha is a director whose office is liable to retire by rotation under the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Bharucha, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for five consecutive years for a term of upto 31st March 2019. The Company has received notice from a member proposing that his term as an Independent Director be for a period of five years from 1st April 2014 up to 31st March 2019.

With the enactment of the Companies Act, 2013 ('Act') it is now incumbent upon every listed company to appoint 'Independent Directors' as per the provisions of section 149(6) of the Act. Your Board is of the opinion that Mr. Bharucha fulfills the conditions specified in the Companies Act, 2013 and rules made thereunder, for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter of appointment of Mr. Bharucha as an Independent Director setting out the terms and conditions would be available for inspection as mentioned in the Note No.6 of the Notes to this Notice.

Except Mr. Bharucha, none of the Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution. The Board of Directors recommend the resolution for approval of the members.

By Order of the Board of Directors

Surat, 31st May 2014.

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. Sanjay S. Shah	Mr. M.R. Momaya	Mr. Harishchandra Bharucha
Date of Birth	19.02.1956	19.03.1932	10.05.1943
Date of Appointment on the Board	01.05.2012	23.10.2000	26.11.2010
Qualifications	B.A. (Essex Univeristy) U.K.	B. E. (Mechanical & Electrical)	Graduate
Expertise in functional areas	Well known industrialist having more than 30 years of experience in the business of man made textiles.	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.	30 years experience in dyes and chemicals and other related textile products.
Directorship held in other companies	Kashah Investment Ltd. Garden Silk Mills Limited	Como Textiles Pvt. Ltd. Amalfi Textiles Pvt. Ltd. Sorrento Textiles Pvt. Ltd. Porus Textiles & Trading Pvt. Ltd. Sirius Management Services Pvt. Ltd	Nil
Chairmanships / Memberships of Committee	Nil	Nil	Nil
No. of shares held in the Company	Nil	Nil	Nil
Relationship between directors Inter-se	--	--	--

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the Sixty-eighth Annual Report together with the audited accounts of the Company for the financial year ended 31st March 2014.

Financial Results

	(₹ in crores)	
	2013-14	2012-13
Revenue from Operations (Net)	181.51	217.77
Other Income	1.19	4.16
Profit before interest, depreciation and tax	4.36	15.12
Less: Finance Costs	1.35	0.23
Depreciation	1.31	1.49
Profit before Tax	1.70	13.40
(Add)/Less: Provision for Tax	0.54	5.83
Profit after Tax	1.16	7.57

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 2013-14.

Review of Operations

The overall volume of business activity in the Company's major product i.e. chips and yarns were adversely affected during the year 2013-14, primarily on account of oversupply situation in the market. Moreover, due to subdued market conditions, lower demand growth and severe competition margins remained under pressure through out the year.

The gross turnover for the year 2013-14 declined 16.23% at ₹203.22 crores as against ₹242.57 crores in the previous year. The sale of Polyester Chips was lower at ₹138.73 crore as compared to ₹156.76 Crore during the previous year whereas the sale of Yarn (including spun yarn) for the year 2013-14 was lower at ₹56.55 Crore as compared to ₹72.57 Crore in the previous year.

Earnings before interest tax and depreciation (excluding other income) also declined at ₹3.17 crore as against ₹ 10.96 crore in the previous year.

The sale of chips was lower at 13064 MT for the year 2013-14 as compared to 15159 MT in the previous year. The total sale of polyester filament yarn (PFY) was lower at 3429 MT as compared to 4434 MT in the previous year.

The overall production of Chips was at 15363 MT during the year 2013-14 as compared to 18304 MT achieved in the previous year. Whereas the production of PFY during the year remained lower at 3314 MT as compared to 4322 MT in the previous year. The Company had to curtail the production during the year due to shortage of raw material as well as due to oversupply situation and slower domestic demand growth.

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 pursuing its construction 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.

Overview of Economy

India's economic growth remained subdued at 4.7% in 2013-14 and at 4.6% in the fourth quarter of the financial year; mainly due to a decline in manufacturing and mining output.

The country's economy or gross domestic products (GDP), had expanded at 4.5% in 2012-13, the slowest pace in the past decade. Growth in 2013-14 was less than the Central Statistics Office's advance estimates of 4.9%. The economy expanded 4.4% in the fourth quarter (January-March) of 2012-13.

The manufacturing sector declined 1.4% in the fourth quarter as against growth of 3% a year ago and contracted 0.7% in the financial year compared with growth of 1.1% in 2012-13. The growth in per capita income is estimated at 2.7% during 2013-14 against 2.1% during 2012-13.

Industry Scenario

During the year under review, the market of Polyester Filament Yarn remained subdued. The slow pace of growth in demand and increase in supply due to capacity expansion by large players were contributing factor. In respect of yarn activity, the operating margins are likely to remain under pressure due to lower sales realization.

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 is gearing up to meet the challenges to continue improvement in quality, reduction in costs, better marketing arrangement and improved product mix.

Opportunities, Threats and Challenges

The Company is experiencing pressure on margins due to severe competition from other low-cost countries like China. There is also a threat of high inflation rates as the prices of commodities have been increasing.

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. Further, any unforeseen slow-down affecting the growth of the Indian economy, may adversely affect the investments in the textile sector.

The continuing demand sluggishness and over supply situation does not indicate any immediate upswing in the performance of polyester industry. However, with a lot of global feedstock capacities expected to go on stream, which may result in a softening of feedstock prices and improvement of margins. The Company can look forward to positive long term prospects.

Business Outlook

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.

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

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.

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.

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

Internal Control

Your Company has proper and adequate systems of internal control. Regular Internal Audits and Checks are carried out and the management also constantly reviews the internal control systems and procedures to ensure orderly and efficient conduct of the Business. The internal auditors periodically interact with the Audit Committee of the Board of Directors of the Company to discuss various internal controls / internal audit issues.

Risk Management

Creation of new capacities in polyester yarn and chips has out-paced demand growth in the last 2-3 years. It has led to price instability and pressure on operating margins. Yet the medium-term for the industry is widely expected to be bright owing to the rapid demand growth expected.

High crude oil prices will result in high raw material and fuel oil costs which are key inputs for the Company. Unlike in the previous year it is possible that the Company and industry may not always be able to pass on the entire increase to the customer. Past history has shown that price increases are generally passed on. In the short-term however, very large price increases, do have a crimping effect on demand and create a reduced ability to pass on price increases.

Your Company remains exposed to adverse movements in raw material prices. Large changes in prices tend to cause uncertainty and reduce domestic demand for polyester filament yarn.

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.

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 concern, compliance of statutory and industrial requirement for environment protection and conservation of natural resources to the extent possible.

Directorate

Mr. Sanjay S. Shah, Managing Director of the Company requested the Members of the Board to relinquish him from the responsibilities of Wholetime Director with effect from 1st June 2014 and submitted his resignation to the Members of the Board. The Board of Directors accepted the same and requested Mr. Sanjay S. Shah to continue to be a Member of the Board as Non-executive Director.

The Board of Directors of the Company at their meeting held on 31st May 2014, subject to the approval of shareholders appointed Mr. M.R. Momaya, as Wholetime Director designated as Managing Director of the Company for a term of 5 (five) years effective from 1st June 2014 to 31st May 2019. On the recommendations of Remuneration Committee the Board has fixed the remuneration of Mr. M. R. Momaya for a period of 5 (five) years. The resolution for appointment is proposed to the Members in the Notice of the Annual General Meeting vide item No.4 and the explanatory statement includes the duration in terms of appointment. You are requested to consider the appointment of Mr. M. R. Momaya.

In terms of the provisions of Section 149 of the Companies Act, 2013, it is proposed to appoint Mr. Harishchandra Bharucha as independent director for a period of 5 years with effect from 1st April 2014.

In terms of Section 152 of the Companies Act, 2013, Mr. Sanjay S. Shah would retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment. Mr. Sanjay S. Shah has offered himself for re-appointment.

The brief resume / details relating to Directors who are to be appointed / re-appointed as above forms part of this annual report.

Fixed Deposits

During the year the Company has not accepted any fixed deposits from the public. There are no fixed deposits outstanding with the Company as on 31st March 2014.

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's relations with its employees continue to be cordial. Dedicated work by the workmen, supervisors and executives of your Company made it possible to achieve success under difficult circumstances.

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, Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

As per the requirements of the Companies Act, 2013 (the Act) Natvarlal Vepari & Co., Chartered Accountants, have confirmed that the re-appointment if made would be within the limits specified under Section 141(3)(g) of the Act and that they are not disqualified to be appointed as statutory auditors in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

Since Messrs Natvarlal Vepari & Co., Chartered Accountants, have been functioning as the auditors of the Company for more than 10 years, in accordance with the aforesaid rules, the Audit Committee and the Board of Directors have recommended the re-appointment of auditors for a maximum period of three consecutive years, subject to ratification of their appointment at every AGM.

Cost Auditors

In accordance with Section 141 of the Companies Act, 2013 and subject to the approval of the Central Government, the Audit Committee has recommended and the Board of Directors had appointed M/s P.M. Nanabhoy & Co., Cost Accountant, Mumbai being eligible and having sought re-appointment, as Cost Auditors of the Company, to carry out the cost audit of the products manufactured by the Company during the financial year 2014-15.

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.

The Companies Act, 2013

The Ministry of Corporate Affairs (MCA) vide its Circular dated 4th April 2014 has clarified that the financial statements and documents annexed thereto, auditors report and board's report in respect of financial year that have commenced earlier than 1st April 2014 shall be governed by

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

the provisions of the Companies Act, 1956 and in line with the same, the Company's financial statements, auditors' report and Board's report and attachments thereto have been prepared in accordance with the provisions of the Companies Act, 1956.

Compliance with Minimum Public Shareholding requirement

The Company has met with the requirement of having minimum 25% Public Shareholding as permitted by SEBI and a confirmation to this effect has been sent to the Stock Exchanges also on 10th May 2013.

Directors' Responsibility Statement:

Pursuant to the requirement 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 2014, 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2014 and of the profit 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 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

Your Company continues to be committed to good corporate governance practices. Your Company complies with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate report on Corporate Governance along with the Auditors' Certificate on compliance with the Corporate Governance as stipulated in Clause 49 forms part of this report.

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.

Appreciation

The Directors wish to place on record their appreciation for the continued support and co-operation by Banks, Government authorities and other stakeholders. Your Directors also acknowledge the support and assistance extended by the Company's suppliers and business associates and all the employees for their dedicated service and the confidence reposed in the Company and its management.

By Order of the Board of Directors

Surat, 31st May 2014.

Sanjay S. Shah
Managing Director

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.

	2013-14	2012-13
A Power And Fuel Consumption		
1. Electricity		
a. Purchased Unit in lacs	101.28	114.41
Total amount ₹ in Lacs.	641.27	731.90
Rate / Unit ₹	6.33	6.24
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.)	60	69
Total Amount ₹ in Lacs.	24.79	25.25
Average rate ₹/ Ltr.	41.32	36.59
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) *	5.74	5.35
Product Details	PFY	PFY
Unit	Kg.	Kg.
Electricity (Unit) *	1.07	1.03
Product Details	CHIPS	CHIPS
Unit	Kg.	Kg.

	2013-14	2012-13
Electricity (Unit) *	0.23	0.21
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, 31st May 2014.