

ANNUAL REPORT 2015 - 2016



SURAT TEXTILE MILLS LIMITED

CORPORATE INFORMATION

Board of Directors

M. R. Momaya

Managing Director

Yogesh C. Papaiya

Whole-time Director & CFO

Sanjay S. Shah

Harishchandra Bharucha

Ketan Jariwala

Anita Mandrekar

Hanisha Arora

Company Secretary

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@gardenvareli.com

<http://www.surattextilemillsltd.com>

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 Pvt. Ltd.

Karvy Selenium,

Tower B, Plot 31-32,

Financial District, Gachibowli,

Nanakramguda,

Hyderabad 500032.

State: Telengana, India.

Phone No. 040 67162222

Fax No. 040 23420814

Email: einward.ris@karvy.com

Statutory Auditors

Natvarlal Vepari & Co.,
Chartered Accountants, Surat.

Cost Auditors

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

Secretarial Auditor

Jigar Vyas & Associates

Bankers

Bank of Baroda

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

70th Annual General Meeting on Wednesday, 31st August, 2016 at 11.00 a.m. at Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010.

NOTICE

Notice is hereby given that the Seventieth Annual General Meeting of the Members of Surat Textile Mills Limited will be held on Wednesday, the **31st August, 2016 at 11:00 a.m.** at the registered office of the Company at Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010, to transact the following business:-

Ordinary Business:

1 Adoption of Financial Statements

To receive, consider and adopt the Audited Financial Statements of the Company for the Year ended 31st March, 2016 together with the Reports of the Board of Directors and the Auditors thereon.

2 Appointment of a Director

To appoint a Director in place of Shri M. R. Momaya (DIN: 00023993), Director, who retires by rotation and, being eligible, offers himself for re-appointment.

3 Ratification of appointment of Statutory Auditors and fixing their remuneration

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 139 and other applicable provisions, if any, of the Companies Act, 2013, read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), appointment of M/s Natvarlal Vepari & Co. Chartered Accountants, (Registration No.123626W) which has been approved at the Annual General Meeting held on 23rd July, 2014 for a term of 3 (Three) years i.e. from the conclusion of 68th Annual General Meeting until the conclusion of the 71st Annual General Meeting, be and is hereby ratified for financial year 2016-17 and the Board of Directors of the Company be and is hereby authorised to fix their remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors."

RESOLVED FURTHER THAT the Board of Directors of the Company and/or Company Secretary be and are hereby severally authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

SPECIAL BUSINESS:

4 Ratification of Cost Auditors' Remuneration

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) 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 Accountants, Mumbai, who were appointed as Cost Auditors by the Board of Directors in their meeting held on 25th May, 2016

for carrying out Cost Audit of the Company for financial year 2016-17, be and is hereby approved and ratified.

RESOLVED FURTHER THAT the Board of Directors of the Company and/or Company Secretary be and are hereby severally authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

**By Order of the Board of Directors
For Surat Textile Mills Limited**

Place: Surat
Date: 25th May, 2016

**Hanisha Arora
Company Secretary**

Notes:

1. A member entitled to attend and vote at the annual general meeting ("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. Proxy cannot vote on e-voting.

The instrument appointing a proxy, in order to be effective, should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting. A proxy form is annexed to this Notice.

A person can act as proxy on behalf of members not exceeding (50) fifty 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.

2. The Explanatory Statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013 ('the Act'), relating to the Special Business to be transacted at the ensuing Annual General Meeting (AGM) is annexed hereto and forms part of the Notice.
3. The Register of Members and Share Transfer Register Books of the Company will remain closed from Tuesday, 23rd August, 2016 to Wednesday, 31st August, 2016 (both days inclusive).
4. The Register of Directors' and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and the Register of contracts or arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the Annual General Meeting of the Company.
5. In terms of Section 152 of the Act and the Articles of Association of the Company, Shri M. R. Momaya (holding DIN: 00023993), Director retires by rotation and being eligible, offers himself for re-appointment. The Board of Directors commends the aforesaid re-appointment. As per explanation to Section 152(6)(e) of the Act, total number of Directors for the purpose of determining Directors liable to retire by rotation shall not include Independent Directors, whether appointed under the Act or any other law for the time being in force.

6. Corporate members intending to send their authorised representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send a duly certified copy of their Board Resolution together with the respective specimen signature of the representative(s) authorised under the said resolution to attend and vote on their behalf at the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in order of names will be entitled to vote.
8. Details under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 or re-appointment.
9. Members are requested to furnish their Bank Account details, change of address and all other required details to the Registrar & Share Transfer Agent, M/s. Karvy Computershare Private Limited in respect of shares if held in physical form. In case of shares held in electronic form, these details should be furnished to the respective Depository Participants (DPs).
10. The Securities and Exchange Board of India ("SEBI") has mandated the submission of Permanent Account Number ("PAN") by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their copies of PAN card to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar & Share Transfer Agent.
11. For convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by way of attendance slip, which is annexed to this Notice. Members are requested to bring their Attendance Slip, fill up and sign the same at the place provided and hand it over at the entrance of the venue.
12. Members are requested to send all communications relating to shares to the Registrar & Share Transfer Agent of the Company at the following address:
By Post / Courier / Hand Delivery
 Karvy Computershare Private Limited
 Karvy Selenium, Tower – B, Plot 31-32, Gachibowli
 Financial District, Nanakramguda,
 Hyderabad 500032
 Toll Free No. (India) : 1800 345 4001
 Phone No. 040 67162222
 Fax No. 040 - 23420814
 Email: einward.ris@karvy.com
 If the shares are held in electronic form, then change of address and change in the Bank Accounts, etc. should be furnished to the respective Depository Participants (DPs).
13. In terms of Section 101 and 136 of the Companies Act, 2013 read together with the Rules made thereunder, the copy of the Annual Report for 2015-16 including Financial Statements, Board's report etc. and this Notice of the 70th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting with Attendance Slip and Proxy Form is being sent by electronic mode to all those Members whose email addresses are registered with the Company/Depository Participants for communication purposes unless any Member has requested for a physical copy of the same. For Members, who have not registered their e-mail addresses, physical copies of the Notice convening the Seventieth AGM of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent by the modes permitted under the Companies Act, 2013.
14. Members may also note that the Notice of the 70th Annual General Meeting and the Annual Report for 2015-16 will also be available on the Company's website www.surattextilemillsLtd.com for their download.
15. To support the "Green Initiative", the Members who have not registered their e-mail addresses are requested to register the same with Registrars and Share Transfer Agent/Depositories.
16. **Voting through electronic means**
 - I. In compliance with the provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to its members the 'remote e-voting' facility to exercise their rights to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through remote e-voting services.
 - II. The facility for voting through ballot paper shall also be made available at the AGM and the members attending the meeting shall be able to exercise their rights to vote at the meeting through ballot paper in case they have not casted their vote by remote e-voting.
 - III. The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM **but shall not be entitled to cast their vote again at the AGM.**
 - IV. In terms of requirements of the Companies Act, 2013 and the relevant Rules, voting rights shall be reckoned on the paid-up value of shares registered in the name of the member/beneficial owner (in case of electronic shareholding) as on the cut-off date i.e. Thursday, 25th August, 2016.
 - V. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. Thursday, 25th August, 2016 only shall be entitled to avail the facility of remote e-voting as well as vote in the Seventieth Annual General Meeting.

- VI. Any person who acquires shares of the Company and become a member of the Company after dispatch of the Notice of the Seventieth Annual General Meeting and holding shares as on the cut-off date i.e. Thursday, 25th August, 2016, may obtain the User ID and password by writing to the Karvy on the email Id - evoting@karvy.com or to Shri P. A. Varghese, Contact No. 040-33215424, at [Unit: Surat Textile Mills Limited] Karvy Computershare Private Limited, Karvy Selenium, Tower-B, Plot 31-32, Gachibowli, Hyderabad 500032. After receipt of the above credentials, please follow all the steps from Sr. No. (i) to (xii) as mentioned in A below to cast the vote.
- VII. The remote e-voting period commences on Saturday, 27th August, 2016 (10.00 a.m.) and ends on Tuesday, 30th August, 2016 (5.00 p.m.) during this period, the members of the Company, holding shares either in physical form or dematerialised form, as on the cut-off date of 25th August, 2016, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by KARVY upon expiry of the aforementioned period.
- VIII. Once the vote on a resolution is cast by the member, such member shall not be allowed to change it subsequently.
- IX. A person who is not a member as on cut-off date should treat this Notice for information purpose only.
- X. **The process and manner for remote e-voting are as under:**
 - A. For Members whose e-mail addresses are registered with the Company / Depositories: Those members whose valid e-mail IDs are registered with the Company / Depository Participant(s) will receive an e-mail from Karvy.
 - (i) Launch internet browser by typing the URL: <https://evoting.karvy.com>.
 - (ii) Enter the login credentials (i.e. User ID and Password mentioned above). Your Folio No./ DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote. If required, please visit <https://evoting.karvy.com> or contact toll free number 1-800-3454-001 for your existing password.
 - (iii) After entering these details appropriately, click on "LOGIN".
 - (iv) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. **It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.**
 - (v) You need to login again with the new credentials.
 - (vi) On successful login, the system will prompt you to select the E-Voting Event Number for Surat Textile Mills Limited.
 - (vii) On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as mentioned hereinabove. You may also choose the option ABSTAIN. If the shareholder does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
 - (viii) Members holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
 - (ix) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
 - (x) You may then cast your vote by selecting an appropriate option and click on "Submit".
 - (xi) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. **During the voting period, members can login any number of times till they have voted on the Resolution(s).**
 - (xii) Corporate/Institutional members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: csjigarvyas@gmail.com with a copy marked to evoting@karvy.com.

The scanned image of the above mentioned documents should be in the naming format "Corporate Name_ EVENT NO."

B. For Members whose e-mail addresses are not registered with the Company / Depositories: receive the physical copy of the Notice of Annual General Meeting:

- i. Such members (including those Members who have requested for a physical copy) will receive a physical copy of the Notice of AGM. Initial password is provided as below / at the bottom of the Attendance Slip for the AGM:

ii.

E-Voting Even Number	USER ID	PASSWORD

- iii. Please follow all steps from Sl. No. (i) to (xii) under heading A above to cast vote through e-voting platform.

- XI. In case of any query pertaining to e-voting, please visit Help & FAQ section available at Karvy's website <https://evoting.karvy.com>.

- XII. The Board of Directors have appointed Shri Jigar Vyas, Proprietor of Jigar Vyas & Associates, Practicing Company Secretary, as the Scrutinizer for conducting the remote e-voting and the voting process at the Seventieth Annual General Meeting in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for the same purpose.

- XIII. The Scrutinizer, after scrutinizing the votes cast at the Seventieth Annual General Meeting and through remote e-voting will, not later than three days of conclusion of the Seventieth Annual General Meeting, make a consolidated scrutinizer's report and submit the same to the Chairman / Managing Director.

- XIV. The results declared along with the consolidated scrutinizer's report shall be placed on the website of the Company www.surattextilemillsltd.com and on the website of Karvy <https://evoting.karvy.com>. The results shall simultaneously be communicated to the Stock Exchanges.

- XV. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Seventieth Annual General Meeting i.e. 31st August, 2016.

ANNEXURE TO THE NOTICE

Explanatory Statement in respect of the special business pursuant to Section 102(1) of the Companies Act, 2013 ("the Act")

Item No. 3:

This statement is provided though strictly not required as per Section 102 of the Act. Pursuant to Section 139 of the Act, M/s Natvarlal Vepari & Co., Chartered Accountants, Surat (Firm Registration No.123626W) were appointed as Statutory Auditors of the Company at the Annual General Meeting held on 23rd July, 2014 for a term of 3 (Three) years i.e. from the conclusion of 68th Annual General Meeting until the conclusion of the 71st Annual General Meeting.

Further, pursuant to Section 139(1) of the Act, the Members of the Company are required to ratify their re-appointment as Statutory Auditors of the Company, at every Annual General Meeting. Accordingly, ratification of the Members is being sought for the proposal contained in the Resolution set out at Item No.3 of the accompanying Notice.

None of the Directors or Key Managerial Person (KMP) of the Company or their respective relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No.3 of the accompanying Notice,

The Board recommends the resolution set forth in Item No.3 for the approval of the Members.

Item No.4:

In pursuance of Section 148 of the Act and the Companies (Audit and Auditors), Rules, 2014, the Board shall appoint an individual who is a Cost Accountant in practice or a firm of Cost Accountants in practice, as Cost Auditor on the recommendations

of the Audit Committee. The remuneration recommended by Audit Committee shall be considered and approved by the Board of Directors and ratified by the shareholders.

On recommendation of the Audit Committee at its meeting held on 25th May, 2016 the Board of Directors of the Company has approved the appointment and remuneration of M/s Nanabhoy & Co., Cost Accountants, as Cost Auditor of the Company to conduct audit of cost records maintained by the Company for the Financial Year 2016-2017, at a remuneration of ₹60,000 (Rupees Sixty thousand only) and reimbursement of out of pocket expenses at actual plus applicable taxes.

M/s Nanabhoy & Co., have furnished consent letter to act as Cost Auditor of the Company and a certificate regarding their eligibility for appointment as Cost Auditors of the Company. They have vast experience in the field of cost audit and have conducted the audit of the cost records of the Company for the previous year under the provisions of the Act.

Accordingly, the consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 4 of the Notice for ratification of the remuneration payable to the cost auditor for the Financial Year 2016-2017.

None of the Directors or Key Managerial Person (KMP) of the Company or their respective relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No.4 of the accompanying Notice,

The Board recommends the resolution set forth in Item No.4 for the approval of the Members.

**By Order of the Board of Directors
For Surat Textile Mills Limited**

Place: Surat
Date: 25th May, 2016

**Hanisha Arora
Company Secretary**

Particulars of the Directors seeking appointment / re-appointment at the ensuing Annual General Meeting pursuant to Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Name of the Director	Shri Manikant R. Momaya
Director Identification Number	00023993
Date of Birth	19/03/1932
Nationality	Indian
Brief Resume – Age and Qualification	84 Years
	B.E. (Mechanical & Electrical)
Date of Appointment/Re-appointment	23/10/2000
Expertise in Specific 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 Public Limited Companies	Porus Textiles & Trading Pvt. Ltd.
	Sirius Management Services Pvt. Ltd
Memberships/ Chairmanships of committees across public companies (include only Audit Committee and Shareholders / Investors' grievance Committee)	Nil
No. of shares held in the Company	Nil
Disclosure of relationship	Shri Manikant R. Momaya is not related to any of the Director of the Company.

Registered Office:

Tulsi Krupa Arcade, Third Floor,
Puna-Kumbharia Road,
Dumbhal,
Surat 395010
Place: Surat
Date: 25th May, 2016

**By Order of the Board of Directors
For Surat Textile Mills Limited**

**Hanisha Arora
Company Secretary**

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors have pleasure of presenting the Seventieth Annual Report on the business and operations of the Company, together with the Audited Statements of Accounts for the year ended 31st March, 2016.

Summarised Financial Results

The Company's performance during the financial year ended 31st March, 2016 as compared to the previous financial year, is summarized below.

	(₹ in crores)	
	2015-16	2014-15
Total Revenue from Operations (Net)	118.99	129.84
Earning Before Interest, Depreciation and Tax (EBIDTA)	6.50	5.54
Less: Finance Costs	0.74	0.70
Depreciation	1.16	1.26
Profit before Tax	4.60	3.58
Less: Tax Expense /(Credit)	(1.53)	1.02
Profit after Tax	6.13	2.56

Transfer to Reserve

It is not proposed to transfer any amount to reserves out of the profits earned during the financial year 2015-16.

Dividend

In order to strengthen the reserves of the Company and with a view to ensure sufficient liquidity to take advantage of the growth potential, your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2015-16.

Share Capital

The Issued, Subscribed and Paid-up equity share capital as on 31st March, 2016 was ₹2220.64 Lacs. There was no public issue, rights issue, bonus issue or preferential issue etc. during the year. The Company has not issued shares with differential voting rights, sweat equity shares, nor has it granted stock options. As on 31st March, 2016, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

Disclosures in respect of voting rights not directly exercised by employees

There are no shares held by trustees for the benefit of employees and hence no disclosure under Rule 16(4) of the Companies (Share Capital and Debentures) Rules, 2014 has been furnished.

Review of Operations

FY 2016 was extremely a challenging year for your Company. Poor demand-supply conditions in polyester industries continued during the year due to large capacities of Chips and Yarns manufacturers became operational from FY 12 to FY 14, coupled with delayed revival of the economy, poor monsoon

affecting rural consumption etc. The dumping of Chinese fabric imports into Indian markets also affected the demand for locally produced fabric and therefore Yarn and Chips as well. Under the circumstances Chips and Yarn manufacturers have been compelled to price their products at very low margins to protect utilisation level of production.

The total revenue from operations for the year 2015-16 declined at ₹118.99 crore as compared to ₹129.84 crore in the previous year. The decline in revenue was primarily due to fall in Selling Prices in tandem with fall in crude oil prices

Our focus on operational efficiency with better working capital management and better network helped us to remain competitive and improve our Earnings Before Interest, Depreciation and Tax (EBIDTA).

EBIDTA for FY 16 was higher at ₹6.50 crore as compared to ₹5.54 crore in the previous year, registering a growth of about 17%. The profit after tax for the FY 2016 also increased to ₹6.13 crore as compared to ₹2.56 crore in the previous year.

Despite challenging business environment your Company's total sales of chips in volume was higher at 16094 MT for the year 2015-16 as compared to 9034 MT in the previous year. In value terms sale of chips for FY 16 was higher at ₹12861.15 Lacs as compared to ₹8755.56 Lacs in the previous year. The overall production of Chips was higher at 16427 MT during the year 2015-16 as compared to 10062 MT achieved in the previous year.

Your Company continued its focus on margin improvement by optimum allocation of its resources through cost reduction at manufacturing level. The operating margins however remained under pressure.

The manufacturing activity at its POY plant at Village Jolwa, Taluka Palsana, Dist. Surat remained suspended during the major part of the financial year 2015-16 as the operations of the division had become unviable due to competitive market conditions.

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.

Nature of Business

The Company is engaged in the business of manufacturing polyester chips and differentiated partially oriented yarn (POY). During the year under review, there was no change in the nature of business of the Company.

Material changes and commitments

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year and the date of this Report.

Presentation of financial statements

Your Company prepares its financial statements in compliance with the requirements of the Companies Act, 2013 and the

Generally Accepted Accounting Principles (GAAP) in India. The financial statements have been prepared on historical cost basis.

The estimates and judgments relating to the financial statements are made on a prudent basis, so as to reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs, profits and cash flows for the year ended 31st March, 2016. The financial statements of the Company have been disclosed as per Schedule III of the Companies Act, 2013. The Business Responsibility Reporting as required by Regulation 34(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, is not applicable to your Company for the financial year ending 31st March, 2016.

Finance

Your Company has repaid Secured Rupee Term Loan from banks to the tune of ₹51.16 Lacs during the financial year 2015-16. No fresh Term Loan was availed by the Company during the year. The Company availed working capital facility from Bank of Baroda during the year.

Directors and Key Managerial Personnel

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Company's Articles of Association, Shri M. R. Momaya (DIN: 00023993), Director retires by rotation at the forthcoming Annual General Meeting and, being eligible offers himself for re-appointment. The Board recommends his re-appointment for the consideration of the Members of the Company at the ensuing Annual General Meeting.

Shri M. R. Momaya, Managing Director, Shri Yogesh C. Papaiya, Wholtime Director and CFO and Ms. Hanisha Arora, Company Secretary and Compliance Officer were designated as "Key Managerial Personnel" of the Company pursuant to Section 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. During the year under review, there was no change in key managerial personnel of the Company.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. During the year under review, there is no change in the Board of Directors of the Company.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Information required pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 in respect of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo are set out in the **Annexure A** forming part of this Report.

Corporate Social Responsibility (CSR) Initiatives

As required under Section 135 of the Companies Act, 2013 the CSR committee comprising Shri Ketan Jariwala, Independent Director as the Chairman of the Committee, Shri Harishchandra Bharucha, Independent Director and Shri Yogesh C. Papaiya, Whole-time Director as its members.

The CSR committee has laid down the policy which includes the activities covered under the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The Company has been contributing in the development of the surrounding areas of its plant. The Company supports and contributes in activities relating to promotion of education, sports, medical and health care, vocational skill development and livelihood enhancement and programmes and activities relating to environment sustainability etc. The details of amount spent on CSR activity undertaken during the year by the Company are given in the **Annexure B** to this Report. The CSR policy of the Company is also hosted on the website of the Company, www.surattextilemillsltd.com.

Managerial Remuneration

Disclosures of the ratio of the remuneration of each director to the median employee's remuneration and other details as required pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided as '**Annexure C**'.

The details of remuneration paid to the Directors including Executive Directors of the Company are given in Form MGT-9 forming part of the Directors Report.

Audit Committee

The Audit Committee of Directors comprises of Mr. Harishchandra Bharucha (Chairman of the Committee), Mr. Sanjay S. Shah and Mr. Ketan Jariwala. All the recommendations made by the Audit Committee during the year were accepted by the Board of Directors of the Company. The terms of reference and other details of the Audit Committee are available in the Corporate Governance Report forming part of this annual report.

Statutory Auditors & Audit Report

M/s Natvarlal Vepari & Co., Chartered Accountants (Firm Registration No.123626W) the auditors of your Company, hold office upto the conclusion of the forthcoming Annual General Meeting (AGM) of the Company. Pursuant to provisions of Section 139(2) of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, M/s Natvarlal Vepari & Co. are eligible for appointment as Auditors. Your Company has received a written confirmation from M/s Natvarlal Vepari & Co., Chartered Accountants to the effect that their appointment, if made, would satisfy the criteria provided in Section 141 of the Companies Act, 2013 for their appointment. The Board recommends the appointment of M/s Natvarlal Vepari & Co., Chartered Accountants as the Auditors of the Company from the conclusion of the ensuing AGM to the conclusion of the next AGM.

As regards the comments in the Auditors' Report, the relevant notes to the Accounts are self explanatory and may be treated as information / explanation submitted by the Board as contemplated under provisions of the Companies Act, 2013.

The report of the Statutory Auditor does not contain any adverse observation or qualification requiring explanation or comments from the Board under Section 134(3) of the Companies Act, 2013.