

ANNUAL REPORT

2016 - 2017



STM

SURAT TEXTILE MILLS LIMITED

CORPORATE INFORMATION

Board of Directors

M. R. Momaya (DIN: 00023993)

Managing Director

Yogesh C. Papaiya (DIN: 00023985)

Whole-time Director & CFO

Harishchandra Bharucha (DIN: 00138430)

Ketan Jariwala (DIN: 02095540)

Anita Mandrekar (DIN: 00623327)

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>

Statutory Auditors

Natvarlal Vepari & Co.,
Chartered Accountants, Surat.

Cost Auditors

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

Bankers

Bank of Baroda

Plant:

- i) 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

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

71st Annual General Meeting on Wednesday, 2nd August, 2017 at 11.00 a.m. at Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 71st Annual General Meeting of the members of **SURAT TEXTILE MILLS LIMITED** will be held on Wednesday, 2nd August, 2017 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 businesses:

ORDINARY BUSINESS:

- 1 To receive, consider and adopt:
 - (a) the audited financial statement of the Company for the financial year ended 31st March, 2017, together with the reports of Board of Directors and Auditors thereon; and
 - (b) The audited consolidated financial statement of the Company for the financial year ended 31st March, 2017, together with the Report of Auditors thereon.

- 2 To appoint a Director in place of Shri Yogesh C. Papaiya (DIN: 00023985), who retires by rotation and, being eligible, offers himself for re-appointment.

- 3 To appoint Auditors and fix their remuneration and in this regard 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, 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), and such other applicable provisions, if any, Sharp & Tannan Associates, Chartered Accountants, (Firm Registration No.109983W) ‘Geeta Kunj’, 1, Bhaktinagar Society, Behind ABS Towers, Old Padra Road, Vadodara 390007, be and are hereby appointed as the Statutory Auditors of the Company in place of Natvarlal Vepari & Co., (Firm Registration No.123626W) Chartered Accountants, Surat whose term ends at the conclusion of the forthcoming Annual General Meeting of the Company, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors based on the recommendation of the Audit Committee.”

“RESOLVED FURTHER THAT Sharp & Tannan Associates, Chartered Accountants, will hold office as the Statutory Auditors of the Company, for a period of 5 years that will begin from the conclusion of the 71st Annual General Meeting until the conclusion of the 76th Annual General Meeting to be held in the year 2022, subject to the condition that their appointment as the Statutory Auditors shall be placed for ratification at every Annual General Meeting, if required under the Companies Act, 2013, as amended from time to time.”

“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 To ratify the payment of remuneration to the Cost Auditor for financial year 2017-18 and in this regard 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 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), the Cost Auditor M/s P. M. Nanabhoy & Co., Cost Accountants, (Firm Registration No.000012) appointed by the Board of Directors of the Company for conducting the audit of the Company’s cost accounting records for the Financial Year 2017-18 be paid a remuneration as set out in the explanatory statement annexed to the notice convening this meeting and the same is hereby ratified and approved.

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.”

5. Approval on Related Party Transactions

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

“RESOLVED THAT in supersession of the resolution passed in the 69th Annual General Meeting held on 26 August 2015 and pursuant to the provisions of Section 188 and other applicable provisions of the Companies Act, 2013 read with Rules issued thereunder, including the Companies (Meetings of Board and its powers) Rules, 2014 including any statutory modification(s) or re-enactment(s) thereof for the time being in force and Regulation 23 and other application regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 [SEBI Listing Regulations] as amended from time to time by Securities and Exchange Board of India, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for entering into the contracts / arrangements/transactions (including material related party transaction as per regulation 23 of SEBI Listing Regulations) more particularly described in the Explanatory Statement of this resolution, with related parties either existing on the date of this Notice (as listed out in the Explanatory Statement) and/or with any other related party (which may be identified or come into existence in the future) that may be regarded as a “Related Party” as per Companies Act 2013 and SEBI Listing Regulations, for an aggregate maximum amount not exceeding Rs.150 Crore (Rupees One Hundred Fifty Crore Only) in each financial year on such terms and conditions as may be mutually agreed between the Company and the respective related party.

RESOLVED FURTHER THAT pursuant to the provisions of Section 189 of the Companies Act, 2013 read with the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company Secretary of the Company be and is hereby authorized to make the necessary entries, where applicable, in the Register of Contracts or arrangements and authenticate them;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to decide upon the nature and value of the products, goods, materials, services, investment, capital contribution, disinvestment, borrowing, lending, etc. to be transacted / availed with / from the related parties within the

aforesaid limit and to take such steps as may be necessary to obtain approvals, sanctions, consents, permissions, perform and execute all such act, deeds, matters and things (including delegation of such authority), as may be deemed necessary, proper or expedient and generally to do all acts, deeds, matters and things necessary for the purpose of giving effect to this resolution.”

6. Approval for investments

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

“RESOLVED THAT pursuant to applicable provisions of the Companies Act, 2013 (“the Act”) including Section 186 and 188 of the Act, if applicable, read with Rules issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force and other applicable regulations of the Securities and Exchange Board of India (“SEBI Regulations”), the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for entering into the transaction more particularly described in the Explanatory Statement of this resolution, for investment of an aggregate amount not exceeding Rs.50 Crore (Rupees Fifty Crore Only) in M/s. Isha Enterprises, a partnership firm to enable M/s. Isha Enterprises to make investments in other group companies including Garden Silk Mills Limited (“GSML”) by way of preferential allotment of securities, on such terms and conditions as may be mutually agreed between the Company and the respective counterparty, and subject to compliance with pricing requirements applicable to M/s. Isha Enterprises and / or GSML under applicable SEBI Regulations.

RESOLVED FURTHER THAT pursuant to the provisions of the Companies Act, 2013 read with the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company Secretary of the Company be and is hereby authorized to make the necessary entries, wherever required under applicable law and authenticate them;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized, subject to the limits above, to take such steps as may be necessary to obtain approvals, sanctions, consents, permissions, perform and execute all such act, deeds, matters and things (including delegation of such authority), as may be deemed necessary, proper or expedient and generally to do all acts, deeds, matters and things necessary for the purpose of giving effect to this resolution.”

Registered Office:

Tulsi Krupa Arcade, 3rd Floor,
Puna-Kumbharia Road,
Dumbhal, Surat 395010.

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

Place: Surat

Date: 29th May, 2017

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 Friday, 28th July, 2017 to Wednesday, 2nd August, 2017 (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 Yogesh C. Papaiya (DIN: 00023985), 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 2016-17 including Financial Statements, Board's report etc. and this Notice of the 71st 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 Seventy-First 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 71st Annual General Meeting and the Annual Report for 2016-17 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, 27th July, 2017.
- 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, 27th July, 2017 only shall be entitled to avail the facility of remote e-voting as well as vote in the 71st 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 71st Annual General Meeting and holding shares as on the cut-off date i.e. Thursday, 27th July, 2017, may obtain the User ID and password by writing to the Karvy on the email Id - evoting@karvy.com or to **Ms. Shobha Anand, Contact No. 040-67162222**, 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, 29th July, 2017 (10.00 a.m.) and ends on Tuesday, 1st August, 2017 (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 27th July, 2017, 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 Seventy-First 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 Seventy-First Annual General Meeting and through remote e-voting will, not later than three days of conclusion of the Seventy-First 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 71st Annual General Meeting i.e. 2nd August, 2017.

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:**

Pursuant to Section 139 of the Companies Act, 2013 Natvarlal Vepari & Co., (Firm Registration No.123626W), Chartered Accountants, Surat were appointed as Statutory Auditors of the Company at the 68th Annual General Meeting of the Company held on 23rd July, 2014, to hold office from the conclusion of the 68th Annual General Meeting until the conclusion of the 71st Annual General Meeting of the Company to be held in the year 2017, subject to ratification of their appointment by the Members at every Annual General Meeting.

The term of appointment of Natvarlal Vepari & Co., as Statutory Auditors, ends at the conclusion of the forthcoming Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board of Directors of the Company hereby propose to appoint Sharp & Tannan Associates, Chartered Accountants, (Firm Registration No.109983W) 'Geeta Kunj', 1, Bhaktinagar Society, Behind ABS Towers, Old Padra Road, Vadodara 390007, as the Statutory Auditors of the Company in place of Natvarlal Vepari & Co. (Firm Registration No.123626W), Chartered Accountants, Surat to hold office from the conclusion of the 71th Annual General Meeting until the conclusion of 76th Annual General Meeting of the Company to be held in the year 2022, subject to the condition that their appointment as the Statutory Auditors shall be placed for ratification at every Annual General Meeting, if required under the Companies Act, 2013, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors based on the recommendation of the Audit Committee.

Sharp & Tannan Associates, Chartered Accountants, has furnished a certificate giving their consent to be appointed as the Statutory Auditors, and stating that their appointment if made, at the forthcoming Annual General Meeting, would be in accordance with the conditions laid down under Section 139 and 141 of the Companies Act, 2013 and Rule 4 of Companies (Audit and Auditors) Rules, 2014.

Accordingly the Board recommends the Ordinary Resolution for approval of the Shareholders of the Company, as laid down in item No.3.

Item No.4:

The Board of Directors, on the recommendation of the Audit Committee has approved the appointment and remuneration of an amount not exceeding Rs.60,000 (Rupees Sixty thousand only) for the financial year ended 31st March, 2018 payable to the Cost Auditors M/s Nanabhoy & Co., Cost Accountants, to conduct the audit of the cost records of the Company for the aforesaid financial year.

In accordance with the provisions of Section 148 of the Companies Act, 2013 and the Companies (Audit and Auditors), Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors of the Company has to be ratified by the members of the Company.

Accordingly, 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 Auditors for the financial year ending 31st March, 2018.

None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested in this resolution.

The Board recommends the resolution for approval by the members.

Item No.5:

The Company has passed special resolution in the 69th Annual General Meeting held on 26 August 2015 for entering into contracts / arrangements / transactions ("RPT") relating to a) sale, purchase or supply of any goods or materials directly or through appointment of agent, and (b) availing or rendering of any services whether technical and/or financial and/or both, with Garden Silk Mills Limited (GSML), a related party within the meaning of Section 2(76) of the Act read with the Companies (Meetings of the Board and its Powers) Rules, 2014 (the "Act") and erstwhile clause 49(VII)(B) of the Listing Agreement corresponding to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ["SEBI Listing Regulations"].

A related party transaction as per SEBI Listing Regulations means "a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged". Regulation 23 of the SEBI Listing Regulation further provides that all material Related Party Transactions, i.e. aggregate transactions entered into with a related party during a financial year exceeding 10% of the annual consolidated turnover of the Company as per latest audited financial statements, require prior approval of shareholders through resolution. The related party transactions in respect of each related party as mentioned below may exceed 10% of the consolidated turnover of the Company and therefore requires approval of members.

Section 188 of the Act provides that if transactions with the related parties are not in the ordinary course of business or at arm's length basis, such transactions are required to be approved by the Board of Directors and shareholders, depending upon the thresholds prescribed under the Companies (Meeting of Board and its Powers) Rules, 2014. In other words, approval of Board or shareholders, as the case may be, is not required under the Companies Act 2013, if a particular transaction is in the ordinary course of business and at arm's length basis. In the opinion of the Board, the transactions / contracts / arrangements / investment by the Company to be entered with related parties would be in the ordinary course of business and at arm's length basis. However, the approval is sought as a matter of abundant caution.

Considering the present economic environment and for smooth business operations, the Company may be required to enter into RPT on regular basis. The Board of the Company therefore considers expedient and necessary to take approval of shareholders for RPT as mentioned below for an aggregate maximum amount not exceeding Rs.150 Crore (Rupees One Hundred Fifty Crore Only) in every financial year with related parties either existing on the date of this Notice (as mentioned below) and/or with any other related party (which may be identified or come into existence in the future) that may be regarded as a "Related Party" as per Companies Act 2013 and SEBI Listing Regulations.

Information as required to be disclosed under the Companies (Meetings of Board and its Powers) Rules, 2014 namely, name of the related party/director/key managerial personnel who is related, if any, nature of relationship, nature of the contract/arrangement, material terms and particulars with actual / estimated monetary value of contract/ arrangement, forms part of this resolution.

The name of related parties (as on the date of this notice) and particulars of the contracts / arrangements / transactions for which the approval is sought are set out as under:

1. List of related parties (as on the date of this notice), for your information:

Sr. No.	Name of Related Party	Relationship
1.	Garden Silk Mills Limited	Group Company
2.	M/s. Isha Enterprises	Partnership Firm where company is a partner

2. Particulars of the contracts / arrangements / transactions for which the approval is sought:

Sr. No.	Nature of contracts / arrangements / transactions
1.	Sale, purchase or supply of any goods or materials directly or through appointment of agent
2.	Sale, purchase or supply of electric power / fuel
3.	Purchase, sale, transfer, leasing and leave & licence of any property
4.	Availing or rendering of any services whether technical and/or financial and/or both
5.	Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
6.	Borrowing or Lending by way of secured / unsecured loans from / to related parties for the short term/long term fund requirements from time to time
7.	Investment in equity capital and/or securities or capital contribution in group companies, subsidiaries, joint ventures, associate companies, Limited Liability Partnership, Partnership Firm and other entities (existing or to be incorporated in future)
8.	Disinvestment of shares or securities or capital contribution in related parties

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution, except to the extent of their shareholding in the Company and / or Directorships and / or Shareholding in the related party and interest in the particular contract/arrangement.

The Board recommends the Special Resolution set out at Item No.5 of the Notice for approval of the members.

Item No.6:

Considering the present economic environment and for smooth business operations and as a matter of abundant caution and keeping in mind the standards of good corporate governance,, the Board of the Company considers it appropriate to seek approval of shareholders for investment of a maximum amount not exceeding Rs.50 Crore (Rupees Fifty Crore Only), in M/s. Isha Enterprises,a partnership firm to enable M/s. Isha Enterprises to make investments in other group companies including Garden Silk Mills Limited ("GSML") by way of preferential allotment of securities. The Company is presently a partner in M/s. Isha Enterprises.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution, except to the extent of their shareholding in the Company.

The Board recommends the Ordinary Resolution set out at Item No.6 of the Notice for approval of the members.

Registered Office:

Tulsi Krupa Arcade, 3rd Floor,
Puna-Kumbharia Road,
Dumbhal,Surat 395010.

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

Place: Surat

Date: 29th May, 2017

**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 Yogesh C. Papaiya
Director Identification Number	00023985
Date of Birth	15/12/1952
Nationality	Indian
Brief Resume – Age and Qualification	65 years, B.Com., F.C.A.
Date of Appointment/Re-appointment	23/10/2000
Expertise in Specific Functional Areas	He is a Fellow Member of the Institute of Chartered Accountants of India (ICAI). Shri Papaiya 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.
Directorship held in other Public Limited Companies	Nil
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 Yogesh C. Papaiya is not related to any of the Director of the Company.

Registered Office:
Tulsi Krupa Arcade, 3rd Floor,
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Dumbhal, Surat 395010.

Place: Surat
Date: 29th May, 2017

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

**Hanisha Arora
Company Secretary**

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

The Board of Directors hereby submit the report of the business and operations of your Company along with the audited financial statements, for the year ended 31st March, 2017. The Management Discussion and Analysis is also included in this Report.

Nature of Business

The Company is engaged in the business of manufacturing Polyester Chips and Partially Oriented Yarn (POY). During the year under review, there was no change in the nature of business of the Company.

Summarised Financial Results

	(Rs. in Crore)	
	2016-17	2015-16
Net Sales / Income from Operations	138.72	117.22
Earnings Before Interest, Tax and Depreciation (EBITDA)	15.63	6.50
Less: Finance Costs	0.39	0.74
Depreciation	0.79	1.16
Profit before Tax	14.45	4.60
Less: Tax Expense /(Credit)	(2.17)	(1.53)
Profit after Tax	16.62	6.13

Review of Operations

At a standalone level, net revenue from operations of your Company for the year 2016-17 increased by about 18% at Rs.138.72 Crore as compared to Rs.117.22 Crore in the previous year primarily on increase in sales volume and improved net sales realisation. Earnings Before Interest, Tax and Depreciation (EBITDA) was higher at Rs.15.63 Crore as compared to Rs.6.50 Crore in the previous year.

Despite challenging business environment, your Company's total sale of chips was higher at 18817 MT for the year 2016-17 as compared to 16094 MT in the previous year. In value terms, gross sale of chips was higher at Rs.156.14 Crore as compared to Rs. 128.61 Crore in the previous year.

The overall production of Chips, during the year 2016-17 was higher at 18577 MT as compared to 16427 MT achieved in the previous year.

Our focus on operational efficiency with better working capital management and better network helped us to remain competitive and improve our bottom line.

During the year under review, 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.

Your Company continued its efforts to reduce and optimise energy consumption at all levels.

The manufacturing activity at its polyester spinning division plant at Village Jolwa, Taluka Palsana, Dist. Surat remained suspended during the major part of the financial year 2016-17, however with the improvement in the demand for polyester yarn, the production resumed from May, 2017.

Dividend and Reserves

In order to strengthen the reserves of the, your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2016-17.

During the year under review, no amount from profit was transferred to General Reserve.

Going Concern Status

During the year under review, there were no significant or material orders passed by regulators or court or tribunal, which can impact the going concern status of the Company and/or its future operations.

Industry Scenario

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's export. The textiles industry is also labour intensive and is one of the largest employers.

India accounts for ~14% of the world's production of textile fibres and yarns (largest producer of jute, second largest producer of silk, cotton and polyester, and third largest in cellulosic fibre). India has the highest loom capacity (including hand looms) with 63 per cent of the world's market share.

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly, contributes to 10 per cent of manufacturing production, 2 per cent of India's GDP and 13 per cent of the country's export earnings.

The domestic textile and apparel industry in India is estimated to reach US\$ 141 billion by 2021 from US\$ 67 billion in 2014. Increased penetration of organised retail, favourable demographics, and rising income levels are likely to drive demand for textiles. India is the world's second largest exporter of textiles and clothing.

Overview of the economy

Economic performance across emerging market and developing economies has remained mixed. Whereas China's growth remained strong, reflecting continued policy support, activity has slowed in India because of the impact of the demonetization, as well as in Brazil, which has been mired in a deep recession. Activity remained weak in fuel and nonfuel commodity exporters more generally, while geopolitical factors held back growth in parts of the Middle East and Turkey.

The last few years have also witnessed a slowdown in global trade and investments flows. Although, India has not been particularly affected by this slowdown, lower growth in foreign portfolio investment cannot be ruled out, partly on account of the fact that the interest rates in the United States have begun to increase.