

2018 - 2019

ANNUAL REPORT



SURAT TEXTILE MILLS LIMITED

CORPORATE INFORMATION

Board of Directors

Manikant 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)
(upto 31st March, 2019)

Hanisha Arora
Company Secretary

Registered Office

6th Floor, Tulsi Krupa Arcade,
Near Aai Mata Chowk,
Puna-Kumbharia Road, Dumbhal,
Surat 395010.
CIN: L17119GJ1945PLC000214
Tel: (0261) 2311198.
Fax: (0261) 2311029.
e-mail: shareddepartment@stml.in
<http://www.surattextilemillsltd.com>

Plants:

Village Jolwa, Taluka Palsana
Dist. Surat 394305
Tel: (02622) 271287-89

Registrars & Share Transfer Agents

Karvy Fintech 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

Sharp & Tannan Associates,
Chartered Accountants, Mumbai

Cost Auditors

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

Bankers

Bank of Baroda

Contents

Page No.

| | |
|--|----|
| Directors' Report and Management Discussion & Analysis | 01 |
| Corporate Governance Report | 22 |
| Independent Auditors' Report | 35 |
| Balance Sheet | 40 |
| Statement of Profit and Loss | 41 |
| Cash Flow Statement | 42 |
| Statement of Changes in Equity | 44 |
| Notes forming part of the Financial Statements | 45 |

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

73rd Annual General Meeting on Tuesday, 3rd September, 2019 at 11.00 a.m. at Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors present the 73rd Annual Report together with the Audited Financial Statements of the Company for the financial year ended 31st March, 2019.

The Management's Discussion and Analysis Report as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is forming a part of this report.

Financial Results

The Company's performance during the financial year ended 31st March, 2019 as compared to the previous financial year, is summarised below:

Summarised Financial Results

| | (₹ in Crore) | |
|--|---------------|---------|
| | 2018-19 | 2017-18 |
| Gross Revenue from Operations | 216.28 | 205.99 |
| Earnings Before Interest, Tax, Depreciation and Amortization | 12.18 | 16.44 |
| Less: Finance Costs | 1.08 | 0.98 |
| Less: Depreciation | 0.35 | 0.50 |
| Profit before tax | 10.75 | 14.96 |
| Less: Tax Expense /(Credit) | (1.40) | 6.78 |
| Profit after tax | 12.15 | 8.18 |

Review of Operations

The Company achieved 5 per cent year-on-year (YoY) growth in gross operating revenue to ₹ 216.28 Crore against ₹ 205.99 Crore in the previous fiscal. The increase in sales was primarily due to higher volume of sales of polyester chips. Net profit before tax declined to ₹ 10.75 Crore as compared to ₹ 14.96 Crore in the previous year. The total sale of chips in volume term for the year 2018-19 was higher at 22379 MT as compared to 20803 MT in the previous year.

Volatility in raw material prices and in availability resulted into higher input cost which adversely affected the EBITDA of the Company. There was pressure on the operating margins across the board. However, given the current slowdown in consumer demand, near term volume growth seems challenging for the Company.

The production at polyester spinning division of the Company at Village Jolwa remained suspended for the major part of the year due to competitive pressure and market conditions.

Close watch on raw material prices and strict inventory management has helped the Company in securing continued raw material supplies (except in couple of months during the year) and protected against adverse impact of raw material price volatility.

The Company continued its efforts for expanding customer base, developing new products and succeeded to make entry in exports. The focus will be on how the Company balance volume growth, pricing and profitability.

Your Company continues to be the product leader in its speciality chips segment. It continues to be perceived in the market as a premium producer of quality chips.

The overall performance of the Company for FY2019 can be considered satisfactory, despite steep decline in raw material prices in the second half of the year.

Dividend

In order to strengthen the reserves of the year, your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2018-19.

Transfer to Reserves

The Company does not propose to transfer amounts to the general reserve out of the amount available for appropriation and considered it appropriate to retain the same in the profit and loss account.

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.

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 were contributing factors. The PFY Spinning industry has gone through a difficult period.

Excess capacity of POY and chips coming into operation in the domestic market during last couple of years, coupled with competition arising out of cheap imports, the domestic supply position in the Polyester Yarn and Chips segment is likely to be competitive and margins is expected to remain under pressure.

The global crude oil sector is hard to read due to complexity of factors influencing supply and demand. Global growth is slowing. This will lead to softening demand and create downside pressure on prices. The average price this fiscal is about \$70 per barrel. That's much higher than in 2017-18 (\$ 58).

Raw material prices of PTA and MEG during FY19 were low at around USD 787 and USD 607 per metric ton respectively and reached a high of around USD 1106 and USD 1022 per metric ton.

The fate of the rupee is tied to crude. If crude prices stay high, the rupee will be under pressure. If crude prices fall, the trade balance improves and the rupee strengthens.

The current slowdown hinges around the shortage of liquidity in the rural and the informal sector. This apparent stagnancy in income has resulted in reduction in lifestyle consumption. This has impacted the production of intermediate goods such as yarn and fabrics, which saw weakened demand growth during the year.

Overview of the economy

India continued to remain the fastest growing major economy in the world in 2018-19, despite a slight moderation in its GDP growth from 7.2% in 2017-18 to 6.8% in 2018-19. On the other hand, the world output growth declined from 3.8% in 2017 to 3.6% in 2018.

Indian's economy grew at the average of 7.4% during the last five years (2014-19). The average growth rate of India was not only higher than China's between 2014-15 and 2017-18, but was much higher than that of other top major economies as well.

The Indian situation cannot be seen in isolation from what is happening globally. Global growth, which seemed to revive in 2017 and the first half of 2018, has slowed down from the second half of 2018 onwards. Volume of debt, negative yields in several Advanced Economies (AEs) gets further compounded by trade tensions and the contraction in world trade volume. We are also facing all price volatility, which is perennial issue for the country.

India's rupee is likely to be affected by China's estimated economic slowdown leading to competitive devaluation. Rupee may come under stress due to global factors unless we have positive legal macro head-winds in addition to a stable government. The Indian rupee was at ₹ 69.17 to a US\$ as on 31st March, 2019 as compared to ₹ 65.17 to a US\$ as on 31st March, 2018.

Opportunities, Challenges, Threats, Risks and Concerns

The global fibre consumption is dominated by man-made fibres, having 70 per cent of share, while natural fibre constitute only 30 per cent. Contrary to the global trend, fibre consumption in India is skewed towards natural fibres, especially cotton. The growth of cotton is limited owing to less availability of agricultural land, and price volatility.

Domestic man-made fibre and yarn manufacturers might get a larger pie of the global market, at a time when China, the world's largest producer of these products, is cutting production due to high labour cost. Moreover, demand worries, rising input costs, too, will weigh on the Company's margins.

The Company is experiencing pressure on margins due to competition from other low-cost countries like China. Textiles being a labour intensive industry, rising labour and skilled human resources costs can put pressure on margins. Besides this competitive pressure has increased, driven by low priced yarn from China. The export market is not very encouraging either.

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

Crude oil price is expected to be range-bound, within about 15-20 per cent of current prices. The Company covers its foreign currency exposures in forward market based on the business cycle to minimise the impact of currency fluctuation.

Fall in crude oil prices during second half of FY 18-19 has come as a relief for man-made fibre and yarn manufacturers reeling under the pressure of demonetization and the Goods and Service Tax (GST).

The Company reviews its policies and practices to adjust the inventory levels of both raw materials and finished goods in line with changing demand to reduce the impact of volatility in raw material prices while ensuring availability of enough stocks for optimum production plans and supply of finished goods.

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.

The Indian economy provides a large opportunity to the Company to market its products. Slower growth of the Indian economy and stress in sectors such as textiles could impact the performance of the Company.

Business Outlook

The year 2018-19 was a challenging year that saw an oil-price volatility resulting in fluctuations in raw material prices and weak market sentiments. Despite this, our emphasis on increased products differentiation along with improved operational efficiencies and careful working capital management helped us to remain competitive.

The downstream industries in the man-made fibre textile value chain-spinning and weaving-the largest employment generator in the value chain – are facing acute stress because of high prices of domestic staple fibre compared to imported material. This affects the export competitiveness of the domestic downstream man-made fabrics (MMF) textile industry.

The global crude oil sector is hard to read due to the complexity of factors influencing supply and demand. Global growth is slowing. This will/may lead to softening demand and create down side pressure on prices. The prospects of synthetic yarn industry in short term is linked with the movements of crude oil prices in international markets however the long term prospects seems good with the growing Indian economy and demand growth in end-use products.

Higher input costs, falling demand from consumers, and competitive pressures are expected to impact the profitability of the Company. Continued slowdown in overall textile industry and slowdown in economic growth in recent months can impact sale growth for current year.

The prices of key raw materials which had increased significantly during the first half of the year under review started declining in the later part of the fiscal. Barring unforeseen circumstances this trend is likely to continue during the initial months of the current year.

Share Capital

The Paid-up Equity Share Capital of the Company as at 31st March, 2019 stood at ₹ 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, 2019, 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

No disclosure is required under Section 67(3)(c) of the Companies Act, 2013, read with Rule 16(4) of Companies (Share Capital and Debentures) Rules, 2014, in respect of voting rights not exercised directly by the employees of the Company as the provisions of the said section are not applicable.

Indian Accounting Standard (Ind AS)

As mandated by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards ('Ind AS') from 1st April, 2017 with a transition date of 1st April, 2016. The financial results for the year 2018-19 have been prepared in accordance with Ind AS, prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and the other recognized accounting practices and policies to the extent applicable.

Secretarial Standards

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meetings.

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 financial year and the date of this Report.

Subsidiaries and associates

The Company has no subsidiary / joint venture / associates for the financial year ended 31st March, 2019. Accordingly, the requirements pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014 is not applicable.

Business Responsibility Report

The Business Responsibility Reporting as required by Regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is not applicable to your Company for the financial year ended 31st March, 2019.

Finance

Your Company has repaid Secured Rupee Term Loan from banks to the tune of ₹ 21.59 Lacs during the financial year 2018-19. 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.

Information Technology

Information Technology is the driving force of the business. The Company is continuously adopting and utilizing various information technology tools and is in process to implement new age technologies like *Internet of Things (IOT)*, among other, to improve business process efficiency.

As a part of Digital Transformation journey, your Company has implemented production planning and execution system, which was otherwise manual process.

The system for adopting GST in Oracle EBS12 has been successfully implemented by the Company. This project has been carried out entirely in house.

Directors and Key Managerial Personnel

The Board of Directors consists of five members, of which three are Independent Directors. The Board also comprises of one woman Director.

As per the provisions of Section 152(6) of the Companies Act, 2013 and the Company's Articles of Association, Shri Yogesh C. Papaiya (DIN: 00023985) Retire by Rotation at the ensuing 73rd Annual General Meeting and, being eligible, offers himself for re-appointment as a Director of the Company.

Smt. Anita Mandrekar (DIN: 00623327) a Non-Executive Independent Director on the Board resigned from the directorship of the Company with effect from 31st March, 2019 due to her advanced age and other personal commitments. The Directors places on record the valuable contributions made by Smt. Mandrekar during her tenure with the Company. The Company is in process to identify and appoint an appropriate woman director on the Board.

The Board of Directors of the Company at its meeting held on 14th May, 2019 on recommendation of Nomination and Remuneration Committee reappointed Shri Manikant R. Momaya as Managing Director of the Company for a period of three years with effect from 1st June, 2019 subject to approval of shareholders at the ensuing annual general meeting. The Board also reappointed Shri Yogesh C. Papaiya as Wholetime Director and CFO of the Company for a period of three years with effect from 11th August, 2019 subject to approval of shareholders at the ensuing annual general meeting. The necessary resolutions have been proposed in the notice of annual general meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence prescribed under the Act and the Listing Regulation.

As per the provisions of Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 Shri Manikant R. Momaya, Managing Director, Shri Yogesh C. Papaiya, Wholetime Director and CFO and Ms. Hanisha Arora, Company Secretary are the key managerial personnel of the Company.

Disclosure Relating to Remuneration of Directors and Key Managerial Personnel

The remuneration paid to the Directors is in accordance with the Remuneration Policy formulated in accordance with Section 178 of the Companies Act, 2013.

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.

Corporate Governance

Your Company reaffirms its commitment to good Corporate Governance practices. A report on Corporate Governance pursuant to Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

All Board members and Senior Management personnel have affirmed compliance with the Code of Conduct for the year 2018-19. A declaration to this effect signed by the Managing Director of the Company is contained in this Annual Report. The Managing Director and CFO have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) of the SEBI Listing Regulations, 2015.

Corporate Social Responsibility Committee

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 formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy is available on the Company's website at <http://www.surattextilemillsLtd.com/policies.aspx>.

The Company has been contributing in the development of the surrounding areas of its plant and office. The Company supports and contributes in activities relating to promotion of education, sports, medical and healthcare, vocational skill development and livelihood enhancement and programmes and activities relating to environment sustainability etc.

The CSR Committee will further identify the project which can be covered under the CSR guidelines in compliance with the CSR objectives and policy of the Company.

The report as per Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as **'Annexure B'** to this Report.

Audit Committee

The Audit Committee comprises of Directors namely Shri Harishchandra Bharucha (Chairman), Shri Ketan Jariwala and Shri Yogesh Papaiya as other member. All the recommendations made by the Audit Committee during the year were accepted by the Board.

Whistleblower Policy and Vigil Mechanism

Your Company has adopted a Whistleblower Policy and Vigil Mechanism to provide a formal mechanism to the Directors, employees and its Stakeholders to report their concern about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. Protected disclosures can be made by a whistleblower through several channels.

The policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee.

It is affirmed that no personnel of the Company has been denied access to the Audit Committee. The details of the Policy are given in the Corporate Governance Report and the Policy is also posted on the website of the Company at <http://www.surattextilemillsLtd.com/policies.aspx>.

Prevention of Sexual Harassment ('POSH')

The Company is an equal opportunity employer and consciously strives to build a work culture that promotes the dignity of all employees. The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition and redressal of sexual harassment at workplace. This is in line with the provisions of the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. There was no complaint of sexual harassment was received by the Company during the financial year 2018-19 under the aforesaid Act.

Risk Management

Your Company recognizes that the risk is an integral part of business and is committed to managing the risks in proactive and efficient manner. Your Company periodically assesses the risks in the internal and external environment along with treating the risks and incorporates risk management plans in its strategy, business and operational plans.

The business plan for the future are devised and approved by the Board keeping in mind the risk factors which can significantly impact the performance of the particular business. All major capital expenditures commitments are subject to scrutiny by the Board and investments are permitted only on being satisfied about its returns or utility to the Company. There are no risks which in the opinion of the Board threaten the existence of the Company.

Insurance

The Company has taken all the necessary steps to insure its properties and insurable interests, as deemed appropriate and also as required under the various legislative enactments.

Auditors and Auditors' Report

In accordance with the provisions of the Companies Act, 2013, M/s. Sharp & Tannan Associates, Chartered Accountants (Firm Registration No.109983W) have been appointed as the statutory auditors of the Company for a period of five years i.e. up to the conclusion of 76th AGM to be held for the adoption of the accounts for the year ending 31st March, 2022. In view of the amendment to the said section 139 through the Companies (Amendment) Act, 2017 notified on 7th May 2018, ratification of auditor's appointment is no longer required.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Statutory Auditors' Report for the year 2018-19 does not contain any qualification, reservation, adverse remark or disclaimer made by Statutory Auditor.

Cost Auditor and Cost Audit Report

M/s P. M. Nanabhoy & Co., Cost Accountants, (Firm Registration Number 000012), were appointed as the Cost Auditor for the financial year 2018-19 to conduct the audit of the cost records of the Company. M/s P. M. Nanabhoy & Co., Cost Accountants, have been reappointed as the Cost Auditor for the financial year 2019-20.

In terms of the provisions of Section 148(3) of the Companies Act, 2013, read with the Companies (Cost Records and Audit) Rules, 2014, as amended, the remuneration payable to the Cost Auditors has to be ratified by the Members of the Company. Accordingly, at the ensuing AGM the Board seeks ratification of the remuneration payable to the Cost Auditors for the financial year 2019-20.

Secretarial Auditor and Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company have re-appointed, Jigar Vyas of Jigar Vyas & Associates, Practicing Company Secretaries, (CP No.8019), Surat to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor in the prescribed form MR-3 is attached as **'Annexure D'** There is no qualification or adverse remark in their Report.

Reporting of Fraud

During the year under review, the Statutory Auditors, Cost Auditors and Secretarial Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees, to the Audit Committee under Section 143(12) of the Companies Act, 2013 details of which needs to be mentioned in this Report.

Internal Auditors

Pursuant to the provisions of Section 138 of the Companies Act, 2013, the Board of Directors of the Company have appointed M/s Aadil Aibada & Associates, Chartered Accountant as Internal Auditors of the Company, for the financial year 2018-19.

The audit committee of the Board of Directors in consultation with the Internal Auditor formulates the scope, functioning, periodicity and methodology for conducting the internal audit.

Directors' Responsibility Statement

Pursuant to the requirements of Section 134(1)(c) read with Section 134(5) of the Companies Act, 2013 and on the basis of explanation and compliance certificate given by the executives of the Company, and subject to disclosures in the Annual Accounts and also on the basis of discussions with the Statutory Auditors of the Company from time to time, we state as under:

- a) that in the preparation of the annual accounts for the year ended 31st March, 2019, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) that 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, 2019 and of the profit of the Company for the year ended on that date;
- c) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the directors have prepared the annual accounts on a going concern basis;
- e) that the Board has laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) that the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Number of meetings of the Board

Five meetings of the Board of Directors of the Company were held during the year. The Directors actively participated in the meetings and contributed valuable inputs on the matters brought before the Board from time to time. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. For further details, please refer to Corporate Governance section of this Annual Report.

Board evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10), the Board has devised a policy on evaluation of performance of Board of Directors, Committees and Individual directors. The policy is also in compliance to Regulation 19 read with Schedule II, Part D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Nomination and Remuneration Committee has defined the evaluation criteria for the Performance Evaluation of the Board, its Committees and individual Directors.

The Board has carried out the annual evaluation of its own performance and that of its Committees and individual Directors for the year pursuant to the provisions of the Companies Act, 2013 and the corporate governance requirements prescribed under the Listing Regulations. The performance of the Board and individual Directors was evaluated by the Board after seeking inputs from all the Directors.

The criteria for performance evaluation of the Board was based on the Guidance Note issued by SEBI on Board Evaluation which included aspects such as Board composition and structure, effectiveness of Board processes, contribution in the long term strategic planning etc. The result of the evaluation is satisfactory and adequate and meets the requirements of the Company.

Independent Directors' Meeting

In compliance with the requirements of Schedule IV of the Companies Act, 2013, a meeting of the Independent Directors was held on 23rd March, 2019, without the participation of the Executive Directors or Management personnel.

The Independent Directors carried out performance evaluation of Non-Independent Directors and the Board of Directors as a whole, performance of Chairman of the Company, the quality, contents and timelines of flow of information between the Management and Board, based on the performance evaluation framework of the Company.

Declaration of Independent Directors

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(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and there is no change in their status of independence. As required under Section 149(7) of the Companies Act, 2013, the said declaration was placed in the Board Meeting held on 14th May, 2019.

Familiarisation Programme

The Company has put in place an induction and familiarisation programme for all its Directors including the Independent Directors so as to associate themselves with the nature of the industry in which the Company operates. Directors are periodically advised about the changes effected in the Corporate Laws, Listing Regulations with regard to their roles, rights and responsibilities as Director of the Company. The familiarisation programme for Independent Directors in terms of the provisions of Regulation 46(2)(i) of Listing Regulations, is uploaded on the website of the Company.

Internal Financial Control System and their Adequacy

The Company is having in place Internal Financial Control System. The Internal Financial Control Systems with reference to the financial statements were adequate and operating effectively.

The Company has appointed Internal Auditors who periodically audit the adequacy and effectiveness of the internal controls laid down by the management and suggest improvements. The Audit Committee of the Board of Directors approves the annual internal audit plan, periodically reviews the progress of audits as per approved audit plans, critical internal audit findings presented by internal auditors, status of implementation of audit recommendations, if any, and adequacy of internal controls.

Significant / Material Orders passed by the Regulators

There are no significant / material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its operation in future.

Contracts or Arrangement with Related Parties

All contracts / arrangements / transactions entered by the Company during the financial year with Related Parties were in its Ordinary Course of Business and on arms' length basis.

Pursuant to section 177 of the Companies Act, 2013 and regulation 23 of SEBI Listing Regulations, 2015, all Related Party Transactions were placed before the Audit Committee for its approval. There were no materially significant related party transactions which could have potential conflict with interest of the Company at large.

The policy on related party transactions as approved by the Board is uploaded on the Company's website. The Company's management ensures total adherence to the approved Policy on Related Party Transactions to establish Arm's Length Basis without any compromise.

Disclosure of related party transactions with the promoter(s) / promoter(s) group which individually hold 10% or more shareholding of the Company as per Indian Accounting Standards are set out in Note No. 32 of the Financial Statements of the company.

Pursuant to section 134 of the Companies Act, 2013 and Rules made thereunder, particulars of transactions with related parties as required under section 188(1) of the Companies Act, 2013, read with Rule 8(2) of Companies (Accounts) Rules, 2014 is annexed with this Report in Form AOC-2 as 'Annexure E'. The weblink for the Policy for Related Party Transaction is placed on the Company's website <http://www.surattextilemills.com/policies.aspx>.

Your Directors draw attention of the members to Note No. 32 to the financial statements which sets out related party disclosures.

Particulars of Employees and Related Disclosures

During the financial year 2016-17, none of the employee of the Company was in receipt of remuneration prescribed in terms of the provision of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014.

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

Particulars in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo, as required under Section 134(3) (m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are set out in a separate statement attached hereto and forming part of the report as 'Annexure A'.

Nomination and Remuneration Policy

On recommendation of Nomination and Remuneration Committee, the Board of Directors have approved a Nomination and Remuneration Policy for the appointment and remuneration of the director, key managerial personnel (KMP) and other employees.

The key objectives of the Policy are to lay down the criteria for appointment and remuneration of Directors, Key Managerial Personnel and Executives at Senior Management level and recommend to the Board their appointment, and also to formulate criteria for evaluation of performance of Independent Directors and the Board and to devise a policy on Board diversity.

The Policy, inter-alia, includes criteria for determining qualifications, positive attributes, independence of a director, and expertise and experience required for appointment of Directors, KMP and Senior Management.

As per the Policy, the remuneration / compensation to the Whole-time Directors shall be recommended by the Nomination and Remuneration Committee to the Board for its approval. However, the remuneration compensation to Whole-time Directors shall be subject to the approval of the shareholders of the Company and Central Government, wherever required.

Further, the Non-Executive Directors shall be entitled to the fees for attending meetings of Board and Committees within the limits prescribed in the Companies Act, 2013. The Nomination and Remuneration Policy is available on the company's website.

Fixed Deposits

Your Company has not accepted any fixed deposits from the public during the financial year ended 31st March, 2019 and there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 2014.

Annual Return

Pursuant to Section 134(3)(s) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return is annexed herewith and forming part of the report as 'Annexure F'. The weblink for the Annual Return placed on the Company's website is <http://www.surattextilemills.com/policies.aspx>.

Loans, Investments and Guarantees by the Company

There are no loans given, investments made, guarantees given or securities provided by the Company to any entity, under Section 186 of the Companies Act, 2013.

Green Initiative

Electronic copy of the Annual Report 2018-19 and the Notice of the 73rd Annual General Meeting are sent to all members whose email addresses are registered with the Company / depository participant(s). For members who have not registered their email addresses, physical copies are sent in the permitted mode.

Your Directors would like to draw your attention to Section 20 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as may be amended from time to time which permits paperless compliances and also service of notice / documents (including annual report) through electronic mode to its members. To support this green initiative, we hereby once again appeal to all those members who have not registered their e-mail addresses so far are requested to register their e-mail address in respect of electronic holding with their concerned Depository Participants and/or with the Company.

Financial Performance

Discussion on financial performance with preference to operational performance has been dealt with in this Report in the relevant para which should be treated as forming part of the Management Discussion and Analysis Report.

Health, safety and environment

The Company gives foremost importance to Safety, Health and Environment and strives relentlessly on cultivating and improving safe work culture, health awareness and environment protection.

Your Company recognizes protection and management of environment as one of its highest priority and every effort is made to conserve and protect the environment. During the year, your Company continued its focus in creating an aesthetic, environment-friendly industrial habitat in its factory units, mobilizing support and generating interest among staff and labour for maintaining hygienic and green surrounding.

Periodical health check-up are conducted for the employees at the work place. More emphasis is given to cleanliness, workplace hygiene and good house-keeping.

The Company is continuously working on possibility of using appropriate technology to reduce the hazardous waste generation.

The Company obtained necessary approvals from concerned Government Department / Pollution Control Board and all required environment clearances / safety clearances / stipulations are complied with at Plant facilities of the Company. The Company continues to focus on maintenance and performance improvement of related pollution control facility at its manufacturing locations.

Industrial Relations / Human Resources

Your Company maintained healthy, cordial and harmonious industrial relations at all levels during the year under review.

The Company continuously works to nurture this environment to keep its employees highly motivated, result oriented and adaptable to changing business environment. Your Company's value proposition is based on providing value to our customer, through innovation and by consistently improving efficiency at all levels.

Your Directors wish to place on record their appreciation for the dedicated and commendable services rendered by the employees of the Company. The strength of permanent employees as on 31st March, 2019 was 47 Nos.

CAUTIONARY STATEMENTS

Statements in this Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations, or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those express or implied.

Important factors that could make difference to the Company's operations include raw material availability and its prices, cyclical demand and pricing in the Company's principle markets, changes in Government regulations, Tax regimes, economic developments, within India and the countries in which the Company conducts business and other ancillary factors. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events. The Company disclaims any obligation to update these forward-looking statements, except as may be required by law.

Appreciation

Your Directors wish to acknowledge the co-operation and assistance extended to the Company by the Company's Bankers and State & Central Government agencies. Your Directors also wish to place on record their appreciation of the contribution made by employees at all levels.

Your Directors also acknowledge with gratitude the support of the shareholders, other investors, customers, dealers, agents and suppliers for their continued faith and support which has helped the Company to sustain its growth even during these challenging times.

For and on behalf of the Board of Directors

Manikant R. Momaya
Managing Director
DIN: 00023993

Surat, 14th May, 2019

ANNEXURE – A TO THE DIRECTORS’ REPORT

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

The information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 for the year ended 31st March, 2019 is given below and forms part of the Directors’ Report.

A. CONSERVATION OF ENERGY

The Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices:

I. Steps taken or impact on conservation of energy.

- Energy conservation is an ongoing process in our organisation. Continuous monitoring, planning, development and modifications for energy conservation are done at the plants.
- The Company continued efforts for improving energy efficiency through innovative measures to reduce wastage and optimize consumption.
- Maintenance of the machines as per schedule.
- Energy Audit is also being carried out by external agencies.

II. The steps taken by the company for utilising alternate sources of energy.

- The Company makes an ongoing study to identify and implement energy saving system to reduce energy consumption and cost of production.

III. The Capital investment on energy conservation equipment.

The Company has not incurred major capital investment on energy conservation equipments but focused on optimum utilisation of available resources.

B. TECHNOLOGY ABSORPTION

I. The efforts made by the Company towards technology absorption

The Company made required efforts for productivity enhancement and development of new products in polyester chips segment.

II. The benefits derived like product improvement, cost reduction, product development or import substitution.

1. Reduce maintenance and operating cost at manufacturing level in chips segment.
2. Improvement in quality, customer satisfaction and enlargement of market base.

III. Information regarding imported technology

[imported during the last three years reckoned from the beginning of the financial year]

1. Technology imported : NIL
2. Year of Import : Not applicable.
3. Has the technology been : Not applicable.
fully absorbed

IV. The expenditure incurred on Research and Development.

During the year under review there were no major expenses pertaining to Research and Development incurred by the Company.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

| Particulars | 2018-19 | 2017-18 |
|-------------------------|---------|---------|
| Foreign Exchange Earned | Nil | Nil |
| Foreign Exchange Used | Nil | Nil |