

# GARDEN SILK MILLS LIMITED

## **FORM - A**

(Format of covering letter of the annual audit report to be filed with the Stock Exchange)

- |   |  |   |                           |
|---|--|---|---------------------------|
| 1 | Name of the company                            | : | Garden Silk Mills Limited |
| 2 | Annual financial statements for the year ended | : | 31st March, 2014          |
| 3 | Type of Audit observation                      | : | Un-qualified.             |
| 4 | Frequency of observation                       | : | Not Applicable.           |
| 5 | Form B   | : | Not Applicable.           |

**For Garden Silk Mills Limited**



**Praful A. Shah**  
Chairman & Managing Director

**For Garden Silk Mills Limited**



**Alok P. Shah**  
Jt. Managing Director

**For NATVARLAL VEPARI & CO.**  
Chartered Accountants  
(Registration No. 123626W)



**R. N. VEPARI**  
Partner  
Membership No.: 6728

**For Garden Silk Mills Limited**



**A. N. Jariwala**  
Director  
Chairman Audit Committee



Place: Surat

Date : 03/07/2014

**Garden\***

Registered Office : Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat - 395 010. Phone : (0261) 2311197-98, 2311513/615 Fax : (0261) 2311029/502

Mumbai Office: Manek Mahal, 90 Veer Nariman Road, Mumbai - 400 020. Phone : (022) 22873117-19, 22046473, 22040895 Fax : (022) 22048112

CIN : L17711GJ1979PLC003463 | Website : www.gardenvareli.com



# ANNUAL REPORT 2013-2014

## Garden Silk Mills Limited



## CORPORATE INFORMATION

**Board of Directors****Praful A. Shah**

Chairman &amp; Managing Director

**Alok P. Shah**

Joint Managing Director &amp; CFO

**Sanjay S. Shah**

Executive Director

**Suhail P. Shah**

Executive Director

**Rajen P. Shah****Arunchandra N. Jariwala****J. P. Shah****Yatish Parekh****Sunil S. Sheth****Madanlal U. Lankapati****H. C. Mishra** (Nominee of LIC of India)**COMPANY SECRETARY**

Kamlesh B. Vyas

**REGISTERED OFFICE**

1st Floor, Tulsi Krupa Arcade,

Near Aai Mata Chowk,

Puna-Kumbharia Road, Dumbhal,

Surat 395 010.

Tel: (0261) 2311197, 2311615.

Fax: (0261) 2311029.

e-mail: [sharedepartment@gardenvareli.com](mailto:sharedepartment@gardenvareli.com)

CIN: L17111GJ1979PLC003463

<http://www.gardenvareli.com>**CORPORATE OFFICE**

Manek Mahal, 90, Veer Nariman Road,

Churchgate, Mumbai 400 020

Tel: (022) 2287 3117-19

Fax: (022) 2204 8112

**STATUTORY AUDITORS**

Natvarlal Vepari &amp; Co.

Chartered Accountants, Surat

**PLANTS**

- i) Vareli Complex, Village Vareli,  
Taluka Palsana, Dist. Surat 394 327  
Tel: (02622) 271241-47
- ii) Village Jolwa, Taluka Palsana,  
Dist. Surat 394 305  
Tel: (02622) 271287-89

**BANKERS**

Bank of Baroda  
Allahabad Bank  
State Bank of India  
Bank of India  
State Bank of Patiala  
Corporation Bank  
Union Bank of India  
IDBI Bank Limited  
Indian Overseas Bank  
Export Import Bank of India  
Life Insurance Corporation of India  
State Bank of Travancore  
Indian Bank  
Landesbank Baden-Wurttemberg

**Registrar & Share Transfer Agents**

Karvy Computershare Private Limited  
Plot No.17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad – 500 081  
Tel. No. 040-44655000,  
Fax No. 040-23420814  
e-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvy.com](http://www.karvy.com)

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**With effect from 1st July, 2013, the Registered Office of the Company has been shifted to the new location at Tulsi Krupa Arcade, 1st Floor, Near Aai Mata Chowk, Puna-Kumbharia Road, Dumbhal, Surat - 395 010.**

## NOTICE

**NOTICE** is hereby given that the Thirty-fifth Annual General Meeting of the Members of Garden Silk Mills Limited will be held on **Wednesday, 30th July, 2014 at 11.00 a.m.** at the Bella Mill Compound, Outside Sahara Gate, Surat 395 010, to transact the following business:

**Ordinary Business:**

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31st March, 2014 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereof.
2. To appoint a Director in place of Mr. Sanjay S. Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an

**Ordinary Resolution:**

“RESOLVED THAT Mr. Sunil S. Sheth, a Director liable to retire by rotation, who does not seek re-election, be not re-appointed a Director of the Company.”

4. To consider, and if thought fit, to pass with or without modification(s) the following Resolution as an

**Ordinary Resolution**

“**RESOLVED that** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, Natvarlal Vepari & Co., Chartered Accountant (Firm Registration No. 123626W), be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the thirty-eighth AGM of the Company to be held in the year 2017 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax and other expenses etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

**Special Business:**

5. To consider, and if thought fit, to pass with or without modification(s) the following Resolution as a

**Special Resolution:**

“**RESOLVED THAT** in accordance with the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, 269, 209 and

any other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956) and subject to the requisite approval of the Central Government, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Alok P. Shah (DIN: 00218180) as “Joint Managing Director and Chief Financial Officer (CFO)” of the Company, for a period of 3 (three) years with effect from 1st November, 2014, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as ‘the Board’ which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration as it may deem fit and as may be acceptable to Mr. Alok P. Shah, subject to compliance of the provisions under Companies Act, 2013.

**RESOLVED FURTHER THAT** in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr. Alok P. Shah, the remuneration payable to him by way of salary, allowances, commission and perquisites and other benefits shall be the minimum remuneration as specified above, subject to the overall ceiling prescribed under Paragraph A of Section II of Part II of Schedule V to the Companies Act, 2013.

**RESOLVED FURTHER THAT** the Board of Directors of the Company (including any Committee of Directors) be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its power herein conferred to any director(s) and/or officer(s) of the Company, to give effect to the aforesaid resolutions.”

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an

**Ordinary Resolution:**

“**RESOLVED THAT** pursuant to Section 148 (3) of the Companies Act, 2013, read with Rules 14 of the Companies (Audit and Auditors) Rules, 2014, and other applicable provisions if any, (including any statutory modification(s) or re-enactment thereof, for the time being in force), payment of Remuneration of ₹ 1,50,000/- (apart from reimbursement of out of pocket expenses and applicable taxes) to M/s. Manubhai & Associates; Cost Auditors, Surat

(Membership No. 2502), who were appointed by the Board of Directors in their meeting held on 28th May, 2014 for carrying out Cost Audit of the Company for financial year 2014-15, be and is hereby approved and ratified."

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

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

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Arunchandra N. Jariwala (DIN 00024008), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independent as provided in Section 149(6) of the Act and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years from 1st April, 2014 to 31st March, 2019 and that he shall not be liable to retire by rotation."

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

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Yatish C. Parekh (holding DIN 00168488), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independent as provided in Section 149(6) of the Act and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years from 1st April, 2014 to 31st March, 2019 and that he shall not be liable to retire by rotation."

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

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Jitendra P. Shah (holding DIN 00156453), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independent as provided in Section 149(6) of the Act and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years from 1st April, 2014 to 31st March, 2019 and that he shall not be liable to retire by rotation."

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

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Madanlal U. Lankapati (holding DIN 00051429), a Non-Executive Director of the Company, who has submitted a declaration that he meets the criteria for independent as provided in Section 149(6) of the Act and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years from 1st April, 2014 to 31st March, 2019 and that he shall not be liable to retire by rotation."

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies in order to be effective, must be received by the Company, at its Registered Office not less than 48 hours before the Meeting.



- A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten per cent of the total share capital of the Company. A member holding more than ten per cent 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 Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 22nd July, 2014 to Wednesday, 30th July, 2014 (both days inclusive).
  3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (erstwhile Section 173 of the Companies Act, 1956), relating to Special Business is annexed hereto.
  4. All the documents referred to in the accompanying Notice and Explanatory Statement are open for inspection by the Members at the Registered Office of the Company on all working days between 10:00 a.m. and 12:00 noon up to the date of Meeting.
  5. Corporate members are requested to send a duly certified copy of the board resolution / power of attorney authorising their representative to attend and vote at the Annual General Meeting.
  6. Non-Resident Indian Members are requested to inform the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited, immediately of:
    - (a) Change in their Residential status on return to India for permanent settlement.
    - (b) Particulars of their Bank Account maintained in India with complete name, branch, account type, account number with 9 digit MICR code and address of the Bank with Pin Code Number, if not furnished earlier.
  7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to submit their PAN details to the Company.
  8. SEBI vide its Circular dated May 20, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTA for registration of such transfer of shares.
  9. To prevent fraudulent transactions, members are also advised to exercise due diligence and notify the Company of any change in address or staying abroad or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holding should be obtained from the concerned DP and holdings should be verified.
  10. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/ re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment / re-appointment.
  11. Annual Report for Financial Year 2013-14 is being uploaded on the website of the Company viz. [www.gardenvareli.com](http://www.gardenvareli.com) for reference of the Members of the Company.
  12. Members' attention is particularly drawn to the "Corporate Governance" section in respect of general information for shareholders.
  13. Electronic copy of the Notice of the 35th Annual General Meeting of the Company, *inter alia*, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose e-mail IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 35th Annual General Meeting of the Company, *inter alia*, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
  14. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members' facility to exercise their right to vote at the 35th Annual General Meeting ("AGM") by electronic means and the business may be transacted through e-voting services provided by Karvy Computershare Private Limited ("Karvy"). It may be noted that this e-voting facility is optional. The e-voting facility will be available at the link <https://evoting.karvy.com> during the following voting period: Commencement of e-voting: From 9 a.m. on Monday, 21st July, 2014 to 6 a.m. on Wednesday, 23rd July, 2014.
  15. E-voting shall not be allowed beyond 6 p.m on Wednesday, 23rd July, 2014. During the e-voting period, shareholders of the Company, holding shares

either in physical form or in dematerialised form, as on Monday, 30th June, 2014 may cast their vote electronically.

16. The login ID and password for e-voting along with process, manner and instructions for e-voting is being sent to the members who have not registered their e-mail IDs with the Company / their respective Depository Participants along with physical copy of the Notice. Those members who have registered their e-mail IDs with the Company / their respective Depository Participants are being forwarded the login ID and password for e-voting along with process, manner and instructions by e-mail.
17. The Company has appointed Mr. Kunjal Dalal, Proprietor K. Dalal & Co., Practising Company Secretaries, as Scrutinizer for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.

**By Order of the Board of Directors**

**Kamlesh B. Vyas**

**Company Secretary**

Surat, 28th May, 2014

**Important Communication to Members  
"Green Initiative"**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by Companies and has issued circular stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses in respect of electronic holding with the Depository through their concerned Depository Participants.

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

The following statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

**Item No. 3**

In accordance with the provisions of Section 152(7) of the Companies Act, 2013 and the Article of Association of the Company, Mr. Sunil S. Sheth retires by rotation at this Annual General Meeting and is eligible for re-appointment. However, he has informed the Company that he does not seek re-appointment. The Company does not propose to fill the vacancy at this meeting or any adjournment thereof. Hence, as required under Section 152(7) of the Companies Act, 2013, a resolution is proposed not to fill up the vacancy caused by the retirement of Mr. Sunil S. Sheth at this meeting.

**Item No. 5**

At the 30th Annual General Meeting of the Company held on 30th September 2009, the Members had approved the appointment of Mr. Alok P. Shah as Whole-time Director designated as Joint Managing Director of the Company, with substantial power of management as Managing Director for a period of five years with effect from 1st November, 2009, upon the terms and conditions including remuneration as specified in the explanatory statement annexed to the Notice of the said meeting.

The Board of Directors of the Company (the 'Board'), at its meeting held on 28th May, 2014 has, subject to the approval of members, re-appointed Mr. Alok P. Shah as Whole-time Director designated as Joint managing Director of the Company with substantial powers of management as Managing Director for a further period of 3 (three) years from the expiry of his present term i.e. with effect from 1st November, 2014 at the remuneration recommended by the Nomination and Remuneration Committee of the Board and approved by the Board.

Mr. Alok P. Shah is a graduate in Electrical Engineering from Stanford University and has an M.B.A. (Finance, General Management and Economics) from University of Chicago, USA. Mr. Alok P. Shah has had a brilliant academic career. He has wide exposure and knowledge in project appraisal, assessing technical feasibility in respect of projects, corporate finance & management etc. Mr. Alok P. Shah has made outstanding contribution by advising the Company towards improvement of production and productivity, optimising the operational efficiency and cost reduction measures.

The Directors are of the view that his experience, leadership qualities and excellent managerial capability will further contribute to the growth of the Company.

It is proposed to seek the members' approval for the re-appointment of and remuneration payable to Mr. Alok P. Shah as Whole-time Director designated as Joint Managing Director, in terms of the applicable provisions of the Act.

The salient features of the terms and conditions of and remuneration payable to Mr. Alok P. Shah as set out in the draft agreement placed before this Meeting are as follows:

- i) **Salary:** ₹10,00,000/- per month.

With annual increment upto 15% every year as approved by the Board on the recommendation of Nomination and Remuneration Committee.

- ii) **Perquisites and Allowances:**

- (a) in addition to the salary as above, Mr. Alok P. Shah shall be entitled to perquisites which includes accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance,

together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for self and family including dependents; club fees, car(s) with driver and telephone(s) at residence and such other perquisites and/or other allowances as the Board (which includes any committee thereof) may in its absolute discretion determine from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at i) above.

(b) The said perquisites and allowance shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

(c) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these singly or together are not taxable under the Income-tax law, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to the extent not taxable under the Income-tax law shall not be included for the purpose of computation of the overall ceiling of remuneration.

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

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

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

iv) The aggregate of salary, perquisites and commission in any one financial year shall not exceed the limits prescribed under Section 197(1) of the Companies Act, 2013, and the overall limit as laid down in Section 198

of the said Act read with Schedule V to the Act as may for the time being in force.

v) **Reimbursement of Expenses:**

Reimbursement of expenses incurred for traveling, boarding and lodging including for their spouse and attendant(s) during business trips, any medical assistance provided including for their family members; and provision of car(s) for use on the Company's business, club membership and telephone expenses at residence shall be reimbursed at actuals and not considered as perquisites.

vi) **Minimum Remuneration:**

In the event of inadequacy or absence of profits in any financial year during his tenure as Joint Managing Director, Mr. Alok P. Shah will be entitled to the foregoing amount of remuneration along with the perquisites and allowances mentioned above as the minimum remuneration for the year subject to paragraph C of Clause 1 of Section II of Part II of Schedule V of the Companies Act, 2013.

vii) **Other Terms and Conditions:**

(i) The Joint Managing Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and confirm to comply with all such directions and regulations as may from time to time be given and made by the Board and the functions of the Whole-time Director will be under the overall authority of the Managing Director.

(ii) The Joint Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.

(iii) The Joint Managing Director shall adhere to the Company's Code of Business Conduct & Ethics for Directors and Management Personnel.

(iv) The office of the Joint Managing Director may be terminated by the Company or the concerned Director by giving the other 3 (three) months' prior notice in writing.

Mr. Alok P. Shah satisfy all the conditions set out in Part-I of Schedule V of the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his re-appointment. Mr. Alok P. Shah is not disqualified from being appointed as a Director in terms of Section 164 of the Act.



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

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr. Alok P. Shah under Section 190 of the Act.

The draft agreement between the Company and Mr. Alok P. Shah is available for inspection by the Members of the Company at its Registered Office of the Company on all working days except Sunday and public holiday, between 10:00 hours and 12:00 hours up to the date of Annual General Meeting.

Mr. Alok P. Shah is interested in the resolution set out at Item No. 5 of the Notice, which pertains to his re-appointment and remuneration payable to him.

The relatives of Mr. Alok P. Shah may be deemed to be interested in the resolution set out at Item No. 5 of the Notice, to the extent of their shareholding interest, if any, in the Company.

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

The Board commends the Special Resolution set out item No. 5 of the Notice for approval of the shareholders.

## Statement as required under Section II, Part II of Schedule V of the Companies Act, 2013

### I. General Information

#### 1. Nature of Industry

The Company belongs to the GAREN VARELI Group which is a leader in the Indian Textile Industry with particular strength in polyester filament based textiles, both yarn and fabric. The Company is also a leading player in polyester chips and differentiated partially oriented yarn (POY) manufacture and is a regular supplier of bright, cationic, micro denier and fine denier yarns in the market.

#### 2. Date or expected date of commencement of commercial production

The Company is an existing Company commenced since 1979. The Company was incorporated in the year 1979 as a Private Limited Company and commenced its operation. It was converted into Public Limited Company in the year 1987.

#### 3. Financial performance based on given indicators – as per the audited financial results for the year ended 31st March, 2014

	(₹ in Crore)
Net Sales and Other income	3081.27
Profit before Interest, Depreciation and Tax (EBIDTA)	66.69
Interest and Finance Charges (Net)	158.22
Profit/(Loss) before Depreciation and Tax	(91.53)
Depreciation	92.37
Profit/(Loss) for the year before tax	(183.90)
Provision for Tax	(39.45)
Profit/(Loss) for the year	(144.45)

#### 4. Export performance and net foreign exchange collaborations:

	(₹ in Crore)
FOB value of Exports – 2013-14	335.91
Net Foreign Exchange collaborations	NIL

#### 5. Foreign Investments

The Company has no foreign investments.

### II. Information about the Appointee

(together with job profile and suitability)

#### 1. Background details

##### Mr. Alok P. Shah:

Mr. Alok P. Shah, Jt. Managing Director of the Company is an Electrical Engineer from Stanford University, USA. He has an M.B.A. Finance, General Management & Economics from University of Chicago, USA.

Mr. Alok P. Shah was inducted as member of the Board in the year 1999. He was appointed as Executive Director in November, 2004 with overall responsibility of the implementation of upcoming projects, business development, finance, management and corporate affairs. In addition, he continues to shoulder several other corporate responsibilities.

#### 2. Past Remuneration – for the year 2013-14

(₹ in Lacs p.a.)

	Salary and Allowances	Perquisites	Commission	Total
Mr. Alok P. Shah	261.00	8.08	0.00	269.08

#### 3. Recognition or awards:

- Graduated with distinction from Stanford University and completed Masters (MBA) with High Honours from University of Chicago, USA.
- Member of Tau Beta Pi Honours engineering society at Stanford,
- Member of Young Presidents Organisation
- Member of Young Entrepreneurs Organisation

**4. Job Profile and his Suitability**

Mr. Alok P. Shah has had a brilliant academic career. He has wide exposure and knowledge in project appraisal, assessing technical feasibility in respect of projects, corporate finance and management etc.

Mr. Alok P. Shah has made outstanding contribution by advising the Company towards improvement of production and productivity, optimising the operational efficiency and cost reduction measures. In appreciation of his dedicated efforts and contribution for the growth of the company he was elevated to the position of Joint Managing Director (JMD) in October, 2007.

The Company has in last few years implemented many value addition projects such as expansion of production capacity of downstream processes by installing Draw Texturised Yarn (DTY) Machines, Coal base Power Plants for generation of captive power etc. He has been actively involved in the overall design and viability analysis of all these projects. Mr. Alok P. Shah initiated internal audit and BPR reviews across the company and has represented the Company to lending and rating institutions.

In consideration of the performance of Mr. Alok P. Shah as Jt. Managing Director of the Company over the years, the Board of Directors of the Company in their meeting held on 28th May, 2014 approved the remuneration as recommended by the Nomination and Remuneration Committee of Mr. Alok P. Shah for a period 3 years from 1st November 2014 in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V of the Companies Act, 2013 and subject to the necessary approvals including Central Government, if required.

**5. Remuneration proposed:** as stated in Resolutions at Item No. 5, the approval of shareholders by a special resolution and Central Government is sought for payment of remuneration for a period of 3 years w.e.f. 1st November, 2014

(₹ in Lacs p.a.)

	Salary and Allowances*	Perquisites	Total
Mr. Alok P. Shah	120.00	150.00	270.00

\* With annual increment upto 15% every year as approved by the Nomination and Remuneration Committee and the Board of Directors of the Company.

**6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:**

Taking into consideration the size of the Company, the profile of the appointee, managerial personnel, the responsibilities shouldered by him and the industry

benchmarks, the aforesaid remuneration proposed to be paid is commensurate with the remuneration package paid to similar senior level counter parts in other companies.

**7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:**

Mr. Alok P. Shah is a promoter group shareholder. The total promoter holding directly and indirectly along with body corporates in the Company as on 31st March, 2014 is 23696270 Equity Shares of ₹10 each which constitutes 59.04% of the paid-up share capital of the Company. Mr. Alok Shah, Joint Managing Director of the Company is the son of Mr. Praful A. Shah, Chairman and Managing Director and brother of Mr. Suhail P. Shah, Executive Director of the Company. No other managerial personnel have any relationship with Mr. Alok P. Shah.

**III. Other Information**

**1. Reasons of loss or inadequate profits**

During the financial year ended 31st March, 2014, the Company achieved Net Sales of ₹ 3066.62 crore as compared to ₹ 3697.24 crore in the previous year. Earning before Interest, Depreciation and Tax was at ₹ 66.69 crore.

The profitability of the Company, during the period has been adversely affected owing to shortage and volatility in raw material prices, oversupply situation of finished product, more particularly in polyester chips segment resulting into demand contraction coupled with reduction in production in order to reduce the finished goods inventory and curtail losses on account of price fluctuations. This coupled with the increase in interest cost resulted in incurring of loss by majority of synthetic textiles manufacturing companies. This was largely on account of business cycle, external and unexpected circumstances beyond the control of the management.

**2. Steps taken or proposed to be taken for improvement:**

The Company has taken certain initiatives towards operational efficiencies which will improve realisation and production. The Company's initiatives towards better financial management will also reduce finance cost on Company's borrowings. The Company plans to reduce its debts and consequently the interest cost over the year.

The outlook on long-term prospects of polyester yarn business, which is expected to grow at around 6-7 per cent through 2014-15, is positive and the Company is expected to be benefited as it enjoys a leadership

position in textile grade polyester chips market and along with its location advantage. It is one of the competitive players in the textile grade chips market. With the rise in demand for company's products and the better capacity utilisation more particularly in Chips segment would realise better price and advantageous to the Company.

The Company remains a leader in yarn innovation. Numerous new products have been introduced through collaboration between our R&D, production and marketing departments.

The Company is taking necessary steps to improve its margins on all of its products with better quality and price competitiveness. We are focusing more on improving exports competitiveness to offset the slower domestic demand growth.

Further, the promoters of the Company have contributed an aggregate amount of ₹ 14 crore towards long-term equity contribution and further realised an aggregate amount of about ₹ 23.50 crore during FY 2012-13 and 2013-14 by sale of non-core assets of the Company bringing the funds into business operations to support the liquidity situation.

### 3. Expected increase in productivity and profits in measurable terms.

The Company is one of the leading player in polyester chips segment as well as the largest producer of processed yarn through its downstream technology. The continuous efforts for improving the operational efficiencies and value addition of its products are expected to improve the productivity as also the profitability.

With the improvement in overall economic scenario and business environment, stable input costs and commodity prices coupled with domestic demand growth in the Company's products and the steps proposed to be taken as mentioned above, the Company expects improvement in performance over the medium to long-term. Introduction of GST will further provide a level playing field thereby removing the competitive disadvantage of the Company.

The improved operational efficiencies coupled with other factors like demand supply scenario and value addition in yarn segment etc. are likely to improve the operating margins as also the profitability.

### IV. Disclosures:

The remuneration package along with the corresponding details of Mr. Alok P. Shah, Jt. Managing Director of the Company have been fully described in the respective Resolution and/or Explanatory Statement. The remuneration paid to the Managing

Director for the year 2013-14 has been disclosed in the Report on Corporate Governance in the annual report. There is no severance fee or stock option available in the case of the aforesaid managerial personnel. The respective tenure of the aforesaid managerial personnel shall be governed by an agreement / contract with a notice period of three months. Mr. Alok P. Shah shall be liable to retire by rotation.

Mr. Alok P. Shah is interested in the resolution set out at Item No. 5 of the Notice, which pertains to his re-appointment and remuneration payable to him. The relatives of Mr. Alok P. Shah may be deemed to be interested in the resolution set out at item No. 5 of the Notice to the extent of their shareholding interest, if any, in the Company.

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

The Board commends the Special Resolution set out at Item No. 5 of the accompanying Notice for approval of the shareholders.

### Item No. 6

Pursuant to the recommendation of the Audit Committee, the Board of Directors had at its meeting held on 28th May, 2014, approved the reappointment of the Cost Auditors, Manubhai & Associates, Cost Accountants (Membership No. 2502), and remuneration payable to them, as set out in the Resolution under this Item of the Notice.

Pursuant to Section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company are required to approve and ratify the payment of remuneration of ₹ 1,50,000/- (apart from reimbursement of out of pocket expenses and applicable taxes) to the Cost Auditors as approved by the Board of Directors in their meeting held on 28th May, 2014 for the Financial Year 2014-15.

None of the Directors and Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

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

### Item Nos. 7 to 10

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

The Company had, pursuant to the provisions of Clause 49 of the Listing Agreements entered with the Stock

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Exchanges, appointed Mr. Arunchandra N. Jariwala, Mr. Yatish C. Parekh, Mr. J. P. Shah and Mr. Madanlal U. Lankapati as Independent Directors at various times, in compliance with the requirements of the Clause.

The above independent directors have held the position as such for more than 5 (five) years.

The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement *inter alia* stipulating the conditions for the appointment of independent director by a listed company.

The above directors are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consents to act as Director. The Company has received notices in writing from members along with the deposit of requisite amount under Section 160 of the Act proposing the candidatures of each of the above directors for the office of Directors of the Company.

The Nomination & Remuneration Committee has recommended the appointment of these directors as Independent Directors for a period of five years from 1st April, 2014 to 31st March, 2019.

Mr. Arunchandra N. Jariwala, Mr. Yatish C. Parekh, Mr. J. P. Shah and Mr. Madanlal U. Lankapati, Non-Executive Directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Act. In the opinion of the Board of Directors each of these directors fulfill the conditions specified in the Act and the Rules framed thereunder for appointment of independent directors and they are independent of the management. The independent directors are not liable to retire by rotation.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval.

Copy of the draft letters for respective appointments of these directors as independent directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company. This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Arunchandra N. Jariwala, Mr. Yatish C. Parekh, Mr. J. P. Shah and Mr. Madanlal U. Lankapati are interested in the resolutions set out respectively at item Nos.7, 8, 9 and 10 of the Notice, to the extent of their shareholding interest, if any, in the Company.

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

The Board commends the Ordinary Resolutions set out at Item Nos.7, 8, 9 and 10 of the Notice for approval by the shareholders.

A brief profile of the Independent Directors to be appointed is given below:

1. Mr. Arunchadnra N. Jariwala holds Bachelor' degree in Textiles (B.Text.) and Master's degree in Science (M.Sc.). He is a fellow member of Institute of Engineers (FIE). He is a technocrat and consultant having more then four decades of experience in textile industry. He joined the Board of Directors of the Company in July 1988.
2. Mr. Yatish Parekh is a Fellow member of the Institute of Chartered Accountants of India (ICAI). He joined the Board of Directors of the Company in October 2001. He has more than three decades of experience in the accounts, finance, audit and tax related matters. He is also on the Board of Committee of Educational Institute of Surat city.
3. Mr. J. P. Shah holds Masters degree in law and has more than four decades of experience as an advocate and expertise in tax matters. He joined the Board of Directors of the Company in July 1987.
4. Mr. Madanlal U. Lankapati joined the Board of Directors of the Company in September 2002. He has rich business experience and importers-exporters of textiles and gold jewellery.

Other details of the Independent Directors whose appointment is proposed at Item Nos. 7 to 10 of the accompanying Notice have been given in the annexure attached and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

The Board of Directors recommends the appointments of the Directors mentioned above as independent director of the Company.

None of the Key Managerial Personnel and Directors of the Company other then the directors who are to be appointed under the respective resolution and their relatives are concerned or interested in the passing of the respective resolutions. This explanatory statement may also be regarded as a disclosure under Clause 49 of the Listing Agreements with the Stock Exchanges.

**By Order of the Board of Directors**

**Kamlesh B. Vyas**  
Company Secretary

Surat, 28th May, 2014

## Particulars of the Directors seeking Appointment / Re-appointment at the Annual General Meeting

Particulars	Mr. Sanjay S. Shah	Mr. Alok P. Shah	Mr. A. N. Jariwala	Mr. J. P. Shah	Mr. Yatish Parekh	Mr. Madanlal U. Lankapati
Date of birth	19.02.1956	11.09.1970	05.08.1931	12.06.1933	30.11.1951	29.04.1931
Date of Appointment	19.02.1990	19.10.2001	18.07.1988	12.07.1987	19.10.2001	16.09.2002
Qualifications	B.A. (Essex University) U.K.	Graduate in Electrical Engineering from Stanford University and has an M.B.A. (Finance, General Management and Economics) from University of Chicago, USA.	B.Tex. M.Sc. F.I.E.	B.A. LL.M.	B.Com. F.C.A.	Matriculation
Expertise in specific functional areas	Well known industrialist having more than 30 years of experience in the business of man made textiles.	He has wide exposure and knowledge in project appraisal, assessing technical feasibility in respect of projects, corporate finance & management etc. He has made outstanding contribution by advising the Company towards improvement of production and productivity, optimising the operational efficiency and cost reduction measures.	Technocrat and consultant having more than four decades of experience in textile industry.	Vast experience in legal field and expertise in tax matters.	Accounts, Finance, Audit and Tax Matters	Rich business experience as importers – exporters of textiles and gold jewellery.
Directorship held in other Public Limited Companies (excluding foreign and private companies)	Kashah Investment Ltd. Surat Textile Mills Ltd.	Palomar Textiles Ltd. Bijlee Textiles Ltd. Jarigold Textiles Ltd. Rosekamal Textile Ltd. Wheel & Axle Textiles Ltd. Prabhat Silk Mills Ltd. Varelji Trading Co. Ltd.	Banswara Syntex Ltd.	Nil	Nil	Nil
Memberships/ Chairmanships of committees across public companies (include only Audit Committee and Shareholders / Investors' grievance Committee)	Share Transfer & Investors Grievance Committee – Member	Management Committee - Chairman	Audit Committee – Chairman Remuneration Committee – Chairman Share Transfer & Investors Grievance Committee – Member	Not Applicable.	Audit Committee – Member Management Committee – Member Share Transfer & Investors Grievance Committee – Chairman Remuneration Committee – Member	Not Applicable
No. of shares held in the Company	824660	754671	Nil	6595	Nil	150



## DIRECTORS' REPORT &amp; MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

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

### Financial Results

	(₹ in crores)	
	2013-14	2012-13
Revenue from operations	<b>3081.27</b>	3703.77
Profit before interest, depreciation and tax	<b>66.69</b>	91.60
Less: Finance Costs	<b>158.22</b>	148.93
Depreciation	<b>92.37</b>	93.54
Profit / (Loss) before Tax	<b>(183.90)</b>	(150.87)
(Add)/Less: Provision for Tax	<b>(39.45)</b>	(50.17)
Profit / (Loss) after Tax	<b>(144.45)</b>	(100.70)

### Dividend

Considering the loss incurred by the Company, your Directors do not recommend any dividend on equity shares for the year.

### Review of Operations

The year 2013-14 witnessed a severe slowdown coming after FY13 which was itself a difficult year for the Indian economy. This downturn continued to affect the polyester industry as well.

The net turnover of the Company for the year 2013-14 declined 17.06% at ₹3066.62 crores as compared to ₹3697.25 crores in the previous year. The Company achieved total sale of yarn at ₹1900.90 crores as compared ₹1865.60 crores in the previous year. The sales of chips were at ₹1172.89 crores, a major decline of about 39% compared with the previous year. The sale of fabrics improved marginally from ₹201.37 crores in the previous year to ₹215.00 crores in the year 2013-14. The income from export sales for the year declined 6.7% at ₹398.00 crores as compared to ₹426.59 crores in the previous year.

Continuous backward integration by PFY producers towards polyester chips production in order to reduce the cost of yarn production has deeply affected the merchant sales of existing polyester chips manufacturers. Your Company being the largest textile-grade polyester chips manufacturer in India, witnessed a steep volume decline of 23.8% CAGR over FY12-14.

The main reasons for higher decline in the Company's chips volumes vis á vis industry can be attributed to: (1) entry of new suppliers of chips; and (2) continuation of disadvantageous taxation policies like: (a) 2% VAT credit reversal for goods sale out of Gujarat utilizing inputs procured within Gujarat (b) Availability of 2% CST exemption on domestic sale outside Gujarat for competitors situated in Silvassa – Daman areas and (c) delay in introduction of GST.

These tax related disadvantages also extend to Company's POY and FDY segments in which the Company was able to maintain its position. These segments were less affected owing to the premium position of the Company's products. In fact, in terms of utilization levels, we were among the highest in the industry. Chips segment, in which margins and differentiation is low, was most affected.

These tax disadvantages are temporary. We further expect removal of VAT credit reversal and introduction of GST in the next 1-2 years time.

Owing to large capacity additions the demand-supply gap worsened across chips and PFY segments in FY13 and FY14 compared even with FY12 which itself was a challenging year. If one includes the capacities of producers who have recently shut capacities, utilisation levels are at around 65%.

Your Company continued to be the leader in draw-warped and draw-twisted yarns in the world. We are India's largest sized-yarn producer and the country's premium seller of fully drawn yarn, the fastest growing segment of the PFY industry.

Our weaving and finishing (dyed and printed fabric) divisions continue to be at the forefront of design innovation in India. The sheer varieties of designs generated are unparalleled in the industry.

In our finished (dyed and/or printed) fabric division we continued to emphasise naturals via the introduction of new cottons, 100% viscose filament, bemberg as well as blended varieties like poly-viscose and poly-cotton fabrics. Various new sized yarn-based saree varieties have been introduced. We have also introduced a host of new embroidery and other value-added varieties especially for party-wear and wedding-wear.

During the year, the Company's 21 MW Thermal Captive Power Plant (CPP) became fully operational at its Jolwa Plant. This reduces dependence on high-cost furnace oil and gas-based power.

### Overview of Economy

The global efforts to revive the economy have begun showing results in many countries. As per IMF WEO Outlook

2014, Global economy would grow at 3.6% in 2014 and 3.9% in 2015 up from 3.3% in 2013. Advanced economies are expected to grow at around 2.2 % with United States leading the lot.

Emerging Economies are expected to grow at 5% in 2014 and a little above 5% in the next year from a 4.7% growth in 2013.

Indian Economy is likely to draw strength from the improving global outlook.

India's economic growth stayed below 5 per cent for the second year in a row at 4.7 per cent in 2013-14, lower than the 4.9 per cent projected in advance estimates, pulled down by manufacturing, mining, construction and logistics output. The 2013-14 performance is a shade better than 4.5 per cent growth of 2012-13, a ten year low.

Manufacturing, the biggest constituent of Indian industry, shrank 0.7 per cent in 2013-14 against 1.1 per cent growth in the previous year.

As per IMF projections, the growth of ~5.5% can be expected if conditions like stronger global growth, improving export competitiveness, a positive result of recent policy changes come into play.

The Reserve Bank expects economic growth of between 5 and 6% in the current financial year even as uncertainty over the monsoon clouds the forecast for agriculture.

### Industry Scenario

The MMF industry has seen huge capacity addition across the value chain in the last few years envisaging higher demand. However, the demand has not kept pace due to overall depressed economic growth.

The envisaged growth of 6.5-7.0% CAGR in the PFY, PSF and VSF over FY12-17 could not be achieved due to prolonged slowdown in economy. Instead, PFY demand in India remained flat during FY12-14 which is in stark contrast to expectations.

After 2 years of stagnant/negative domestic demand growth the Indian PFY industry witnessed a modest uptick in FY14. This occurred in the face of large capacity expansions. This led to vicious price-competition and historically low utilization levels. To make matter worse, international margins fell as well owing to global oversupply, thus also reducing export margins.

High consumer price inflation and weak rural consumption have squeezed polyester demand, which has now faced a severe slowdown for three consecutive years.

Moreover, India's largest producer of PFY has made a capacity addition of 390,000MT in FY14 which is likely to affect existing smaller PFY players to a large extent, thus, further negatively impacting sales of polyester chips as these PFY players are clients of polyester chips manufacturers.

The Company's situation was made worse by sky-rocketing gas prices that made its once globally-competitive gas-based power plants uncompetitive, compelling it to gradually replace these with coal-based power. Moreover, sales tax exemptions (due to expire in 2017) in Silvassa and Daman along with VAT reversal introduced by the Gujarat government offset the price-premium the Company retains.

In the past 2 years, poor local demand has resulted in increased pressure to export at low margins. Yet, globally the much higher price of cotton has resulted in continued substitution by polyester. Use of polyester in textiles and industrial applications has gone up with enhanced scope of PFY application in automobile sector, home furnishing and upholstery sector, industrial stitching threads, fire retardant yarn and other technical textiles.

### Business Outlook

The financial year 2014-15 is expected to start optimistically, with a gross domestic product growth of 5.2 per cent in Q1 FY15 as some of the current macroeconomic numbers bring hope that the recovery for the Indian economy is under way.

The growth in PFY industry which has resumed in FY14 is expected to significantly gain steam in FY15. The CAGR for PFY in India over the next 10 years is projected to be around 8-10 % p.a. Global growth of PFY is also expected to far exceed global GDP growth. Going by the above, it appears that in a couple of years demand growth will catch-up with industry supply and healthy margins will return.

The increased polymerization capacities has forced lower production among chips-based PFY spinners. Supply of chips has also correspondingly been increased. Yet the demand-supply gap will be somewhat narrowed this year and is expected to be improved further in the next few years. Moreover, demand of Polyester chips will be continued from few customized and specialized yarn manufacturers and is expected to grow rapidly from polyester film manufacturers.

Globally, the demand-supply gap is projected to balance out after 2016-17. With no material new expansions expected, global margins are expected to continually improve over the next 3-4 years.

Asia is the largest consumer of PFY contributing about 90% of overall global demand. China and India contribute about 74% and 10% of the global demand respectively.

Middle East was seen slowly moving up in capacity building. Within Asia, it was only China and India that expanded their capacities.

The new government is reform-minded and is expected to improve India's macro indicators.

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If the new government focuses on the promised key priorities and executes well, it will spur investment demand, increase consumer confidence and spending, improve productivity and thus growth as well. Its intention to greatly improve the nation's infrastructure and increase competition in coal mining are significant steps in the right direction.

The RBI's policy indicates its willingness to provide impetus to growth by freeing lending resources and also moving towards a more accommodative stance if disinflationary forces bring inflation under control.

The new foreign trade policy is expected to focus on ways to boost India's exports and reduce dependence on imports. India being part of WTO can not only think in terms of its exports promotion without equally supporting imports substitution. Therefore, the focus of the new policy would be to vigorously promote both exports and imports with significantly substantial focus on exports.

Apparel exports are growing strongly owing to the relatively weak rupee. This will have a positive impact on PFY demand. It is widely expected that in future the growth of PFY demand and production will be faster in India than in China which is faced with grave challenges of manpower unavailability and a strong and strengthening currency. India on the other hand is expected to see working-age population grow at the rate of 12 million a year.

**Finance and Investment**

Your Company realized an aggregate amount of ₹23.50 crores from the sale of non-core assets during FY13 and FY14. The Company is in the due process of liquidation of other non-core assets.

During the year under review, your Company allotted 1842105 equity shares of ₹10 each fully paid up at a premium of ₹28 per share to the promoters / promoter group on exercise of option for conversion of the warrants issued on preferential basis pursuant to the SEBI (ICDR) Regulations 2009. As a result of such allotment, the paid up equity share capital of the Company increased from 38290560 equity shares of ₹10 each aggregating to ₹38,29,05,600 to 40132665 equity shares of ₹10 each aggregating to ₹40,13,26,650.

**Opportunities**

As per the World Bank report on Global Economic Prospects (GEP), the growth in India is projected at 5.5 per cent in FY 15, accelerating to 6.3 per cent in 2015-16 and 6.6 per cent in 2016-17. Global economic prospects appear to be improving. This fact, along with an expected rebound in domestic investment and consumption as well as a pick-up in manufacturing activities is likely to help India return from sub-par growth in polyester to trend growth (or even above) in the next year or two.

As per the latest statistic released by the Synthetic and Rayon Textiles Exports Promotion Council (SRTEPC) the export of MMF yarn, fabrics and made-ups registered a phenomenal 25 per cent increase at ₹31,000 crores in 2013-14, compared to the previous year. The leading markets that contributed heavily to the increased exports this year are UAE, the USA, Turkey, Brazil, Pakistan and Italy.

Interestingly, the export of yarn to Turkey and Brazil has increased by almost 16 per cent and 7 per cent, respectively despite anti-dumping duties on Indian MMF yarn. The MMF fabric export contributed around 30 per cent in the overall export of MMF textiles.

Demand is increasing from developed countries for MMF fabrics. The industry expects that the new government would work to boost the Indian textile sector with its policies.

With global demand-supply gap for PFY and chips expected to shrink over the next few years, export margins and sales are expected to improve as well.

PTA is globally in oversupply but local supplies are tight leading to relatively high PTA prices locally compared to those in China. This situation is expected to change substantially after a large PTA plant to be commissioned end-2014. Then PTA is expected to be oversupplied locally and so the Indian polyester manufacturers can hopefully look forward to globally competitive raw material prices in 2015

The introduction of GST should see a level playing field between your Company and other companies who are exempt from CST. This should further improve margins for your Company.

The Company's industry-leading product portfolio, highly innovative and quality-oriented production processes, and reputation for transparency and ethics all serve to strengthen its position in a competitive market and gain a price premium across its product segments. As business conditions improve, the company will so much better be able to fulfill its potential.

**Risk and Concerns**

The polyester industry in India has been witnessing head winds due to slack in both domestic and global economies. The industry demand (in quantity) de-grew by 2.4% in FY13 and grew marginally by 4.7% in FY14. On the other hand the industry has experienced enormous capacity growth in this time. Slowdown in the industry and oversupply directly impact your Company's sales and profits.

Rising oil prices could result in higher input prices, in particular PTA, MEG and fuel which will raise polyester prices and reduce demand in cost-sensitive consumer segments.

The Company experiences competition from other low-cost countries like China. Yet, this competition is presently being seen largely in export markets. Textile being a labour

intensive industry, rising labour and skilled human resource costs can put pressure on margins

Our transactions with respect to import of raw material and capital goods as well as export of products are denominated in foreign currency, primarily the U.S.dollar and Euro. These transactions are subject to risk arising from fluctuations in exchangerateswithreferencetocountriesinwhichweoperate. The Company has a hedging policy for foreign exchange exposure in place so that forex fluctuations do not unduly affect the business.

### Credit Rating

During the year under review Credit Analysis & Research Ltd. (CARE), assessing the operational and financial performance of the Company, revised the rating from CARE BB (Double B) to CARE B (Single B) assigned to the long-term facilities of your Company. Further, the Rating Committee of CARE has also reaffirmed 'CARE A4' (A Four) assigned to the short-term facilities of your Company.

### Corporate Governance

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

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

### Directorate

Mr. Sunil S. Sheth, a Director liable to retire by rotation, who does not seek re-election, be not re-appointed a Director of the Company.

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

In terms of the provisions of Section 149 of the Companies Act, 2013, it is proposed to appoint Mr. Arunchandra N. Jariwala, Mr. Yatish C. Parekh, Mr. J. P. Shah and Mr. Madanlal U. Lankapati as independent directors for a period of 5 years with effect from 1st April 2014. The Company has received requisite notice in writing from members proposing the aforesaid directors for appointment as Independent Directors.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

On the recommendations of Nomination and Remuneration Committee, the Board of Directors of the Company at their meeting held on 28th May 2014, subject to the approval of shareholders in the forthcoming General Meeting, approved the appointment and payment of remuneration of Mr. Alok P. Shah as Joint Managing Director of the Company for a term of 3 (three) years effective from 1st November 2014.

The resolution for appointment is proposed to the Members in the Notice of the Annual General Meeting vide item No.5 and the explanatory statement includes the terms of appointment.

### The Companies Act, 2013

The Ministry of Corporate Affairs (MCA) vide its Circular dated 4th April 2014 has clarified that the financial statements and documents annexed thereto, auditors report and board's report in respect of financial year that have commenced earlier than 1st April 2014 shall be governed by the provisions of the Companies Act, 1956 and in line with the same, the Company's financial statements, auditors' report and Board's report and attachments thereto have been prepared in accordance with the provisions of the Companies Act, 1956.

### Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the Annual Accounts for the year ended 31st March 2014, the applicable accounting standards, read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2014 and of the loss of the Company for the year ended on that date;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

**ANNUAL REPORT 2013-2014****Auditors**

Messrs Natvarlal Vepari & Co., Chartered Accountants, Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a confirmation from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and the provisions of the Companies (Audit and Auditors) Rules, 2014 and that they are not disqualified for re-appointment.

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

The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

**Cost Auditors**

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

**Internal Control Systems**

Your Company has proper and adequate systems of internal control. Regular Internal Audits and Checks are carried out and the management also constantly reviews the internal control systems and procedures to ensure orderly and efficient conduct of the Business. Periodically, the systems are reviewed and aligned to the needs of the organization. This is an ongoing exercise. Implementation of ERP on the Oracle based platform has improved controls, created analytical tools and enhanced the decision making process. The internal auditors periodically interact with the Audit Committee of the Board of Directors of the Company to discuss various internal controls / internal audit issues.

**Fixed Deposits**

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

**Human Resources and Industrial Relations**

Good human resource management plays a key role in company performance. The employee relations during the year have remained cordial and satisfactory. Attracting and

retaining dedicated and skilled human resource, offering them a conducive work environment and excellent career development opportunities are currently prime HR priorities.

The Company maintains a transparent work culture that offers equal opportunities of growth to all employees. While emphasis is laid on recruiting best accessible talent at all levels all the time, the Company takes due care of keeping its talent pool skilled and updated by providing adequate on-the-job training to its employees. The Company strongly believes that its growth and sustainability is closely aligned to those of its human capital.

**Environment and Safety**

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires the conduct of all operations in such manner so as to ensure high safety levels, compliance of statutory and industrial requirement for environment protection and conservation of natural resources to the extent possible.

**Investor Education and Protection Fund**

Pursuant to the provisions of section 205A(5) and 205C of the Companies Act, 1956 an amount of ₹11,44,610/-, which pertains to the dividend for the year 2005-06, and remained unpaid or unclaimed for a period of 7 years from the date of declaration, has been transferred by the Company to the Investor Education & Protection Fund.

**Reward, Recognition & Quality Systems Certification**

During the year, the Company's CP Division got certified OSHAS 18001 : 2007 by Bureau Veritas. Our quality, health and safety processes are now continuously monitored, assessed and improved to meet internationally recognized standards. Each raw-material and product is tested extensively and all manufacturing processes are continually optimized with a strong commitment to energy efficiency, occupational health, environmental responsibility and safety.

Your Company achieved the status of "Trading House" awarded by the Office of Joint Director General of Foreign Trade, Ministry of Commerce & Industry, Government of India on achieving the required Export targets.

The Company's Vareli Plant enjoys the unique distinction of being the first in polyester weaving industry to achieve ISO 9002:1994 certification by Bureau Veritas Quality International (BVQI). The processes certified are Draw-Warping and Texturizing, Twisting, Sizing, Warping and Weaving. The scope of audit includes "Manufacture of Woven Greige Fabrics and Processed Yarns".

The manufacturing of Texturized, Flat Polyester Filament, Polyester Partially Oriented Yarn (POY) and Fully Drawn Yarn (FDY) at Jolva are also ISO 9001:2000 certified by BVQI.



### Energy, Technology and Foreign Exchange

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

### Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with Rule 2 of the Companies (Particulars of Employees) Rules of 1975, as amended, names and other particulars of the employees are set out in the annexure to the Directors Report.

Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. Any member interested in obtaining such particulars may write to the Company Secretary of the Company.

The aforesaid Annexure is also available for inspection of Members at the Registered Office of the Company, 21 days before the Annual General Meeting and up to the date of the ensuing Annual General Meeting during business hours on working days.

### Insurance

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

### Cash Flow Analysis

The Cash Flow Statement for the year under reference in terms of clause 32 of the Listing Agreement with the stock exchanges forms part of the Annual Report.

### Corporate Social Responsibility

During the year under review, your Company continued various economic activities combined with the fulfillment of its social responsibilities for the communities it operates in and undertook various initiatives in the area of welfare, environment conservation, education, health and empowerment, across its operations.

### Cautionary Statement

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

### Acknowledgement

The Directors wish to place on record their appreciation for the continued support and co-operation extended to your Company by Banks, Financial Institutions, Customers, Suppliers, Government Authorities, Regulatory authorities and other stakeholders. Your Directors are thankful to the esteemed shareholders for their continued support and the confidence reposed in the Company and its Management.

Your Directors also acknowledge the support extended by all the employees for their dedicated service.

**For and on behalf of the Board**

**Praful A. Shah**  
**Chairman & Managing Director**

Surat, 28th May, 2014.

## ANNEXURE TO THE DIRECTORS' REPORT

## Annexure 'A'

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

**I. CONSERVATION OF ENERGY**

- (a) The Company continued to give major emphasis for conservation of energy, and the measures taken during the previous years were continued. The efficiency of energy utilisation in each manufacturing unit is monitored at the corporate level every quarter, in order to achieve effective conservation of energy.

Some of the measures undertaken in this direction during the year under review were as under:

- In Thermal Power Plant, variable frequency drives installed for Fans and Feed water pumps for speed control and reduce energy losses.
  - The Generation pressure of HP Air Compressors reduced by optimising the air pressure on spinning machines.
  - Optimised use of CPF ovens for heating of pack filters.
  - Average quench air temperature in Spinning Plant is increased from resulting in less chilling requirement.
  - The static pressure in Quench Duct of Spinning Plant is reduced by optimising process parameters leading to reduction in quench fan power consumption.
  - Interconnection of Spinning A/B cooling water system with Spinning C resulted in optimum utilisation of system.
  - Less regenerations in DM plant due to use of RO water leading to less requirement of DM plant chemicals.
  - Impellers replaced in HP Cooling water pumps to reduce power consumption.
- (b) Additional investments and proposals, if any, being implemented by the Company for reduction of consumption of energy
- Installation of Vapour Absorption Machine (VAM) in CP 4/5 for Utilisation of Vapour generated in CP Plant at esterification stage.
  - In PFY Division, Area conventional copper chokes of Tube Lights being changed with electronic chokes.
  - Power Saving in LP Air Compressor by reducing the pressure drop across the chilled water dryer / Heat Exchanger.
  - Installation of Third Chipper in CP 2 plant to reduce polymer waste generation.
  - Installation of efficient Induced draft fan in Coal Heater of CP 4/5 to reduce power consumption.
  - Process Optimisation done to use lower slurry mole ratio CP plant to reduce heat load.
  - Optimising use of number of Pack Pre Heaters.
- (c) Impact of the above measures for reduction of energy consumption and consequent impact on cost of production of goods:
- Lower energy consumption with consequent reduction in the cost of production.
  - Customers' satisfaction and new business opportunities because of competitive costs and better quality.
- (d) Total energy consumption and energy consumption per unit of production as per prescribed Form-A given hereunder.

**Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company:

The R & D efforts of the Company are directed towards the following:

- New products such as cationic-based yarns, dope-dyed products, microfilament and fine-denier yarns were also developed.
- Bi Shrinkage Yarn and Mother Yarn were developed.
- Various products in coloured yarns and low temperature dyeing yarns were developed.
- Introduced silica-dosed chips for the polyester film industry and reintroduced full dull chips and master batch chips.
- Various new shades in dope dyed yarn were developed.
- Numerous new textured, air textured yarn, draw warped yarns, lycra yarns on DTY machines etc. developed.

## ANNEXURE TO THE DIRECTORS' REPORT

2. Benefits derived as a result of above efforts:
  - Opening up avenues for more business in future including export markets.
  - Customers' satisfaction and new business opportunities because of competitive costs and better quality.
3. Future plan of action:
  - (a) Adoption of technology for coal base power generation.
  - (b) Purchase of power from grid under open access regulations.
  - (c) Energy optimisation for process plants.
  - (d) Upgradation of new variants of existing products.
  - (e) Development of new products and processes.
  - (f) Further improvement in the Quality of Products and Processes.
4. Expenditure on R & D:
  - (a) The Company, from time to time, exposes itself to better technology and keeps itself abreast of technological improvements. Research and Development is carried out by the concerned departments in-house.
 

(i) Capital Expenses	Nil	
(ii) Recurring expenses	Nil	
(iii) Total	Nil	
(iv) Total R & D expenditure as a % of total turnover	Not applicable.	

**(PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956)****FORM – A (SEE RULE 2)****Form for disclosure of particulars with respect to conservation of energy**

	<b>Year ended 31st March, 2014</b>	Year ended 31st March, 2013
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. Electricity</b>		
<b>(a) Purchased Unit in Lacs</b>	<b>680.50</b>	711.39
Total amount ₹ in Lacs.	<b>3333.17</b>	4307.76
Rate / Unit (₹)	<b>4.90</b>	6.06
<b>(b) Own Generation</b>		
i. Through Generator HFO/ LDO/ HSD Based		
Units in Lacs	<b>9.58</b>	59.94
Unit per Ltr. of Diesel/ HFO/ LDO/HSD	<b>2.92</b>	3.36
Consumption Cost/Unit (₹)	<b>15.34</b>	12.84
ii. Through Generator Gas Base		
Units in Lacs	<b>284.27</b>	1081.97
Unit per SCM of Gas Consumption	<b>3.87</b>	4.00
Cost/Unit (₹)	<b>9.18</b>	7.58
iii. Through Generator Thermal base		
Units in Lacs	<b>1813.02</b>	1172.93
Unit per SCM of Gas Consumption	<b>0.81</b>	0.88
Cost/Unit (₹)	<b>4.59</b>	3.92
<b>2. Coal/Lignite for Generation of Steam</b>		
Usage in Boilers and Thermopack, Quality used "C" Grade		
Quantity (M.T.)	<b>236672.50</b>	89389.31
Total Cost ₹ in Lacs	<b>8696.97</b>	3122.34
Average rate ₹/M.T.	<b>3674.69</b>	3492.97
<b>3. Furnace Oil</b>		
Quantity (K.Lts.)	<b>Nil</b>	Nil
Total Amount	<b>Nil</b>	Nil
Average rate ₹/Lts.	<b>Nil</b>	Nil

## ANNEXURE TO THE DIRECTORS' REPORT

	Year ended 31st March, 2014	Year ended 31st March, 2013
<b>4. Others/Internal generation</b>		
Quantity	Nil	Nil
Total Cost	Nil	Nil
Rate / Unit (₹)	Nil	Nil
<b>B. POWER AND FUEL CONSUMPTION</b>		
<b>Vareli Division</b>		
Electricity (Unit)	<u>Mts./Kg.</u>	<u>Mts./Kg.</u>
Product:		
Grey Fabrics	0.31	0.31
Finished Fabrics	0.36	0.36
Warp Draw Yarn	1.81	1.64
Furnace Oil	Nil	Nil
<b>Jolwa Division</b>		
Electricity (Unit)		
Product:		
PFY	1.11	1.06
Chips	0.15	0.14
Furnace Oil	Nil	Nil
Coal / Lignite	Nil	Nil

**II. TECHNOLOGY ABSORPTION:**

Technology Absorption, Adaptation & Innovation

- (i) Efforts in brief, made towards technology absorption, adaptation and innovation
  - Installation of Coal Based Heater in place of NG based heater for Spinning and batch Poly Plant heating.
  - Development of Sparkling rectangular yarns on 24 and 16 ends technology.
  - Production of R-4 Silica Chips in CP.
- (ii) Benefits derived as a result of above efforts
  - Cost reduction leading to improvement in capacity utilisation and new markets opening up.
- (iii) Future Plan of Action
  - Adoption of technology for coal base power generation.
  - Recycling of condensate water from HVACs to reduce water consumption.
- (iv) In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished:
  - (a) Technology imported : Nil
  - (b) Year of import : Not Applicable
  - (c) Has the technology been fully absorbed? : Not Applicable
  - (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action. : Not Applicable

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO**

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:  
The Company continues to focus on enhancing its ability for value addition through technology upgradation – for existing and new customers in varied business sectors. The Company was successful in exporting Polyester Chips, POY, DTY, FDY to various countries. During the year your Company achieved export sale FOB value of ₹ 335.91 crores.
2. Total foreign exchange used and earned is contained in Note 29.4 and Note 31 in the notes to the financial statements.

## CORPORATE GOVERNANCE REPORT

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

**A. MANDATORY REQUIREMENTS****1. Company's Philosophy on Code of Governance**

The corporate governance philosophy encompasses regulatory and legal requirements, such as the terms of listing agreements with stock exchanges which aims at a high level of business ethics, effective supervision and enhancement of value for all stakeholders.

The philosophy on corporate governance is an important tool for shareholder protection and maximisation of their long-term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability etc. serve as the means for implementing the philosophy of corporate governance in letter and spirit.

**2. Board of Directors****(a) Board Composition and Category of Directors**

The Board consists of optimal combination of Executive Directors and Non-Executive Directors,

and is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges. The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operates under the supervision and control of the Board.

As on 31st March, 2014 the Board comprises of eleven directors including four Whole-time Directors. The Board has seven Non-Executive Directors including a Nominee of LIC of India. The Non-Executive Directors are having diverse backgrounds with considerable professional proficiency, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as member of the Board.

The Independent and Non-Executive Directors do not have any material pecuniary relationship with the Company.

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

The names and categories of Directors, the number of Directorship and Committee position(s) held by them in the companies, meetings attended by them and other relevant particulars are given below:

Name and Designation of Directors	Category	No. of Board Meeting attended	Whether attended last AGM held on 11.09.2013	No. of Other Directorship(s)**	No. of Membership(s) /Chairmanship(s) of Board Committees in other Companies#	Share-holding
Shri Praful A. Shah Chairman & Managing Director	Promoter	5	Yes	7	-	2789190
Shri Alok P. Shah Joint Managing Director	Promoter	4	Yes	7	-	754671
Shri Sanjay S. Shah Executive Director	Promoter	4	Yes	2	-	824660
Shri Suhail P. Shah Executive Director	Promoter	6	Yes	7	-	496685
Shri Rajen P. Shah Non-Executive Director	Promoter	4	Yes	-	-	959198
Shri J. P. Shah Independent Director	Non-Promoter	1	Yes	-	-	6595
Shri Yatish Parekh Independent Director	Non-Promoter	5	Yes	-	-	0
Shri A. N. Jariwala Independent Director	Non-Promoter	5	Yes	1	-	0



Name and Designation of Directors	Category	No. of Board Meeting attended	Whether attended last AGM held on 11.09.2013	No. of Other Directorship(s)**	No. of Membership(s) /Chairmanship(s) of Board Committees in other Companies#	Share-holding
Shri Sunil S. Sheth Independent Director	Non-Promoter	5	Yes	–	–	0
Shri Madanlal Lankapati Independent Director	Non-Promoter	--	No	–	–	150
Shri Anjan Mukherjee Independent Director (Nominee of LIC) *	Non-Promoter	1	No	–	–	0
Shri H. C. Mishra Independent Director (Nominee of LIC) *	Non-Promoter	5	Yes	–	–	0

\* Life Insurance Corporation of India has nominated Mr. H. C. Mishra on the Board of our Company in place of Mr. Anjan Mukherjee with effect from 20th June, 2013, on expiry of his tenure.

\*\* The Directorships held by Directors as mentioned above, do not include Alternate Directorships and Directorships in Foreign Companies, Section 25 Companies and Private Limited Companies.

# In accordance with Clause 49, Memberships / Chairmanships of only the Audit Committees and Shareholders' / Investors' Grievance Committees in all Public Limited Companies (excluding Garden Silk Mills Limited) have been considered.

Independent director means a director defined as such under Clause 49 of the Listing Agreement. Nominee Director appointed by institutions has been deemed to be independent director as per regulatory clarifications.

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

In terms of the listing agreement, none of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees (Committees being, Audit Committee and Investors' Grievance Committee) across all the companies in which they are Director. All the Director have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than fifteen public companies.

**(c) Meetings of the Board**

During the financial year 2013-14 the Board of Directors met six times on 31st May 2013; 14th August 2013; 11th September 2013; 12th November 2013; 11th February 2014 and 19th March 2014. The gap between any two Board Meetings did not exceed four months.

**(d) Board Meeting Procedures**

The agenda papers containing all the information relevant for discussions at the meeting are sent to the directors in advance so that each director have enough time for a meaningful discussion at the Board Meetings. Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the Listing Agreement. The required information as enumerated in Annexure I A

to Clause 49 of the Listing Agreement are regularly made available to Board of Directors for discussion and consideration at Board Meetings.

**Code of Conduct**

In Compliance with Clause 49(I)(D) of Listing Agreement, the Company has adopted a code of conduct for Board Members and the Senior Management Personnel. Further, all the Board members and senior management personnel (as per Clause 49 of the Listing Agreement) have affirmed the compliance with the respective Code of Conduct. A declaration to this effect signed by the Managing Director (CEO) forms part of this report. The code of conduct is available on the website of the Company at [www.gardenvareli.com](http://www.gardenvareli.com).

**3. Board Committees**

In compliance with the Listing Agreement (both mandatory and non-mandatory) and the SEBI Regulations, the Board has constituted a set of committees with specific terms of reference and scope to deal with specified matters expediently. The details of the committees constituted by the Board are given below.

**a) Audit Committee**

Your Company has an Audit Committee at the Board level which acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process.

The role and terms of reference of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act 1956 and amended Section 177 of the Companies Act, 2013.

**Terms of reference**

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement entered into with the stock exchanges and include the following:

**Duties/ Powers/ Responsibilities:**

- Recommendation for appointment, reappointment and terms of appointment of Auditors of the Company.
- Review and monitor auditor's independence and performance and effectiveness of Audit Process.
- Examining Financial Statement and Auditors' report thereon.
- Approval/Subsequent modification of transaction of the Company with related parties.
- Scrutiny of inter corporate loans and investments.
- Valuation of undertakings and assets of the Company.
- Valuation of internal financial control and risk management systems.
- Monitoring the end use of funds raised through public and related matters.

**Call for Comments of the Auditors:**

The Audit Committee may call for the Comments of the Auditors about internal control systems, the scope of Audit, including observations and review of financial statements before their submission to the Board and any related issues with internal and statutory auditors and management of the Company.

**Meetings held:**

The Committee met 4 times during the year on 30th May 2013; 14th August 2013; 12th November 2013 and 11th February 2014.

**Composition and Attendance:**

The composition of the Audit Committee and attendance of the Members at the Meetings were as follows.

Name of Director	Status	No. of meetings attended
Shri Arunchandra N. Jariwala	Chairman	4
Shri Yatish C. Parekh	Member	3
Shri Rajen P. Shah	Member	2
Shri Sunil S. Sheth	Member	4

At the invitation of the Company, Senior Vice President - Finance, heads of Internal Audit Departments, cost auditor also attended the Audit Committee meetings to respond to queries raised at the Committee meetings. The Chairman of the Audit Committee briefs the Board members about the significant discussions at Audit Committee meetings. Minutes of the Audit Committee Meetings are circulated to the Members of the Board of Directors and taken note of. The Company Secretary acts as Secretary to the audit committee.

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise. The composition of the Committee is in conformity with Clause 49 (II) (A) of the Listing Agreement.

**Internal Audit:**

The Company's Audit Committee, inter alia, reviews the adequacy of internal audit function, reviews the internal audit reports including those related to internal control weaknesses and reviews the performance of the Corporate Audit Department. The Audit Committee is provided necessary assistance and information to carry out their function effectively.

**b) Share Transfer & Shareholders' / Investors' Grievances Committee**

The shareholders' and Investors' Grievance Committee of the Company reviews matter related Grievances of shareholders and investors. The Committee primarily focuses on review of cases relating to transfer, transmission of shares, issue of duplicate shares, monitors expeditious redressal of investors' grievances, instances of non-receipt of Annual Report and declared dividend, and all other matters related to shareholders. The Committee also reviews the Report presented by Share Transfer Agents of the Company.

To expedite the transfer in the physical segment, the Board of Directors have delegated the powers to approve share transfers, transmission and consider split/consolidation requests to the Share Transfer Committee. The Committee consists of four members: Shri Yatish Parekh, who is Chairman of the Committee. Shri Rajen P. Shah, Shri A. N. Jariwala and Shri Sanjay Shah are the other three members. The Company Secretary acts as Secretary to the committee and is also the compliance officer.

During the financial year 2013-14, all the transfers of shares have been done within stipulated period. The Share Transfer Agent/ Company has timely resolved/attended all the 269 complaints received during the year 2013-14 and no complaint or grievance remains unattended / unresolved at the year-end.

### c) Remuneration Committee

The Remuneration Committee has been constituted to recommend/review remuneration of the Managing Director and Whole-time Directors, based on their performance and defined assessment criteria.

The Remuneration Committee comprises three Non-Executive Independent Directors namely Shri A. N. Jariwala, Shri Yatish Parekh and Shri Sunil Sheth.

During the year 2013-14, one meeting of the Remuneration Committee was held on 30th May, 2013. All the members of the Committee attended the meeting.

#### Remuneration Policy:

##### Managing Director and Executive Directors

The remuneration is recommended by the Remuneration Committee based on criteria such as industry benchmarks, the Company's performance vis-à-vis the industry, responsibilities shouldered, performance / track record etc. and is decided by the Board of Directors. The Board, on the recommendations of the Remuneration Committee, approves the annual increments.

Within the prescribed ceiling, the perquisites package is recommended by the Remuneration Committee to the Board. Commission is calculated with reference to the net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Remuneration Committee, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956 and amended Section 197 of the Companies Act, 2013.

Payment of remuneration to the Chairman & Mg. Director, Joint Mg. Director and Executive Directors is governed by the respective agreements executed between them and the Company and are governed by Board and shareholders' resolutions. The remuneration

structure comprises of salary, commission, perquisites and allowances and retirement benefits.

### Non Executive Directors

The Non-Executive Directors are paid sitting fees @ ₹10,000 per meeting of the Board and Audit Committee and ₹1,000 per meeting for other meetings.

Details of remuneration paid/payable to Directors for the year ended 31st March, 2014

(Amount in ₹)

Name of Director	Salary & Perquisites	Sitting fees	Commission
Shri Praful A. Shah	1,40,80,201	Nil	Nil
Shri Alok P. Shah	2,69,08,038	Nil	Nil
Shri Suhail P. Shah	1,43,92,103	Nil	Nil
Shri Sanjay S. Shah	14,40,000	Nil	Nil
Shri Rajen P. Shah	Nil	69,000	Nil
Shri J. P. Shah	Nil	10,000	Nil
Shri Yatish Parekh	Nil	1,01,000	Nil
Shri A. N. Jariwala	Nil	1,11,000	Nil
Shri Sunil S. Sheth	Nil	1,01,000	Nil
Shri Madanlal Lankapati	Nil	Nil	Nil
Shri Anjan Mukherjee (upto 10.06.2013)	Nil	10,000	Nil
Shri H. C. Mishra (w.e.f. 20.06.2013)	Nil	50,000	Nil
<b>Total</b>	<b>5,68,20,342</b>	<b>4,52,000</b>	<b>Nil</b>

### d) Other Committees of Directors

#### Management Committee of the Board

In addition to the above Committees, the Board of Directors has constituted a committee of Directors namely, Management Committee consisting Executive and Non-Executive Directors. The terms of reference *inter alia* comprises periodical review of the ongoing capital expenditure and the investments made by the Company, to examine new proposals for investment and to formulate the future strategic direction and business development of the Company.

During year, the Committee held 4 meetings on 3rd April, 2013; 31st July, 2013; 23rd September, 2013 and 24th December, 2013. However, between two meetings discussions are held, as and when required, among the Committee members and decisions are taken in all matters coming within the Committee's purview.

#### 4. Subsidiary Companies

Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

As on 31st March, 2014, the Company has no such material non-listed subsidiary.

#### 5. Disclosures

##### Related Party Transactions

During the financial year 2013-14 there were no materially significant transactions entered into between the Company and its promoters, directors or the management or relatives etc. that may have potential conflict with the interests of the Company at large. Your Company places all the relevant details as applicable before the Audit Committee.

##### Disclosure of accounting treatment in preparation of Financial Statement

Your Company has followed the relevant Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) and The Companies (Accounting Standards) Rules 2006 in preparation of its financial statements.

##### CEO/CFO Certification

The Managing Director and the Joint Managing Director have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2014.

##### Risk Management

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.

##### Proceeds from Public Issue / Rights Issue / Preferential Issue

##### Allotment of Shares:

As per the terms of issue and in accordance with the provisions of SEBI (ICDR) Regulation, 2009, consequent to the rights of conversion exercised by the warrant holders, the Board of Directors of the Company at its

meeting held on 19th March, 2014 allotted 1842105 equity shares of ₹10/- each at a premium of ₹ 28/- per share in favour of Praful Amichand Shah, Partner of M/s. Isha Enterprises, the promoter and/or promoter group of the Company.

Further, as per the terms of issue and in accordance with the provisions of SEBI (ICDR) Regulation, 2009, the management committee of Board of Directors of the Company at its meeting held on 23rd September, 2013 allotted 1487147 OCCPS of ₹ 10/- each at a premium of ₹ 37.07 each in favour of Praful Amichand Shah, Partner of M/s. Isha Enterprises, the promoter and/or promoter group of the Company.

##### Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authority on all matter related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by these authorities.

#### 6. Insider Trading Policy

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations 1992, (as amended from time to time) and to preserve the confidentiality and prevent misuse of unpublished price sensitive information, the Company has adopted an Insider Trading Policy for Directors and Designated Persons (Directors, Advisers, Officers and other concerned employees/persons) of the Company, relating to dealing in the shares of the Company. This policy also provides for periodical disclosures from employees as well as pre-clearance of transactions by such persons.

#### 7. Details of General Body Meetings

The last three Annual General Meetings of the Company were held at Registered Office at Sahara Gate, Surat 395 010 as under:

Financial Year	Date	Time
2010-11	20/09/2011	11.00 a.m.
2011-12	26/09/2012	11.00 a.m.
2012-13	11/09/2013	11.00 a.m.

No Special Resolution was passed at the Annual General Meetings held on 29/09/2011. Two Special Resolutions were passed at the Annual General Meeting held on 26/09/2012 and Three Special Resolutions were passed at the Annual General Meeting held on 11/09/2013.

#### 8. Approval of Members through Postal Ballot:

No special resolution was passed last year through postal ballot.

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### 9. Means of Communication

- (a) The Quarterly results are submitted to the Stock Exchanges in accordance with the Listing Agreement and published in widely circulated newspapers Economic Times, Financial Express, Business Standard, Mumbai edition and Indian Express, Baroda edition and Sandesh and Dhabkar, Surat edition. The financial results are displayed on Company's web-site www.gardenvareli.com.
- (b) As per the requirements of Clause 52 of the Listing Agreement, all such information, statements and reports as required are being filed on the www.corpfilng.co.in / Corporate Filing and Dissemination System (CFDS) portal.
- (c) Management Discussion & Analysis forms part of the Annual Report.

### 10. General Shareholders' Information

#### Annual General Meeting:

**Date and Time** : Wednesday, 30th July, 2014 at 11:00 a.m.

**Venue** : At Bella Mill Compound, Outside Sahara Gate, Surat 395 010

**Financial year** : April to March

**Book Closure Date** : Tuesday, 22nd July, 2014 to Wednesday, 30th July, 2014 (both days inclusive)

**Listing on Stock Exchanges:** The Company's Equity Shares are listed on the following stock Exchanges:

- (1) The Ahmedabad Stock Exchange Limited (ASE),
- (2) The Bombay Stock Exchange Limited (BSE)
- (3) National Stock Exchange of India Limited (NSE).

The Company has paid the Annual Listing fee for the year 2014-15.

As on 31st March, 2014, there were 74036 shareholders of the Company.

#### Stock Code:

The Ahmedabad Stock Exchange Limited (Physical Segment) 18350

The Bombay Stock Exchange Limited (Physical Segment) 155

The Bombay Stock Exchange Limited (Demat Segment) 500155

National Stock Exchange of India Limited GARDENSILK(EQ)

**Demat ISIN in NSDL and CDSL for Equity Shares** INE526A01016.

**Corporate Identity Number (CIN):** L17111GJ1979PLC003463

#### Market Price Data:

(in ₹)

	Bombay Stock Exchange		National Stock Exchange	
	High	Low	High	Low
April 2013	53.30	48.00	53.00	48.00
May 2013	50.00	48.00	54.30	48.00
June 2013	48.00	40.50	48.00	40.50
July 2013	45.50	37.00	43.95	36.05
August 2013	37.50	31.20	40.00	31.20
September 2013	38.00	31.00	37.80	31.00
October 2013	51.30	32.30	51.75	32.50
November 2013	40.80	36.00	41.20	36.00
December 2013	40.10	33.80	40.00	33.75
January 2014	50.90	37.00	50.90	37.15
February 2014	38.50	33.50	39.75	33.65
March 2014	42.85	33.60	43.00	32.15

#### Share Transfer Process:

Your Company's Shares are traded compulsorily in electronic form and the Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shares in physical form which are lodged for transfer are processed by the Registrar & Share transfer agent.

The Transfer Committee constituted for transfer/transmission of shares, issue of duplicate shares, demat/remat request and allied matters considers and approves the share transfer once in fortnight subject to transfer instrument being valid and complete in all respects. Bad deliveries if any, are promptly returned to Depository Participants (DP's) under advice to the shareholders. The Share Transfer Committee meets every fortnight.

The Company obtained certificates from Company Secretary in Practice for compliance of share transfer formalities as per the requirement of Clause 47(c) of the Listing Agreement on half yearly basis. The Company also carried out quarterly Secretarial Audit for the reconciliation of Share Capital regularly.



**Category of Shareholders as on 31st March, 2014:**

Category	Shareholding	
	No. of shares	Percentage
Promoters	23696270	59.04
Mutual Funds & UTI	12100	0.03
Banks, Financial Institutions & Insurance Companies.	1100	0.00
FII's	16215	0.04
Foreign Financial Institutions	0	0.00
Private Bodies Corporate.	3693212	9.20
NRIs	4013537	10.00
Indian Public	8661328	21.59
Others:		
Clearing Members	38213	0.10
Trust	690	0.00
<b>Total</b>	<b>40132665</b>	<b>100.00</b>

**Distribution of shareholding as on 31st March, 2014:**

Sr. No.	Range of Holding	No. of Shareholders	% to Shareholders	No. of Shares	% to Capital
1	Upto 5000	73890	99.80	5774169	14.39
2	5001 – 10000	67	0.09	516533	1.29
3	10001 – 20000	33	0.04	459306	1.14
4	20001 – 30000	7	0.01	176314	0.44
5	30001 – 40000	1	0.00	35979	0.09
6	40001 – 50000	2	0.00	98711	0.25
7	50001 - 100000	11	0.02	764214	1.90
8	100001 and above	25	0.04	32307439	80.50
<b>Total</b>		<b>74036</b>	<b>100.00</b>	<b>40132665</b>	<b>100.00</b>

**Dematerialisation of shares and Liquidity:**

The status of Dematerialisation as on 31st March, 2014 is as under:

Segment	No. of Shares	%	No. of holders	%
Physical	3684635	9.18	47306	63.90
Electronic form with NSDL	31467456	78.41	20876	28.20
Electronic form with CDSL	4980574	12.41	5854	7.90
<b>Total</b>	<b>40132665</b>	<b>100.00</b>	<b>74036</b>	<b>100.00</b>

The Company's Equity Shares are regularly traded on the Bombay Stock Exchange Limited and on The National Stock Exchange of India Limited.

**Nomination:**

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in case of death of the registered shareholder(s). Nomination facility in respect of shares held in electronic form is also available with the depository

participants as per the by-laws and business rules applicable to NSDL and CDSL.

**National Electronic Clearing Service (NECS):**

Company is providing facility of "National Electronic Clearing Services" (NECS) for payment of dividend to shareholders. Shareholders holding shares in physical form are requested to provide details of their bank account for availing NECS facility. However, if the shares are held in dematerialised form, the NECS mandate has to be communicated to the respective Depository Participant (DP). Changes, if any, in the details furnished earlier may also be communicated to the Company or DP, as the case may be.

**Locations of Manufacturing Facilities:****Vareli Complex**

Village Vareli, Taluka Palsana, Dist. Surat 394 327, Gujarat  
Tel.: (02622) 271241-47.

**Jolwa Complex**

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

**Registrar and Transfer Agents:**

Members are requested to correspond with the Company's Registrar and Transfer Agents Karvy Computershare Private Limited quoting their folio no. at the following address:

**Karvy Computershare Private Limited**

Unit: Garden Silk Mills Limited Tel : 040-44655000  
Plot No.17 to 24, Vittalrao Nagar, Fax : 040-23420814  
Madhapur, Hyderabad 500 081 e-mail : einward.ris@karvy.com  
Website : www.karvy.com

**Address for Correspondence:** Garden Silk Mills Limited,  
Tulsi Krupa Arcade, 1st Floor,  
Near Aai Mata Chowk,  
Puna-Kumbharia Road,  
Dumbhal, Surat 395 010

**Investor Grievances:**

The Company has an exclusive e-mail id viz. shareddepartment@gardenvareli.com to enable investors to register their complaints, if any.

**Unclaimed Dividends:****Transfer to General Revenue Account**

Pursuant to Section 205A(5) of the Companies Act, 1956 amended Section 123 of the Companies Act, 2013, all unclaimed / unpaid dividend up to the financial year ended 30th June 1994 have been transferred to the General Revenue Account of the Central Government. Members, who have not yet en-cashed their dividend warrant(s) for the said

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period, are requested to forward their claims in the Form No.11 prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 to Office of the Registrar of Companies – Gujarat, ROC Bhavan, Opp. Rupal Park, Near Ankur Bus Stop, Naranpura, Ahmedabad 380 013.

### Transfer to the Investor Education and Protection Fund (IEPF)

Consequent upon amendment to Section 205A of the Companies Act 1956 further amended Act 2013 Section 123 and introduction of Section 205C by the Companies (Amendment) Act 1999 (“the Act”), the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the “Fund”) set up by the Government of India.

Accordingly, the dividend which had remained unpaid / unclaimed from the financial year ended 30th June 1996 to 30th June, 2006 have been transferred to the Fund.

Pursuant to Section 205A(5) of the Companies Act, 1956 Section 123 amended Act, 2013 the unpaid dividends that are due for transfer to the Investor Education and Protection Fund are as follows.

Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid dividend
2006-07	13.11.2007	12.11.2014
2007-08	23.12.2008	22.12.2015
2008-09	30.09.2009	29.09.2016
2009-10	31.08.2010	30.08.2017
2010-11	20.09.2011	19.09.2018

Members are requested to note that pursuant to Section 205(C) of the Act, no claim shall lie against the Company or the aforesaid Fund in respect of any amount of dividend remaining unclaimed / unpaid for a period of seven years from the dates they became first due for payment. Any person / member who has not claimed dividend in respect of the financial year ended 30th June, 2007 or any year thereafter is requested to approach the Company / Registrar and Share Transfer Agents of the Company for claiming the same.

### Secretarial Audit for Capital Reconciliation:

As stipulated by SEBI, a qualified practicing Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total listed capital. The audit confirms that the total issued and paid-up capital of the Company is in agreement with the aggregate of the total number of

shares in physical form and the total number of shares in dematerialised form (held with NSDL and CDSL).

### NON-MANDATORY REQUIREMENTS

The status of compliance with Non-mandatory requirement is as under:

- (1) (a) Maintenance of Non-Executive Chairman's Office - The Chairman is also the Managing Director of the Company. Hence, no requirement of separate office.
- (b) The appointment of Independent Directors in accordance with the provisions of Section 149(4) of the Companies Act, 2013 have been proposed for a period of 5 years w.e.f. 1st April, 2014, by an ordinary resolution for shareholders' approval at this AGM.
- (2) The Company has set up a remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Managing / Executive Directors, determine and recommend to the Board, compensation payable to Managing / Executive Directors.
- (3) Audit Qualifications - There are no Audit qualifications in the Company's financial statement for the year under reference.
- (4) Training of the Board Members - There is no formal policy at present for the Board members of the Company as the Members of the Board are eminent and experienced professional persons.
- (5) Mechanism for evaluating Non-Executive Board Members - Presently, the Company has not adopted any mechanism for evaluating the performance of Non-Executive Board Members.
- (6) Whistle Blower Policy - Presently, the Company has not established any formal Whistle Blower Policy.

### Depositories:

For guidance on depository services, Shareholders may write to the respective Depositories:

National Securities Depository Ltd. 4th Floor, 'A' Wing, Trade World Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013 Telephone: 91-22-24994200 Facsimile : 91-22-24976351 E-mail : <a href="mailto:info@nsdl.co.in">info@nsdl.co.in</a> Website : <a href="http://www.nsdl.co.in">www.nsdl.co.in</a>	Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Towers, 17th Floor, Dalal Street, Mumbai 400 023. Telephone: 91-22-22723333 Facsimile : 91-22-22723199 E-mail : <a href="mailto:investors@cdslindia.com">investors@cdslindia.com</a> Website : <a href="http://www.cdslindia.com">www.cdslindia.com</a>
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**General Information for shareholders:**

1. Members holding shares in physical form are requested to notify to the Company / Registrar and Transfer Agents, change in their address /Pin Code number and Bank Account details promptly by written request under the signatures of sole /first joint holder.  
  
Beneficial Owners of shares in demat form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc. directly to their DP as the same are maintained by the DPs.
2. For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
3. Shareholders are requested to keep record of their specimen signature before lodgement of shares with the Company to obviate possibility of difference in signature at a later date.
4. Investor Correspondence/ queries/ information:  
Shareholders / Beneficial Owners are requested to quote their Folio No. / DP and Client ID Nos., as the case may be, in all correspondence with the Company. All correspondence regarding shares of the Company should be addressed either to the Share Department of the Company at its Registered Office or to the Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company.
5. Shareholders can lodge their investors' complaint on E-Mail ID: [sharedepartment@gardenvareli.com](mailto:sharedepartment@gardenvareli.com).
6. Members/ Proxies/ Representatives are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
7. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
10. Shareholders holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details, ECS mandate, e-mail address, nomination, power of attorney, change of address / name etc. to their Depository Participant (DP) only and not to the Company or its Registrar and Share Transfer Agent. Any such changes effected by the DPs will be automatically reflected in the records of the Company subsequently.
11. Members are requested to note that the Company's equity shares are under compulsory demat trading for all investors. Those shareholders who have yet not dematted their shareholding from physical to demat mode are requested to do so at the earliest.
12. The members holding shares in the same name or in the same order of names, under different Folioms, are requested to notify the relevant details of the said holdings to the Registrar and Share Transfer Agents of the Company M/s. Karvy Computershare Private Limited for consolidation of their shareholding into a single folio.
13. The members desirous of getting any information about accounts and operations of the Company are requested to address their queries to the Company Secretary at least 10 days in advance of the meeting so that information required can be made readily available at the meeting.
14. The Shareholders are requested to write to the Company Secretary or to the Registrar and Share Transfer Agents regarding transfer of shares and for resolving grievances at the Registered Office.
15. Members may avail of the nomination facility as provided under Section 72 of the Companies Act, 2013.

**Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification****To the Board of Directors of Garden Silk Mills Limited**

Dear Sirs,

**Sub.: CEO / CFO Certificate**

(in accordance with provisions of Clause 49 of the Listing Agreement)

We have reviewed the financial statements, read with the cash flow statement of Garden Silk Mills Limited for the year ended 31st March, 2014 and that to the best of our knowledge and belief, we state that:

- (a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of the internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or propose to be taken for rectifying these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
  - (i) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
  - (ii) That there were no instances of significant fraud of which we have become aware

Yours sincerely,

Surat, 28th May, 2014

**Alok P. Shah**  
**Jt. Managing Director & CFO****Praful A. Shah**  
**Managing Director****DECLARATION****To the Shareholders of Garden Silk Mills Limited**

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Surat, 28th May, 2014

**For Garden Silk Mills Limited****Praful A. Shah**  
**Managing Director**

## Auditors Certificate on Compliance of Conditions of Corporate Governance

### To the Members of Garden Silk Mills Limited

We have examined the compliance of conditions of corporate governance by Garden Silk Mills Limited for the year ended 31st March, 2014 as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the stock exchanges.

The compliance of conditions of corporate governance is responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respects with the conditions of the Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
Firm Registration No. 123626W

**R. N. Vepari**  
Partner  
Membership No. 6728

Surat, 28th May, 2014

## INDEPENDENT AUDITOR'S REPORT

**To The Members of  
Garden Silk Mills Limited,****Report on the Financial Statement**

We have audited the accompanying financial statements of **Garden Silk Mills Limited** (the "Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the Act) read with the General Circular 16/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error; In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view

in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statements of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
  - e) On the basis of the written representations received from the directors as on 31st March, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms Section 274(1)(g) of the Act.
  - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under Section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
(Registration No. 123626W)

**R. N. Vepari**  
Partner

Surat, 28th May, 2014

Membership No. 6728



## ANNEXURE TO THE AUDITOR'S REPORT

Referred to in Paragraph 1 under the heading of "report on other legal and regulatory requirements" of our report of even date.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management at reasonable Intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year, and as such going concern status of the Company is not affected.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories. Discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.
3. According to the information and explanations given to us, the Company has not taken or granted any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. In our opinion, the other Clauses (iii)(b) to (iii)(d) of the Order are not applicable in the case of the Company for the current year.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventories and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in the internal control system of the Company.
5. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into, have been so entered in the Register maintained under the said Section 301.
- (b) In respect of the transaction made in pursuance of such contract or arrangements exceeding the value of Rupees Five Lacs entered into during the financial year, in respect of any party, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.
7. In our opinion and on the basis of the internal audit reports broadly reviewed by us, the Company has an internal audit system, commensurate with the size and nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956. We are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us, and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues, including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax/VAT, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax/VAT, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues were outstanding at the year end, for a period of more than six months from the date they became payable.

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(c) According to the records of the Company, the details of dues of Sales Tax / VAT and Excise Duty which have not been deposited as on 31st March, 2014 on account of disputes are given below:

Name of the statute	Nature of the dues	Amount under Dispute (₹ in lacs)	Period to which the amount relates to/ Order/ Appeal year	Forum where dispute is pending	Amount deposited against (₹ in lacs)
Central Excise Act, 1944	Penalty	35.00	1994-95	Mumbai High Court.	10.00
Central Excise Act, 1944	Excise Duty/ Service Tax*	11562.90	2005-09	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	143.13	2005-06	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	87.30	2009-11	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	114.72	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	6038.37	2013-14	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	3300.00	2013-14	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	523.07	2013-14	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	1448.98	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	157.79	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	12.88	1994-95	CESTAT, Ahmedabad	6.44
Central Excise Act, 1944	Excise Duty/ Service Tax	7.04	2010-11	Commissioner of Appeals, Surat	7.04
Central Excise Act, 1944	Excise Duty/ Service Tax*	8341.19	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	349.49	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	99.26	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	112.67	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	193.22	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	4434.31	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	2008.44	2012-13	CESTAT, Ahmedabad	-
Central Excise Act, 1944	Excise Duty/ Service Tax*	11318.04	2012-13	CESTAT, Ahmedabad	-
Gujarat Sales Tax Act, 1969	Gujarat Sales Tax	80.51	2004-05	The Joint Commissioner of Commercial Tax, Appeal (2), Baroda.	10.00

\*including penalty, wherever applicable.

10. The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. However, it has incurred cash losses both in current year as well as in the immediately preceding financial year.

11. In our opinion and according to the information and explanations furnished to us, read with Note No 6.1(d) to the financial statements, the defaults existed in payment of interest to lender banks / institutions at the Balance Sheet date amounting to ₹ 1371.77 lacs. The Company does not have any borrowing by way of debenture.
12. In our opinion and according to the explanations given to us and based on the information available, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, paragraph 4(xiii) of the Order is not applicable.
13. In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Order, are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in marketable securities and mutual funds. The Company has maintained proper records of the transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares, securities, debentures and other investments have been held by the Company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. Based on the information and explanations given to us, term loans availed by the Company during the year were applied for the purpose for which they were obtained, however, amounts remained temporarily invested, pending utilisation of the funds for the intended use.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment.
18. The Company has made preferential allotment of Share Warrants to the parties covered in the Register maintained under Section 301 of the Companies Act, 1956, based on the valuation of shares by the management, which in our opinion, is *prima facie* not prejudicial to the interest of the Company.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any monies by way of public issues during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For **Natvarlal Vepari & Co.**  
Chartered Accountants  
(Registration No. 123626W)

**R. N. Vepari**  
Partner

Surat, 28th May, 2014

Membership No. 6728

## Balance Sheet as at 31st March, 2014

Particulars	Notes	(₹ in Lacs)	
		As at 31st March, 2014	As at 31st March, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	4161.98	3829.06
Reserves and Surplus	3	21850.00	35227.68
Share Warrants	4	0.00	700.00
		<u>26011.98</u>	<u>39756.74</u>
Share Application Money Pending Allotment	5	0.00	700.00
		<u>0.00</u>	<u>700.00</u>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	6	118886.68	121093.98
Deferred Tax Liability (net)	7	0.00	3730.42
Other Long-Term Liabilities	8	758.87	726.68
Long-Term Provisions	9	529.53	540.15
		<u>120175.08</u>	<u>126091.23</u>
<b>Current Liabilities</b>			
Short-Term Borrowings	10	6419.65	7675.70
Trade Payables	11	35867.96	42514.25
Other Current Liabilities	12	13349.14	6255.48
Short-Term Provisions	13	947.32	1777.91
		<u>56584.07</u>	<u>58223.34</u>
<b>TOTAL</b>		<b>202771.13</b>	<b>224771.31</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets:			
- Tangible Assets	14(A)	124063.18	126193.32
- Intangible Assets	14(B)	113.15	173.42
- Capital Work-in-Progress	14(C)	4675.08	8682.38
		<u>128851.41</u>	<u>135049.12</u>
Non-Current Investments	15	1357.02	1357.02
Long-Term Loans and Advances	16	6590.42	8057.91
		<u>136798.85</u>	<u>144464.05</u>
<b>Current Assets</b>			
Inventories	17	32007.01	44324.95
Trade Receivables	18	14602.76	20373.07
Cash and Bank Balances	19	3197.35	3149.46
Short-Term Loans and Advances	20	14654.82	10295.38
Other Current Assets	21	1510.34	2164.40
		<u>65972.28</u>	<u>80307.26</u>
<b>TOTAL</b>		<b>202771.13</b>	<b>224771.31</b>

**Significant Accounting Policies  
Notes on Financial Statements**

As per our attached report of even date  
**For NATVARLAL VEPARI & CO.**  
Chartered Accountants  
Firm Registration No. 123626W  
**R. N. VEPARI**  
Partner  
Membership No. 6728  
Surat, 28th May, 2014

**1  
1 to 35**

For and on behalf of the Board  
**PRAFUL A. SHAH** Chairman & Managing Director  
**ALOK P. SHAH** Joint Managing Director & CFO  
**SUNIL SHETH** Director  
**KAMLESH B. VYAS** Company Secretary

Surat, 28th May, 2014

## Statement of Profit and Loss for the year ended 31st March, 2014

(₹ in Lacs)

	Notes	2013-14	2012-13
<b>Income:</b>			
Revenue from Operations (Net)	22	306662.45	369724.57
Other Income	23	1464.78	651.93
<b>Total Revenue</b>		<b>308127.23</b>	<b>370376.50</b>
<b>Expenses:</b>			
Cost of Materials Consumed	24	232473.38	295901.90
Purchases of Stock-in-Trade	25	1475.37	1616.42
Changes in Inventories of Finished Goods Work-in-Progress and Stock-in-Trade	26	9467.81	(242.98)
Employee Benefits Expense	27	8597.39	8697.24
Finance Costs	28	15821.87	14893.09
Depreciation and Amortisation Expense	14	9236.58	9354.42
Other Expenses	29	49444.62	55243.75
<b>Total Expenses</b>		<b>326517.02</b>	<b>385463.84</b>
<b>Profit/(Loss) Before Tax</b>		<b>(18389.79)</b>	<b>(15087.34)</b>
<b>Tax Expense:</b>			
Tax in respect of earlier years		(214.60)	0.00
Deferred Tax		(3730.42)	(5017.48)
<b>Profit/(Loss) After Tax</b>		<b>(14444.77)</b>	<b>(10069.86)</b>
<b>Earnings per equity share of face value of ₹10 each</b>			
<b>Basic and Diluted (in ₹)</b>	30	<b>(37.66)</b>	(26.30)
<b>Significant Accounting Policies</b>	1		
<b>Notes on Financial Statements</b>	1 to 35		

As per our attached report of even date

**For NATVARLAL VEPARI & CO.**

Chartered Accountants

Firm Registration No. 123626W

**R. N. VEPARI**

Partner

Membership No. 6728

Surat, 28th May, 2014

For and on behalf of the Board

**PRAFUL A. SHAH**

Chairman &amp; Managing Director

**ALOK P. SHAH**

Joint Managing Director &amp; CFO

**SUNIL SHETH**

Director

**KAMLESH B. VYAS**

Company Secretary

Surat, 28th May, 2014

## Cash Flow Statement for the year ended 31st March, 2014

	Year ended 31st March, 2014	Year ended 31st March, 2013
(₹ in Lacs)		
<b>A. Cash Flow from Operating Activities:</b>		
<b>Profit/(Loss) before tax</b>	<b>(18389.79)</b>	<b>(15087.34)</b>
<b>Adjustments for:</b>		
Depreciation and Amortisation Expense	<b>9236.58</b>	9354.42
Finance Costs	<b>15821.87</b>	14893.09
Interest Income	<b>(291.89)</b>	(201.22)
Net gain on sale of current investments	<b>(220.11)</b>	(350.89)
Dividend Income	<b>(0.81)</b>	(1.09)
Net surplus on disposal of fixed assets	<b>(817.84)</b>	(27.08)
Investment written off	<b>0.00</b>	0.21
	<b>23727.80</b>	23667.44
<b>Operating Profit before Working Capital Changes.</b>	<b>5338.01</b>	8580.10
(Increase) / decrease in Trade and Other Receivables	<b>1297.66</b>	(4214.78)
(Increase) / decrease in Inventories	<b>12317.94</b>	4549.38
(Decrease) / Increase in Trade and Other Payable	<b>(7284.68)</b>	8271.48
	<b>6330.92</b>	8606.08
<b>Cash Generated from Operations</b>	<b>11668.93</b>	17186.18
Direct Taxes (Paid) / Refund	<b>116.98</b>	349.23
<b>Net Cash Flow from Operating Activities (A)</b>	<b>11785.91</b>	17535.41
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	<b>(1658.08)</b>	(3325.34)
Sale of Fixed Assets	<b>940.19</b>	63.28
Purchase of Investments	<b>(28112.30)</b>	(14816.71)
Sale of Investments	<b>28332.41</b>	15167.60
Dividend Income	<b>0.81</b>	1.09
Other Loans and Advances	<b>1111.81</b>	(722.88)
<b>Net Cash Inflow from Investing Activities (B)</b>	<b>614.84</b>	(3632.96)
<b>C. Cash Flow from Financing Activities:</b>		
Issue of Share Warrant	<b>0.00</b>	700.00
0.001% Convertible Preference shares Application Money	<b>0.00</b>	700.00
Proceeds from Long-Term Borrowings	<b>7436.50</b>	29214.04
Repayment of Short-Term Borrowings	<b>(1256.05)</b>	(23562.16)
Repayment of Long-Term Borrowings	<b>(3717.75)</b>	(4947.74)
Interest and Other Finance Charges Paid	<b>(14815.56)</b>	(16473.84)
<b>Net Cash Outflow from Financing Activities (C)</b>	<b>(12352.86)</b>	(14369.70)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>47.89</b>	(467.25)
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>3149.46</b>	3616.71
<b>Cash and Cash Equivalents at the end of the year</b>	<b>3197.35</b>	3149.46

**Note:** Bank balances include unclaimed dividend ₹59.73 Lacs (Previous Year: ₹71.36 Lacs) which is not available for use by the Company as they represent corresponding unpaid dividend liability.

**Significant Accounting Policies****Note 1****Notes on Financial Statements****Note 1 to 35**

As per our attached report of even date

**For NATVARLAL VEPARI & CO.**

Chartered Accountants

Firm Registration No. 123626W

**R. N. VEPARI**

Partner

Membership No. 6728

Surat, 28th May, 2014

For and on behalf of the Board

**PRAFUL A. SHAH**

Chairman &amp; Managing Director

**ALOK P. SHAH**

Joint Managing Director &amp; CFO

**SUNIL SHETH**

Director

**KAMLESH B. VYAS**

Company Secretary

Surat, 28th May, 2014



## Notes on Financial Statements for the year ended 31st March, 2014

### Note 1 : Significant Accounting Policies

#### 1.01 Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956. The Company follows the mercantile system of accounting and recognizes Income and Expenditure on accrual basis. Accounting policies not referred to otherwise are consistent with the generally accepted accounting principles.

#### 1.02 Fixed Assets:

##### Tangible Assets

Fixed Assets are recorded at cost of acquisition or construction, net of CENVAT / VAT and include amounts added / reduced on revaluation, less accumulated depreciation. These assets have been stated at historical cost, except for the Fixed Assets which have been revalued. Borrowing costs for acquisition or construction of a qualifying asset and revenue expenses incurred, (including expenditure on test runs and experimental production) at project sites for the period prior to commencement of commercial production are capitalised as part of asset cost.

##### Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortisation.

#### 1.03 Capital Work-in-Progress

Projects under commissioning and other capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### 1.04 Impairment of Assets

The carrying amount of assets are reviewed at each Balance Sheet date in respect of Cash Generating Unit, if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's selling price and value in use.

#### 1.05 Investments

Investments classified as long-term investments are stated at cost. Provision is made to recognise decline, other than temporary, in the value of investments. Investments classified as Current Investments are carried in Financial Statements at lower of Cost and fair value, computed categorywise.

#### 1.06 Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard (AS2) on 'Valuation of Inventories' issued by the Institute of Chartered Accountants of India (ICAI) using weighted average cost method. Any item of inventory is valued at Net Realisable Value if the same is less than cost. Inventories are specifically identified, wherever possible in respect of traded goods. Inventory valuation is determined on the following basis:

- (i) Raw Materials, Stock-in-Process, Finished goods, Stores Spares & Chemicals are valued at cost or Net realisable value, whichever is lower.
- (ii) Waste is valued at net realisable value.
- (iii) By product is valued at net realisable value.
- (iv) Property under Development is valued at cost.

#### 1.07 Foreign Currency Transactions

In Practice, transactions denominated in foreign currencies are recorded at a rate for a defined set of period that approximates the actual rate of the transactions.

At each Balance Sheet date, unrealised gains or losses on foreign currency transactions on revenue account as a result of increase or decrease in rupee liability as a result of exchange difference between the Balance Sheet date conversion rate and the transaction rate are recorded to the Profit and Loss account, and accordingly, assets or liabilities are adjusted.

## Notes on Financial Statements (Contd.)

Difference between forward rate and the exchange rate at the inception of a forward contract is recognised as income or expense over the life of a contract, and any unrealised gains or losses on account of fluctuations in the exchange rate pertaining to forward contracts at the Balance sheet date are recognised in the Profit and Loss account.

### 1.08 Depreciation and Amortisation

Depreciation on the fixed assets is calculated on Straight Line Method at the rates prescribed in Schedule XIV to The Companies Act, 1956, except on the Factory Buildings and Plant & Machineries pertaining to Draw Winding & Draw Twisting section, specific Power Projects situated at Jolwa, Draw Warping & Gas Based Power Project situated at Vareli which is on Written Down Value method. Depreciation on revalued Assets is charged by dividing the unamortised depreciable amount over the residual useful life of the Assets. Depreciation on incremental cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets is provided over the residual life of the assets. Intangible asset is amortised over the useful life of the underlying asset.

### 1.09 Revenue Recognition

Revenue is recognised only when it can be reliably measured and it is reasonable to expect ultimate collection. Sales includes sale of goods, services, service tax, excise duty and sales during trial run period, adjusted for returns, discount, rate difference and Value Added Tax (VAT) on dispatch of goods to customers and gain/loss on corresponding hedge contracts. Sales also include sale of scrap, waste, rejects, empty containers etc. Dividend income is recognised when right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable.

### 1.10 Expenses

All material known liabilities are provided for, on the basis of available information / estimates.

### 1.11 CENVAT

- (i) The purchase cost of raw materials and other expenses has been considered net of cenvat available on inputs.
- (ii) The cenvat benefits attributable to acquisition / construction of fixed assets is netted off against the cost of fixed assets in accordance with the guidance note issued by The Institute of Chartered Accountants of India.

### 1.12 Excise Duty and VAT

Excise Duty is accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses and uncleared goods and the same is treated as part of the cost of respective stock as per the revised Guidance Note on Accounting treatment for Excise Duty issued by The Institute of Chartered Accountants of India. Amount of Excise Duty shown as deduction from Sales is the total Excise Duty for the year except the duty related to difference between Closing Stock and Opening Stock. Excise duty related to the difference between Closing Stock and Opening Stock is recognised separately in the Profit and Loss Account. Sales Tax / VAT payable/paid is charged to the Profit and Loss account.

### 1.13 Employees Benefits

Contributions are made to Provident Fund as per the Provident Fund Act. Contribution to Gratuity Fund are made on the basis of actuarial valuation report as at the year end. Provision for Leave encashment benefit is provided in accordance with the Accounting Standard (AS)15 "Employee Benefits" issued by the Institute of Chartered Accountants of India (ICAI).

#### (i) Short-Term Employee Benefits

All employee benefits falling due within twelve months of rendering the service are classified as short-term employee benefits. The benefits like salaries, wages, bonus, leave salary ex-gratia are recognised in the period in which employee renders the related services.

#### (ii) For Defined Contribution Plans (PF, FPF and ESI)

Contributions to Defined Contribution Plans are recognised as expenses in the Profit and Loss Account as they are incurred.

## Notes on Financial Statements (Contd.)

### (iii) For Defined Benefit Plans

As per requirement defined in Accounting Standard 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India, the entity has relied on the Actuarial valuation undertaken by the certified actuary for the present value of obligation.

### **1.14 Research and Development**

All revenue expenditure on research and development are charged to the Profit and Loss Account for the year in which they are incurred.

### **1.15 Inter-divisional Transfers**

Internal transfers of goods between departments as captive consumption are shown as contra items in the Profit and Loss Account to reflect the true economic value of the production. Any unrealised profit on unsold stock is ignored while valuing inventories.

### **1.16 Borrowing Cost**

Borrowing cost (including interest and exchange difference arising from foreign exchange borrowings) to the extent that they are regarded as the adjustments to interest costs directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of fixed assets are amortised and charged to the Profit and Loss Account, over the tenure of the loan.

### **1.17 Provision for Current and Deferred Tax**

Provision for the current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from 'timing difference' between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realisation.

## Notes on Financial Statements (Contd.)

Note 2 : Share Capital	(₹ in Lacs)	
	As at 31st March, 2014	As at 31st March, 2013
<b>Authorised</b>		
5,00,00,000 (6,00,00,000) Equity Shares of ₹10/- each	5000.00	6000.00
1,00,00,000 (0) Preference Shares of ₹10/- each	1000.00	0.00
<b>Total</b>	<b>6000.00</b>	<b>6000.00</b>
<b>Issued, Subscribed and Paid-up</b>		
4,01,32,665 (3,82,90,560) Equity Shares of ₹10/- each fully paid-up	4013.27	3829.06
14,87,147 (0) 0.001% Optionally Convertible Cumulative Preference Shares (OCCPS) of ₹10/- each fully paid-up	148.71	0.00
<b>Total</b>	<b>4161.98</b>	<b>3829.06</b>

- 2.1** As per the terms of issue and in accordance with the provisions of SEBI (ICDR) Regulation, 2009, the management committee of Board of Directors of the Company at its meeting held on 23rd September, 2013 allotted 1487147 OCCPS of ₹10/- each at a premium of ₹37.07 each in favour of Praful Amichand Shah, Partner of M/s. Isha Enterprises, the promoter and/or promoter group of the Company.
- 2.2** The OCCPS shall be converted into Equity Shares, partially or fully, in one or more tranches, at the sole option of the OCCPS holder but not in any case later than 18 (eighteen) months from the date of allotment.
- 2.3** As per the terms of issue and in accordance with the provisions of SEBI (ICDR) Regulation, 2009, consequent to the rights of conversion exercised by the warrant holders, the Board of Directors of the Company at its meeting held on 19th March, 2014 allotted 1842105 equity shares of ₹10/- each at a premium of ₹28/- per share in favour of Praful Amichand Shah, Partner of M/s. Isha Enterprises, the promoter and/or promoter group of the Company.

**2.4 Reconciliation of Equity Shares outstanding**

	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	₹ in Lacs	No. of Shares	₹ in Lacs
Balance at the beginning of the year	38290560	3829.06	38290560	3829.06
Shares issued during the year	1842105	184.21	0	0.00
Outstanding at the end of the year	<b>40132665</b>	<b>4013.27</b>	38290560	3829.06

**2.5 Reconciliation of 0.001% Optionally Convertible Cumulative Preference Shares (OCCPS) outstanding**

	As at 31st March, 2014		As at 31st March, 2013	
	No. of OCCPS	₹ in Lacs	No. of OCCPS	₹ in Lacs
Balance at the beginning of the year	0	0.00	0	0.00
OCCPS issued during the year	1487147	148.71	0	0.00
Outstanding at the end of the year	<b>1487147</b>	<b>148.71</b>	0	0.00

**2.6 Shareholders holding more than 5% of Paid-up Equity Share Capital**

	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	% of holding	No. of Shares	% of holding
Introscope Properties Pvt. Ltd.	7231996	18.02	7231996	18.89
Shri Praful A. Shah (Indl.)	2059036	5.13	2789190	7.28
Tissue Textiles (India) Pvt. Ltd.	0	0.00	2700800	7.05
IL & FS Trust Co. Ltd.	2561433	6.38	0	0.00
M/s. Rayben Investments	2492816	6.21	2492816	6.51
M/s. Palomar Textiles Ltd.	3930872	9.79	0	0.00

## Notes on Financial Statements (Contd.)

**2.7 Shareholders holding more than 5% of Paid-up 0.001% Optionally Convertible Cumulative Preference Shares (OCCPS) Capital**

	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	% of holding	No. of Shares	% of holding
Shri Praful A. Shah - (Partner of Isha Enterprises)	1487147	100.00	0	0.00

**2.8 Rights, Preferences and Restrictions attached to Shares****Equity Shares:**

The Company has two class of shares referred to as Equity Shares and Optionally Convertible Cumulative Preference Shares (OCCPS), having a par value of ₹10/- each. Each equity shareholders is entitled to one vote per share held. The dividend as and when proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting. In the event of liquidation, the Equity Shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

OCCPS holder shall have option to apply for and obtain allotment, from time to time, not later than 18 (eighteen) months from the date of allotment of OCCPS, of such number of fully paid-up equity shares of the face value of ₹10/- each ("Equity Shares") against conversion of the OCCPS in such manner and on such price, terms and conditions as determined by the Board, such that the total issue size of the preferential allotment does not exceed an aggregate value of ₹ 7.00 Crores (including, premium if any, on such Equity Shares), in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations or other provisions of the law as may be prevailing at that time.

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 3 : Reserves and Surplus</b>		
<b>Securities Premium Reserve</b>		
Balance at the beginning of the year	24198.24	24198.24
Add: Received during the year on allotment of OCCPS	551.29	0.00
Add: Received during the year on conversion of share warrants	515.80	0.00
Balance at the end of the year	<u>25265.33</u>	<u>24198.24</u>
<b>General Reserve</b>		
Balance at the beginning of the year	3632.63	3632.63
Add: Transfer from Statement of Profit and Loss	0.00	0.00
Balance at the end of the year	<u>3632.63</u>	<u>3632.63</u>
<b>Surplus in Statement of Profit and Loss</b>		
Balance at the beginning of the year	7396.81	17466.67
Add/Less: Profit/(Loss) for the year	<u>(14444.77)</u>	<u>(10069.86)</u>
Balance at the end of the year	<u>(7047.96)</u>	<u>7396.81</u>
<b>Total</b>	<u>21850.00</u>	<u>35227.68</u>
	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013

**Note 4 : Share Warrants**

Money received against share warrants	0.00	700.00
<b>Total</b>	<u>0.00</u>	<u>700.00</u>

**4.1** During the previous year, the Company had issued and allotted convertible warrants aggregating to ₹ 7.00 Crores in accordance with the SEBI (ICDR) Regulations, 2009, as amended, in favour of Promoters on preferential basis as part of the arrangement with the lenders to realign debts repayment schedules.

As per the terms of issue and in accordance with the provisions of SEBI (ICDR) Regulation, 2009, consequent to the rights of conversion exercised by the warrant holders, the Board of Directors of the Company at its meeting held on 19th March, 2014 allotted 1842105 equity shares of ₹ 10/- each at a premium of ₹ 28/- per share in favour of Praful Amichand Shah, Partner of M/s. Isha Enterprises, the promoter and/or promoter group of the Company.

## Notes on Financial Statements (Contd.)

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 5 : Application Money Pending Allotment</b>		
0.001% Optionally Convertible Cumulative Preference Shares	0.00	700.00
<b>Total</b>	<b>0.00</b>	<b>700.00</b>

5.1 During the previous year, the Company had received an Application Money of ₹ 7.00 Crores by way of Promoters' contribution for issue of 0.001% Optionally Convertible Cumulative Preference Shares (OCCPS), as part of the arrangement with the lenders to realign debts repayment schedules.

During the year, the Company made an allotment of 1487147 OCCPS equivalent to ₹ 7 Crores allotted at the issue price of ₹ 47.07 arrived in accordance with Regulation 76(1) of SEBI (ICDR) Regulations 2009 as amended from time to time.

	As at 31st March, 2014		(₹ in Lacs) As at 31st March, 2013	
	Non-Current	Current	Non-Current	Current
<b>Note 6 : Long-Term Borrowings</b>				
<b>Secured</b>				
Term Loans from banks				
Rupee Loans	109950.35	6755.31	109203.08	320.82
Foreign Currency Loans	5625.35	3042.04	8522.82	3666.90
Rupee Term Loans from financial institutions	2196.79	116.42	2247.02	0.00
	<b>117772.49</b>	<b>9913.77</b>	119972.92	3987.72
<b>Unsecured</b>				
Term Loans from foreign banks	1114.19	162.42	1121.06	162.42
	<b>1114.19</b>	<b>162.42</b>	1121.06	162.42
<b>Total</b>	<b>118886.68</b>	<b>10076.19</b>	121093.98	4150.14

## 6.1 Note on Secured Long-Term Borrowings:

- a) Term Loans from Banks and Financial Institutions are secured by first mortgage on *pari passu* basis on all immovable properties (except those specifically excluded by lenders, of Rupee Term Loans as per Note (b) below), both present and future and first charge by way of hypothecation of all movables (except book debts) both present and future subject to prior charges created/to be created in favour of Bankers for working capital borrowings.
- b) Of the Rupee Term Loans from banks:
  - i) Loans from Bank of India to the extent of ₹ 250.00 Lacs (Previous year ₹ 245.43 Lacs) are secured by hypothecation of specific machinery of Fully Drawn Yarn (FDY) Project at Jolwa.
  - ii) Loans from Bank of India to the extent of ₹ 1191.11 Lacs (Previous year ₹ 1185.74 Lacs) are secured by hypothecation of specific Building and machinery of Texturising plant and Draw Twisting plant at Jolwa.
  - iii) Term loans from ICICI Bank, Kotak Mahindra Prime Limited and Axis Bank Ltd. aggregating to ₹ 116.03 Lacs (Previous year ₹ 139.88 Lacs) under vehicle finance scheme are secured by an exclusive charge by way of hypothecation of specific vehicles purchased under the arrangements.
  - iv) Housing Loan of ₹ 643.21 Lacs (Previous year ₹ 713.92 Lacs) from ICICI Bank is secured by hypothecation of residential flat at Mumbai.
  - v) Loans from Corporation Bank to the extent of ₹ 3640.00 Lacs (Previous Year ₹ 3640.00 Lacs) are secured by hypothecation of movable fixed assets of Specific Continuous Polymerisation Project at Jolwa.
  - vi) Loan from Union Bank of India to the extent of ₹ 5248.90 Lacs (Previous Year ₹ 5248.90 Lacs) is secured by hypothecation of specific machinery of Coal Based Thermal Power Project at Jolwa.



## Notes on Financial Statements (Contd.)

- c) During the year 2011-12, the Company had entered into an arrangement with lenders to realign its principal debt repayment schedule and has secured the consent of lenders to spread its term loan repayment over a period of 8 years, after a moratorium of 2 years.
- d) As on the Balance Sheet date, the payment of interest for the month of February 14 and March 14, aggregating to ₹ 1371.77 Lacs to various lender banks / institutions were unpaid.

## 6.2 Maturity profile of Secured and Unsecured Term Loan is set out as below:

		Maturity Profile as at 31/03/2014				(₹ in Lacs)
		Rate of Interest ranged between during 31/03/2014	1-2 years	2-3 years	3-4 years	Beyond 4 years
<b>1. Secured Term Loans</b>						
Rupee Loans	8% - 13.25%		13214.97	13589.92	13551.77	69593.69
Foreign Currency Loans	8.50% - 8.55%		3042.03	2583.32	0.00	0.00
Rupee Term Loans from financial institutions	8.25% - 11.50%		232.85	232.85	232.85	1498.24
			<b>16489.85</b>	<b>16406.09</b>	<b>13784.62</b>	<b>71091.93</b>
<b>2. Unsecured Term Loans</b>						
Term Loans - from foreign banks	5.65% - 5.70%		162.42	162.42	162.42	626.93
			<b>162.42</b>	<b>162.42</b>	<b>162.42</b>	<b>626.93</b>
<b>Total</b>			<b>16652.27</b>	<b>16568.51</b>	<b>13947.04</b>	<b>71718.86</b>

		As at 31st March, 2014	As at 31st March, 2013
<b>Note 7 : Deferred Tax Liability (net)</b>			
<b>(a) Deferred Tax Liability on account of:</b>			
Difference between book value and tax written Down Value of Fixed Assets		16871.93	15865.90
<b>Total</b>		<b>16871.93</b>	<b>15865.90</b>
<b>(b) Deferred Tax Asset on account of:</b>			
Disallowances under the Income Tax Act, 1961		174.31	153.60
Provision for Diminution in Value of Investments		132.20	132.20
Carried forward tax losses		18873.99	11849.68
<b>Total</b>		<b>19180.50</b>	<b>12135.48</b>
<b>Deferred Tax Liability/(Asset) (Net) (Refer Note 7.1)</b>		<b>(2308.57)</b>	3730.42
Current year (Credit)/ Charge to the extent of liability		<b>(3730.42)</b>	(5017.48)
Current year (Credit)/ Recognised at balance amount		<b>0.00</b>	3730.42

- 7.1 The Company has unabsorbed depreciation and carried forward losses under Tax laws. In absence of virtual certainty of sufficient future taxable income, net deferred tax assets has not been recognised by way of prudence in accordance with Accounting Standard (AS) 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

## Notes on Financial Statements (Contd.)

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 8 : Other Long-term Liabilities</b>		
Trade Deposits	758.87	726.68
<b>Total</b>	<b>758.87</b>	<b>726.68</b>

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 9 : Long-term Provisions</b>		
Provision for Employee Benefits (Refer Note 27.2)	529.53	540.15
<b>Total</b>	<b>529.53</b>	<b>540.15</b>

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 10 : Short-term Borrowings</b>		
<b>Secured</b>		
Loan repayable on demand		
- Cash Credit Facilities (Refer Note 10.1)	6419.65	4327.03
Others		
- Buyers Credit (Refer Note 10.2)	0.00	3344.65
<b>Unsecured</b>		
Inter Corporate Deposits	0.00	4.02
<b>Total</b>	<b>6419.65</b>	<b>7675.70</b>

**10.1** Cash Credit facilities are part of Working Capital facilities availed from Consortium of Banks and are secured with hypothecation by way of first *pari passu* charge on all company's current assets and by way of second *pari passu* charge on immovable and all movable properties (excluding current assets) of the Company. Rate of Interest on Cash Credit facilities ranged between 11.50% to 11.80%.

**10.2** Buyers' Credit is secured by Letter of Comfort (LOC) / Undertaking (LOU) which is a part of Working Capital facilities issued by the banks. Rate of Interest on Buyers' Credit facility is ranging between 100-120 bps above the Libor at the relevant time.

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 11 : Trade Payables</b>		
Acceptances	26131.67	33549.98
Due to Micro, Small and Medium Enterprises	180.65	188.48
Others including creditors for expenses	9555.64	8775.79
<b>Total</b>	<b>35867.96</b>	<b>42514.25</b>

## Notes on Financial Statements (Contd.)

11.1 The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under:

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
Principal amount due and remaining unpaid	0.00	0.00
Interest due on above and the unpaid interest	0.00	0.00
Interest paid	0.00	0.00
Payment made beyond the appointed day during the year	0.00	0.00
Interest due and payable for the period of delay	0.00	0.00
Interest accrued and remaining unpaid	0.00	0.00
Amount of further interest remaining due and payable in succeeding years	0.00	0.00
	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 12 : Other Current Liabilities</b>		
Current Maturities of Long-term debt (Refer Note 6)	10076.19	4150.14
Interest Accrued and Due on Borrowings	1371.77	382.66
Interest Accrued but not Due on Borrowings	525.76	517.89
Unclaimed Dividends	59.73	71.36
Other Payables		
Creditors for Capital Expenditure	211.19	337.52
Payable to related parties towards purchase of fixed assets	30.00	30.00
Security Deposit	0.00	6.85
Statutory Dues - TDS and VAT	1054.18	756.70
Other Advances	20.32	2.36
<b>Total</b>	<b>13349.14</b>	<b>6255.48</b>
	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 13 : Short-term Provisions</b>		
Provision for Employee Benefits (Refer Note 27.2)	30.41	25.81
Other Provisions (Refer Note 13.1)	916.91	1752.10
<b>Total</b>	<b>947.32</b>	<b>1777.91</b>

13.1 The Company had recognised liability based on substantial degree of estimation for excise duty payable on clearance of goods lying in stock as on 31st March, 2013 of ₹ 1752.10 Lacs as per the estimated pattern of dispatches. On the analogy, provision for such liability works out to be ₹ 916.91 Lacs as on 31st March, 2014. Actual outflow is expected in next financial year.

**(48) Notes on Financial Statements (Contd.)****Note 14 : Fixed Assets**

Particulars	Gross Block				Depreciation/Amortisation				Net Block	
	As at 01/04/2013	Additions	Deductions/ Adjustments	As at 31/03/2014	As at 01/04/2013	For the Year	Deductions/ Adjustments	Upto 31/03/2014	As at 31/03/2014	As at 31/03/2013
1	2	3	4	5	6	7	8	9	10	11
<b>(A) Tangible Assets:</b>										
Freehold Land	542969	0.00	0.00	542969	0.00	0.00	0.00	0.00	542969	542969
Building	34035.31	128.03	49.00	34114.34	9607.97	1286.19	17.65	10876.51	23237.83	24427.34
Plant and Machinery	161160.86	6844.83	586.60	167419.09	66190.91	7654.73	526.40	73319.24	94099.85	94969.95
Furniture, Fixtures and Equipments	1293.91	66.54	50.55	1309.90	663.20	102.59	44.29	721.50	588.40	630.71
Office Equipments	476.16	47.12	5.89	517.39	231.47	20.24	4.17	247.54	269.85	244.69
Vehicles	1036.70	51.57	56.66	1031.61	545.76	83.48	35.19	594.05	437.56	490.94
<b>Total Tangible Assets</b>	<b>203432.63</b>	<b>7138.09</b>	<b>748.70</b>	<b>209822.02</b>	<b>77239.31</b>	<b>9147.23</b>	<b>627.70</b>	<b>85758.84</b>	<b>124063.18</b>	<b>126193.32</b>
<b>(B) Intangible Assets:</b>										
Software	581.73	29.08	0.00	610.81	408.31	89.35	0.00	497.66	113.15	173.42
<b>Total Intangible Assets</b>	<b>581.73</b>	<b>29.08</b>	<b>0.00</b>	<b>610.81</b>	<b>408.31</b>	<b>89.35</b>	<b>0.00</b>	<b>497.66</b>	<b>113.15</b>	<b>173.42</b>
<b>Total</b>	<b>204014.36</b>	<b>7167.17</b>	<b>748.70</b>	<b>210432.83</b>	<b>77647.62</b>	<b>9236.58</b>	<b>627.70</b>	<b>86256.50</b>	<b>124176.33</b>	<b>126366.74</b>
Total Previous Year	200533.88	3573.19	92.71	204014.36	68349.71	9354.42	56.51	77647.62	4675.08	8682.38
<b>(C) Capital Work-in-Progress</b>										
<b>Total</b>									<b>128851.41</b>	135049.12

**Notes:**

- Buildings include ₹ 40.59 Lacs (Previous Year ₹ 40.59 Lacs) being cost of shares relating to ownership flat in a Co-operative Society.
- Factory Building and Plant & Machineries include borrowing costs capitalised during the year aggregating to ₹ 314.65 Lacs (Previous Year ₹ 560.93 Lacs).
- Plant & Machineries include foreign currency fluctuation capitalised during the year aggregating to ₹ 336.26 Lacs (Previous Year ₹ 496.63 Lacs) in accordance with para 46A of Accounting Standards 11 relating to 'The effects of changes in Foreign Exchange Rates'.

## Notes on Financial Statements (Contd.)

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 15 : Non-current Investments</b>		
<b>Long-Term Investments (At Cost)</b>		
<b>Other Investments</b>		
<b>In Equity Shares of Associate Company - Quoted, fully paid-up</b>		
14500000 (14500000) Equity Shares of Surat Textile Mills Ltd. of ₹ 1/- each	1282.92	1282.92
<b>In Equity Shares (Unquoted, Fully paid-up)</b>		
Nil (270) Equity Shares of the Surat Art Silk Cloth Producers' Co-operative Society Ltd. of ₹10/- each	0.00	0.00
Nil (75) Equity Shares of Rayon Mills Commercial Corporation Ltd. of ₹100/- each	0.00	0.00
108 (108) Equity Shares of New Piece Goods Bazaar Co. Ltd. of ₹100/- each	1.57	1.57
Nil (1000) Equity Shares of Sheriff Textile Ltd. of ₹10/- each	0.00	0.00
50000 (50000) Equity Shares of Amitabh Bachchan Corporation Ltd. of ₹10/- each	40.00	40.00
4943832 (4943832) Equity Share of Salora Shinsung Textile Co Ltd. of ₹10/- each	549.17	549.17
100 (100) Equity Shares of Electrex India Ltd. of ₹10/- each	0.02	0.02
206667 (206667) Equity Share of Icent Ltd. of ₹10/- each	62.00	62.00
500 (450) Equity Shares of Majestic Land Developers Pvt. Ltd. of ₹100/- each	32.41	32.41
<b>In Government Securities-Unquoted</b>		
6 Years National Savings Certificate (Deposited with Sales Tax Authorities)	0.10	0.10
	1968.19	1968.19
Less: Provision for diminution in value of investments	611.17	611.17
<b>Total</b>	<b>1357.02</b>	<b>1357.02</b>
Aggregate Value of Unquoted Investments	74.10	74.10
Aggregate Value of Quoted Investments	1282.92	1282.92
Aggregate Market Value of Quoted Investments	213.15	217.50
<b>Notes:</b>		
The break up of provision for diminution in value of investments is as under:		
i) Equity Shares of Salora Shinsung Textile Co. Ltd.	549.17	549.17
ii) Equity Shares of Icent Ltd.	62.00	62.00
<b>Total</b>	<b>611.17</b>	<b>611.17</b>

## Notes on Financial Statements (Contd.)

	As at 31st March, 2014	(₹ in Lacs) As at 31st March, 2013
<b>Note 16 : Long-term Loans and Advances</b> (Unsecured and Considered Good)		
Capital Advances	5411.37	6578.30
Capital Advances to related parties (Refer Note 32)	54.32	54.32
Security Deposits	143.26	207.22
Advance Income Tax (Net of Provision for Tax)	370.73	273.11
Employee Advances	55.91	124.16
Other Loans and Advances	554.83	820.80
<b>Total</b>	<b>6590.42</b>	<b>8057.91</b>
<b>Note 17 : Inventories</b>		
Raw Materials	9317.05	12565.53
Raw Materials in Transit	1952.86	1175.30
Stock-in-Process	412.06	774.80
Finished Goods	12740.34	20596.62
Stores, Spares and Chemicals	5560.21	5104.23
Stock-in-Trade (Art & Artifacts)	1546.13	3630.11
Stock-in-Trade (Property under development )	478.36	478.36
<b>Total</b>	<b>32007.01</b>	<b>44324.95</b>
<b>Note 18 : Trade Receivables</b> (Unsecured and Considered Good)		
Outstanding for a period exceeding six months from the date they are due for payment	2098.00	1680.64
Others	12504.76	18692.43
<b>Total</b>	<b>14602.76</b>	<b>20373.07</b>



## Notes on Financial Statements (Contd.)

	(₹ in Lacs)	
	As at	As at
	31st March, 2014	31st March, 2013
<b>Note 19 : Cash and Bank Balances</b>		
<b>Cash and Cash Equivalents:</b>		
Bank Balances in :		
- Current Accounts	731.59	860.81
- Deposit Accounts (with maturity less than 12 months)	29.88	98.09
Margin Money Account	2037.31	1835.11
Cash on hand	93.56	38.81
	<u>2892.34</u>	<u>2832.82</u>
<b>Other Bank Balances:</b>		
Earmarked balances with Banks in Unpaid Dividend Account	59.73	71.36
Deposit Accounts (with maturity more than 12 months)	245.28	245.28
	<u>305.01</u>	<u>316.64</u>
<b>Total</b>	<u>3197.35</u>	<u>3149.46</u>
	(₹ in Lacs)	
	As at	As at
	31st March, 2014	31st March, 2013
<b>Note 20 : Short-term Loans and Advances</b>		
(Unsecured and Considered Good)		
Loans to employees	73.30	128.43
Advance to Suppliers	8618.78	1528.00
Security Deposits	813.31	1586.57
Deposit to Gratuity Fund	165.33	50.57
Advance Recoverable in cash or in kind or for value to be received	1506.82	2577.07
Balance with Customs, Central Excise Authorities etc.	3477.28	4424.74
<b>Total</b>	<u>14654.82</u>	<u>10295.38</u>
	(₹ in Lacs)	
	As at	As at
	31st March, 2014	31st March, 2013
<b>Note 21 : Other Current Assets</b>		
Interest Subsidy and interest Receivable	314.96	368.56
Export Incentives Receivable	440.93	1627.99
Insurance Claim Receivable	0.00	24.23
Benefits receivable against Advance License received	754.45	143.62
<b>Total</b>	<u>1510.34</u>	<u>2164.40</u>

## Notes on Financial Statements (Contd.)

	2013-14	2012-13
(₹ in Lacs)		
<b>Note 22 : Revenue from Operations</b>		
Sale of Products	333056.20	402609.12
Less: Excise Duty	26393.75	32884.55
<b>Total</b>	<b>306662.45</b>	<b>369724.57</b>

**Particulars of Sale of Products**

Chips	117289.21	191739.87
Yarn (Includes POY & Processed yarn)	190090.50	186559.56
Fabrics	21500.07	20137.06
Art and Artifacts	886.21	0.00
P.T.A.	416.13	715.00
M.E.G.	303.03	287.35
Spin Finish Oil	64.64	78.28
Others	2506.41	3092.00
	<b>333056.20</b>	<b>402609.12</b>

	2013-14	2012-13
(₹ in Lacs)		
<b>Note 23 : Other Income</b>		
Net gain on sales of current Investment	220.11	350.89
Net surplus on disposal of Fixed Assets	817.84	27.08
Interest Income	291.89	201.22
Rent Income	14.95	11.43
Credit Balances Written off	85.30	0.00
Bad Debts Recovery	9.90	28.93
Dividend Income	0.81	1.09
Miscellaneous Income	23.98	31.29
<b>Total</b>	<b>1464.78</b>	<b>651.93</b>

	2013-14		2012-13	
(₹ in Lacs)				
<b>Note 24 : Cost of Materials Consumed</b>				
Raw Materials				
Imported	20.28%	47154.96	19.55%	57847.45
Indigenous	79.72%	185318.42	80.45%	238054.45
	<b>100.00%</b>	<b>232473.38</b>	<b>100.00%</b>	<b>295901.90</b>

**24.1 Particulars of materials consumed**

P.T.A.	155261.45	202528.16
M.E.G.	57733.09	71844.50
Carbon Black Powder	275.73	0.00
Polyester Chips	4616.96	5862.87
Yarn	10703.75	12237.34
Cloth	3882.40	3429.03
<b>Total</b>	<b>232473.38</b>	<b>295901.90</b>

## Notes on Financial Statements (Contd.)

	2013-14	(₹ in Lacs) 2012-13
<b>Note 25 : Purchases of Stock-in-trade</b>		
Fabrics	1413.26	1426.79
Yarn	0.00	189.63
MEG	62.11	0.00
<b>Total</b>	<b>1475.37</b>	<b>1616.42</b>
	2013-14	(₹ in Lacs) 2012-13
<b>Note 26 : Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade</b>		
<b>Opening Stock</b>		
Finished Goods and Stock-in-trade	24226.73	24016.36
Work-in-Progress	774.80	615.72
	<b>25001.53</b>	<b>24632.08</b>
<b>Closing Stock</b>		
Finished Goods and Stock-in-trade	14286.47	24226.73
Work-in-Progress	412.06	774.80
	<b>14698.53</b>	<b>25001.53</b>
Add: Variation in Excise duty on opening and closing stock of finished goods	(835.19)	126.47
<b>Total</b>	<b>9467.81</b>	<b>(242.98)</b>
	2013-14	(₹ in Lacs) 2012-13
<b>Note 27 : Employee Benefits Expense</b>		
Salaries and Wages	7718.37	7617.52
Contribution to Provident and Other Funds	683.31	700.48
Gratuity	65.23	253.58
Staff Welfare Expenses	130.48	125.66
<b>Total</b>	<b>8597.39</b>	<b>8697.24</b>

**27.1** During the year, the Central Government granted its approval for payment of remuneration to Shri Suhail P. Shah for an aggregate amount of ₹1,43,51,960/- per annum for a period of 3 years with effect from 01/12/2012 to 30/11/2015. Further the Company has already filed an application with the Central Government seeking their approval for payment of remuneration to Shri Praful A. Shah as approved by shareholders for the period from 1st September, 2013 to 31st August, 2016. However, the actual remuneration paid to Shri Praful A. Shah during the year 2013-14 is in accordance with the provisions of Part II Section II of Schedule V to the Companies Act, 2013. The arrears if any, would be paid on receipt of approval of Central Government.

**27.2 Employee Benefits as per AS 15:**

Brief description : The type of defined benefit plans is as follows:

**Gratuity:**

The employee gratuity fund is managed by "Garden Silk Mills - Employees Gratuity Fund". The present value of obligation is determined based on actuarial valuation. The liability is fully funded.

**Leave Encashment:**

The present value of obligation for Leave encashment is determined based on actuarial valuation and is unfunded.

## Notes on Financial Statements (Contd.)

	(₹ in Lacs)			
	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
<b>A. Amounts recognised in Balance Sheet:</b>				
i. Present Value of Defined Benefit Obligation				
- Wholly Funded	2181.41	2110.39	0.00	0.00
- Wholly Unfunded	0.00	0.00	559.94	565.96
Less: Fair Value of Plan Assets	2346.74	2160.96	0.00	0.00
Amount recognised in Balance Sheet as Liability or (Asset)	(165.33)	(50.57)	559.94	565.96
ii. Amount Reflected in Balance Sheet				
- Liability	(165.33)	(50.57)	559.94	565.96
<b>B. Expenses recognised in statement of Profit and Loss:</b>				
Current Service Cost	134.69	128.01	178.91	187.77
Interest Cost	166.20	147.05	29.70	28.51
Expected return on Plan assets	(197.32)	(161.38)	0.00	0.00
Actuarial (Gain)/Loss	(38.34)	166.23	183.89	164.75
Excess Provision made in Previous Period	0.00	(26.33)	0.00	0.00
<b>Net Cost</b>	<b>65.23</b>	<b>253.58</b>	<b>392.50</b>	<b>381.03</b>

**C. Changes in present value of defined benefit obligation representing Reconciliation of opening and closing balances of fair value of Plan Assets.**

	(₹ in Lacs)			
	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
Opening value of present value of defined benefit obligation	2110.39	1797.21	565.96	485.96
Add: Current Service Cost	134.69	128.01	178.91	187.77
Add: Interest Cost	166.20	147.05	29.70	28.51
Add: Actuarial Losses/(Gains)	(112.71)	172.62	183.89	164.75
	2298.57	2244.89	958.46	866.99
Less: Benefits paid	117.16	134.50	398.52	301.03
Closing value of present value of defined benefit obligation	2181.41	2110.39	559.94	565.96

**D. Principal Actuarial Assumptions at the Balance Sheet Date (expressed as Weighted Averages)**

	(₹ in Lacs)			
	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2013-14	2012-13	2013-14	2012-13
Discount Rate (p.a.)	9.10%	8.10%	9.10%	8.10%
Expected Rate of Return on Assets (p.a.)	9.00%	8.50%	0%	0%
Rate of escalation in salary (p.a.)	9.00%	8.00%	9.00%	8.00%
Mortality		1994-96 LIC		1994-96 LIC

## Notes on Financial Statements (Contd.)

	(₹ in Lacs)	
	2013-14	2012-13
<b>Note 28 : Finance Costs</b>		
Interest Expenses	16008.69	15099.55
Other Financial Charges	753.87	901.91
Foreign Exchange Loss/(Gain)	(51.57)	127.78
	<b>16710.99</b>	16129.24
Less: Interest capitalised	314.65	560.93
Less: Interest and other financial income	574.47	675.22
<b>Total</b>	<b>15821.87</b>	14893.09
	(₹ in Lacs)	
	2013-14	2012-13
<b>Note 29 : Other Expenses</b>		
<b>Manufacturing expenses</b>		
Consumption of Stores, Spares and Chemicals	10200.18	11764.65
Power and Fuel	21074.94	24726.60
Packing Charges	5438.65	5734.02
Conversion and Processing Charges	642.46	591.15
Repairs to Machinery	1330.05	1163.81
Repairs to Buildings	234.31	151.19
Repairs - others	345.62	330.60
<b>Selling and Distribution Expenses</b>		
Commission and Discount	2793.13	2462.90
Freight, Octroi, Carting, Loading Unloading etc.	1947.49	2766.94
Advertisement	398.02	400.44
Other Selling and Distribution Expenses	346.39	351.69
<b>Establishment Expenses</b>		
General Charges	4038.13	4135.20
Insurance	233.92	235.75
Rent	238.00	169.78
Rates and Taxes	139.31	206.29
Auditors' Remuneration	23.33	21.24
Debit Balances Written off	20.69	0.91
Loss due to fire	0.00	30.59
<b>Total</b>	<b>49444.62</b>	55243.75

## 29.1 Value of Stores, Chemicals and Component Consumed

	2013-14		2012-13	
	%	₹ in Lacs	%	₹ in Lacs
Imported	51.21	5223.36	52.38	6162.05
Indigenous	48.79	4976.82	47.62	5602.60
	<b>100.00</b>	<b>10200.18</b>	100.00	11764.65

## Notes on Financial Statements (Contd.)

	2013-14	2012-13
	(₹ in Lacs)	
<b>29.2 Value of Imports on CIF basis in respect of</b>		
Raw Materials	45771.95	56920.26
Stores, Spare parts, Components and Chemicals	11878.13	10310.99
Capital goods	271.17	85.39
	2013-14	2012-13
	(₹ in Lacs)	
<b>29.3 Payment to Auditors as :</b>		
(a) Auditor:		
Statutory Audit Fees	17.50	15.55
Tax Audit Fees	3.45	2.00
(b) Certification Fees	0.80	2.19
(c) Cost Audit Fees	1.58	1.50
<b>Total</b>	<b>23.33</b>	<b>21.24</b>
	2013-14	2012-13
	(₹ in Lacs)	
<b>29.4 Expenditure in Foreign Currency</b>		
Interest Expenses	475.53	832.57
Brokerage - Export	236.76	257.60
Travelling Expenses	15.09	3.35
Overhauling & Maintenance Charges	15.23	26.04
Other Matters	34.09	90.74

**29.5 Foreign Currency Exposure**

The Company uses plain forward contracts for hedging purpose. Foreign currency Loans / ECB which are covered by full currency and interest rate swap. All the contracts are for hedging purpose only and not for any speculative purpose. Details of hedged and unhedged exposure are as under:

Particulars	Foreign Currency Denomination	2013-14		2012-13	
		Foreign Currency Amount in Lacs	Indian Rupees Equivalent in Lacs	Foreign Currency Amount in Lacs	Indian Rupees Equivalent in Lacs
<b>a. Hedged</b>					
Debtors	USD	49.33	2924.77	149.61	7879.07
Acceptances	USD	177.39	11217.88	265.93	14634.43
	EUR	0.61	52.42	0.69	49.49
	JPY	591.04	367.02	449.12	268.32
Loan Taken	USD	212.18	9943.99	356.91	16756.37
<b>b. Unhedged</b>					
Creditors	JPY	0.00	0.00	4.39	2.53
	USD	0.04	2.40	0.44	23.78
	CHF	0.02	1.11	0.02	0.93
	EUR	0.01	1.17	0.04	3.03
Acceptances	USD	18.09	1084.12	4.34	235.49
	JPY	70.87	41.15	0.18	0.10
	EUR	1.33	109.84	3.06	212.94
Loan Taken	USD	0.00	0.00	1.13	61.47

## Notes on Financial Statements (Contd.)

	2013-14	(₹ in Lacs) 2012-13
<b>Note 30 : Earnings per share (EPS)</b>		
i) Net Profit/(Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lacs)	<b>(14444.77)</b>	(10069.86)
ii) Weighted Average number of equity share used as denominator for calculating EPS	<b>38356169</b>	38290560
iii) Basic and Diluted Earnings per share (₹) (Refer Note 30.1)	<b>(37.66)</b>	(26.30)
iv) Face Value per equity share (₹)	<b>10.00</b>	10.00
<b>30.1</b> Share warrants issued during the year (Refer Note : 4.1 ) being priced at fair value, are not considered as dilutive and hence they are ignored in the computation of diluted earning per share.		

	2013-14	(₹ in Lacs) 2012-13
<b>Note 31 : Earnings in Foreign Exchange</b>		
FOB Value of Exports	<b>33591.04</b>	39274.22

**Note 32 : Related Party Disclosures**

As per Accounting Standard 18, the disclosures of transactions with the Related Parties are as given below:

**(i) List of related parties with whom transactions have taken place and relationships:**

Sr. No.	Relationships	Name of Related Party
1	Group Company	Surat Textile Mills Limited
2	Key Management Personnel	Shri Praful A. Shah Smt. Shilpa P. Shah* Shri Sanjay S. Shah Shri Alok P. Shah Shri Suhail P. Shah
3	Relatives of Key management personnel and their enterprises where transactions have taken place.	Smt. Shilpa P. Shah Smt. Sujata V. Parsai Shri V. K. Parsai Armorax Business Centre Pvt. Ltd. Como Textile Pvt. Ltd. Sorrento Textile Pvt. Ltd. Amalfi Textile Pvt. Ltd. Tissue Textile (India) Pvt. Ltd.

\* Resigned as member of the Board w.e.f. 1st May, 2012.

**(ii) Transactions during the year with Related Parties:**

Nature of Transactions	Group Company	Key management Personnel	Others	Total
Issue of Share Warrants		<b>0.00</b> (700.00)		<b>0.00</b> (700.00)
Application Money for 0.001% Convertible Preference Shares		<b>0.00</b> (700.00)		<b>0.00</b> (700.00)
Sales	<b>1476.75</b> (2224.34)			<b>1476.75</b> (2224.34)
Rent Income		<b>12.00</b> (12.00)		<b>12.00</b> (12.00)
Electric Power and Fuel Charges	<b>1073.53</b> (1144.64)			<b>1073.53</b> (1144.64)



## Notes on Financial Statements (Contd.)

Nature of Transactions	Group Company	Key management Personnel	Others	Total
Secured Loan Interest Received	<b>264.50</b> (0.00)			<b>264.50</b> (0.00)
Purchases	<b>6304.98</b> (8501.45)			<b>6304.98</b> (8501.45)
Business Center user expenses			<b>133.24</b> (125.40)	<b>133.24</b> (125.40)
Remuneration		<b>539.06</b> (695.68)	<b>25.08</b> (24.61)	<b>564.14</b> (720.29)
Professional Consultancy Fee			<b>1.45</b> (1.45)	<b>1.45</b> (1.45)
Interest expenses			<b>0.00</b> (0.48)	<b>0.00</b> (0.48)
ICD Repaid			<b>4.02</b> (0.00)	<b>4.02</b> (0.00)
Payments under Current Account.	<b>11506.36</b> (18226.11)			<b>11506.36</b> (18226.11)
Receipt under Current Account	<b>9492.55</b> (11952.97)			<b>9492.55</b> (11952.97)
<b>Balance at the beginning of the year</b>				
Payables	<b>0.00</b>	<b>77.81</b>	<b>0.09</b>	<b>77.90</b>
ICD Received	<b>0.00</b>	<b>0.00</b>	<b>4.02</b>	<b>4.02</b>
Current Account: Debit Balance	<b>1187.28</b>	<b>0.00</b>	<b>0.00</b>	<b>1187.28</b>
<b>Balance at the end of the year</b>				
Payables	<b>0.00</b>	<b>21.31</b>	<b>1.43</b>	<b>22.74</b>
ICD Received	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Account: Debit Balance	<b>277.11</b>			<b>277.11</b>

Note: Figures in bracket represent Previous Year's amount.

**Note 33 : Contingent Liabilities and Commitments****1. Contingent Liabilities**

- Disputed liabilities for Excise Duty not acknowledged as debts ₹ 50264.32 Lacs (Previous Year ₹ 41796.84 Lacs).
- Disputed liabilities for Gujarat Sales Tax not acknowledged as debts ₹ 70.51 Lacs (Previous Year ₹ 70.51 Lacs).
- Counter-guarantees to Banks against guarantees issued to third parties ₹ 24.02 Lacs (Previous year ₹ 61.75 Lacs).
- Foreign bills Discounted with Banks ₹ 2902.43 Lacs (Previous Year ₹ 5545.04 Lacs).

**2. Commitments**

Estimated amount of contracts pending on Capital Account and not provided for Rs.Nil (Previous Year Rs.Nil)

**Note 34 :** The Company has only one reportable segment viz. 'Textiles' as per Accounting Standard (AS) 17 of The Institute of Chartered Accountants of India (ICAI).

**Note 35 :** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signature to Notes 1 to 35  
As per our attached report of even date

**For NATVARLAL VEPARI & CO.**

Chartered Accountants  
Firm Registration No. 123626W

**R. N. VEPARI**

Partner

Membership No. 6728

Surat, 28th May, 2014

For and on behalf of the Board

**PRAFUL A. SHAH**

**ALOK P. SHAH**

**SUNIL SHETH**

**KAMLESH B. VYAS**

Chairman & Managing Director

Joint Managing Director & CFO

Director

Company Secretary

Surat, 28th May, 2014



## GARDEN SILK MILLS LIMITED

Registered Office: Tulsi Krupa Arcade, 1st Floor,  
Near Aai Mata Chowk, Puna-Kumbharia Road, Dumbhal, Surat 395010  
Phone (0261) 2311197/2311615 Fax 0261-2311029

Date: 28th May, 2014

### Sub.: Green Initiative

Dear Shareholder,

We value your relationship with Garden Silk Mills Limited. Thank you for all your support.

As you are aware the Ministry of Corporate Affairs (MCA) had issued Circular No. 17/2011 dated 21.04.2011 followed by Circular No. 18/2011 dated 29.04.2011 propagating "Green Initiative", by allowing paperless compliances by serving documents through electronic mode (e-mail). In response to our earlier communication, we have received good response from many of you joining hands in this initiative and registering their email ID's with the Company / Depository Participants (DP). As an enlightened corporate citizen, we would strive to continue the initiative this year also to further the cause of saving forests & propose to send all future shareholders' communication like Notices, Company's Annual Report, etc. through electronic mode.

We request and encourage you to register your e-mail address/addresses with the Company at the earliest, in case you have not registered your email id with the Company' Registrar & Transfer Agent i.e. Karvy Computershare Private Limited or with your DP. Please note that in case you have already registered your e-mail address, you are not required to re-register unless there is a change in your e-mail address.

You can also send email to [inward.ris@karvy.com](mailto:inward.ris@karvy.com) giving your email details. Kindly note that if we do not hear from you, the existing email id registered with your depository participant / the registrar & transfer agent will be used for sending you the communication(s).

Please note that you will be entitled to be furnished, free of cost, with a printed copy of the annual report of the Company and all other documents and communication that may be sent to you electronically, upon receipt of a requisition from you, as a member of the Company.

Soliciting your co-operation and continued patronage.

Thanking you,

For **Garden Silk Mills Limited**

Sd/-

**Kamlesh B. Vyas**

Company Secretary

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### Registration of Email id with the Company

The Company Secretary,  
Garden Silk Mills Limited,  
Tulsi Krupa Arcade, 1st Floor, Near Aai Mata Chowk,  
Puna-Kumbharia Road, Dumbhal,  
Surat 395010

Dear Sir,

Please register my/our email id as mentioned here in below for serving documents through electronic mode to me / us. If there is a change in the email id, I/we will promptly communicate the same to you and/or to the Depository Participant, as applicable.

E-mail id : \_\_\_\_\_

Folio No./DP ID and Client ID : \_\_\_\_\_

Name of Registered Holder : \_\_\_\_\_

Signature(s) of the Shareholder : \_\_\_\_\_



**GARDEN SILK MILLS LIMITED**

Regd. Office: Tulsi Krupa Arcade, 1st Floor, Puna-Kumbharia Road, Dumbhal, Surat 395010  
CIN: L17111GJ1979PLC003463; Website: www.gardenvareli.com  
Phone: (0261) 2311197, 2311615 Fax: (0261) 2311029

**ATTENDANCE SLIP**

**PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING HALL AND HAND IT OVER AT THE ENTRANCE**

I/We hereby record my/our presence at the 35th Annual General Meeting of Garden Silk Mills Limited held at Bella Mill Compound, Outside Sahara Gate, Surat 395010 on Wednesday, 30th July 2014 at 11.00 a.m.

Name of the Shareholder : \_\_\_\_\_

Registered Address of the Shareholder : \_\_\_\_\_

Ledger Folio No./CL ID/DP ID No. : \_\_\_\_\_

Number of shares held : \_\_\_\_\_

Name of the Proxy/Representative, if any : \_\_\_\_\_

Signature of the Member/s/Proxy : \_\_\_\_\_

Signature of the Representative : \_\_\_\_\_



**GARDEN SILK MILLS LIMITED**

Regd. Office: Tulsi Krupa Arcade, 1st Floor, Puna-Kumbharia Road, Dumbhal, Surat 395010  
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Form No. MGT-11

**PROXY FORM**

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s) : .....

Registered Address : .....

E-mail Id : .....

Folio No./Client Id : .....

DP ID : .....

I/We, being the member(s) holding ..... shares of the above named Company, hereby appoint

- Name ..... Address: .....  
..... Signature: ....., or failing him
- Name ..... Address: .....  
..... Signature: ....., or failing him
- Name ..... Address: .....  
..... Signature: ....., or failing him

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 35th Annual General Meeting of the Company, to be held on Wednesday, 30th July 2014 at 11.00 a.m. at Bella Mill Compound, Outside Sahara Gate, Surat 395010 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.		Optional *	
		For	Against
1	Consider and adopt Audited Financial Statement, Reports of the Board of Directors and Auditors.		
2	Re-appointment of Mr. Sanjay S. Shah, who retires by rotation.		
3	Mr. Sunil Sheth retiring by rotation, not seeking re-election, be not re-appointed a Director of the Company.		
4	Appointment of Auditors and fixing their remuneration.		
5	Re-appointment of Mr. Alok P. Shah as Joint Managing Director of the Company.		
6	Ratification of payment of remuneration of the Cost Auditors.		
7	Appointment of Mr. Arunchandra N. Jariwala as an Independent Director.		
8	Appointment of Mr. Yatish C. Parekh as an Independent Director.		
9	Appointment of Mr. J. P. Shah as an Independent Director.		
10	Appointment of Mr. Madanlal U. Lankapati as an Independent Director.		

Signed this ..... day of .....2014,

Signature of Proxy holder(s): \_\_\_\_\_ Signature of shareholder: \_\_\_\_\_

Affix Revenue Stamp
---------------------------

**Note:**

This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting,

\* It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.



## GARDEN SILK MILLS LIMITED

Regd. Office: Tulsi Krupa Arcade, 1st Floor,  
Puna-Kumbharia Road, Dumbhal, Surat 395010  
CIN: L17111GJ1979PLC003463; Website: www.gardenvareli.com  
Phone: (0261) 2311197, 2311615 Fax: (0261) 2311029

### BALLOT / POLL FORM

(The members who are not able to attend the Annual General Meeting can send their assent or dissent in writing in respect of the resolutions as set out in the Notice by sending the duly filled and signed Ballot / Poll Form to Mr. Kunjal Dalal, Proprietor K. Dalal & Co., Practicing Company Secretaries, (the Scrutinizer) C/o Karvy Computershare Pvt. Ltd. Unit: Garden Silk Mills Limited, Plot No.17-14, Vittal Rao Nagar madhapur, Hyderabad 500081 so as to reach him on or before 23rd July 2014)

Name	
Address	
DP Id*	
Client Id*	
Folio No.	
No. of shares held	

\*Applicable for investors holding shares in Electronic form.

I/We hereby exercise my/our vote in respect of the Ordinary Resolution(s) / Special Resolution(s) as specified in the Notice of Garden Silk Mills Limited dated 28th May, 2014 to be passed through Ballot / Poll for the businesses stated in the said Notice by conveying my/our assent or dissent to the said Resolution in the relevant box below:

Sl. No.	Resolution	Type of resolution (Ordinary/Special)	I / We assent to the resolution (For)	I/ We dissent to the resolution (Against)
<b>Ordinary Business:</b>				
1	Consider and adopt Audited Financial Statement, Reports of the Board of Directors and Auditors.	Ordinary		
2	Re-appointment of Mr. Sanjay S. Shah, who retires by rotation.	Ordinary		
3	Mr. Sunil Sheth retiring by rotation, not seeking re-election, be not re-appointed a Director of the Company.	Ordinary		
4	Appointment of Auditors and fixing their remuneration.	Ordinary		
<b>Special Business:</b>				
5	Re-appointment of Mr. Alok P. Shah as Joint Managing Director of the Company.	Special		
6	Ratification of payment of remuneration of the Cost Auditors.	Ordinary		
7	Appointment of Mr. Arunchandra N. Jariwala as an Independent Director.	Ordinary		
8	Appointment of Mr. Yatish C. Parekh as an Independent Director.	Ordinary		
9	Appointment of Mr. J. P. Shah as an Independent Director.	Ordinary		
10	Appointment of Mr. Madanlal U. Lankapati as an Independent Director.	Ordinary		

Place : \_\_\_\_\_

Date : \_\_\_\_\_

\_\_\_\_\_  
Signature of Member / Beneficial owner



[www.gardenvareli.com](http://www.gardenvareli.com)