



ANNUAL REPORT
2010-2011

*Garden**
VARELI



CORPORATE INFORMATION

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

Chairman & Managing Director

Alok P. Shah

Joint Managing Director

Shilpa P. Shah

Executive Director

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****Anjan Mukherjee** (Nominee of LIC of India)**Company Secretary:**

Kamlesh B. Vyas

Registered Office:Sahara Gate,
Surat 395 010.

Tel.: (0261) 2311197-98, 2311615

Fax: (0261) 2311029/502

E-mail: shareddepartment@gardenvareli.com<http://www.gardenvareli.com>**Corporate Office:**Manek Mahal, 90, Veer Nariman Road,
Churchgate, Mumbai 400 020

Tel.: (022) 22873117-19

Fax: (022) 22048112

Auditors:Messrs Natvarlal Vepari & 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
Indian Bank
Landesbank Baden-Wurtemberg

Registrar & Transfer Agents:

Karvy Computershare Private Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad – 500 081
Tel. : 040-4465000,
Fax : 040-23420814
E-mail: einward.ris@karvy.com
Website: www.karvy.co m

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**32nd Annual General Meeting on Tuesday, 20th September, 2011 at 11:00 a.m. at
Garden Mills Complex, Sahara Gate, Surat 395 010.**

NOTICE

NOTICE is hereby given that the Thirty-second Annual General Meeting of the Members of **GARDEN SILK MILLS LIMITED** will be held at **11:00 a.m. on Tuesday, 20th September, 2011** at the Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395 010, to transact the following business:-

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Arunchandra N. Jariwala, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J. P. Shah, who retires from office by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Sunil S. Sheth, who retires from office by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Special Business

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 198, 269, 309, 310, 311 and other applicable Sections of the Companies Act 1956 (the Act), read with and in accordance with the conditions specified in Schedule XIII thereto as amended up-to date, including any statutory modifications or re-enactment thereof, for the time being in force, approval of the Members of the Company be and is hereby accorded to the re-appointment of Mr. Sanjay S. Shah as Wholetime Director designated as Executive Director of the Company, for a further period of 5 (five) years with effect from 1st July, 2012, upon the terms and conditions including remuneration as set out in the draft agreement placed before this Meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of directors of the Company (hereinafter referred to as the 'Board' which terms shall be deemed to include any committee constituted by the Board including the remuneration committee) to alter and vary the

terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mr. Sanjay S. Shah), in such manner as may be agreed to between the Board and Mr. Sanjay S. Shah; provided however that the remuneration payable to Mr. Sanjay S. Shah shall not exceed the limits specified in the said agreement and the limits prescribed under Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation, or re-enactment thereof.

RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr. Sanjay S. 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 XIII to the Act.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, 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 re-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 this resolution."

By Order of the Board of Directors

Surat, 27th July, 2011

Kamlesh B. Vyas
Company Secretary

Notes:

1. **A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company.**
2. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than forty-eight hours before the commencement of the Meeting.
3. Pursuant to the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, 10th September, 2011 to Tuesday, 20th September, 2011 (both days inclusive) for the purpose of payment of dividend.

4. The dividend on Equity Shares, if declared at the annual general meeting will be paid to those persons or their mandates:
- whose names appear as Beneficial Owners as at the end of the business hours on Friday, 9th September, 2011 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - whose names appear as Members in the Register of Members of the Company on Friday, 9th September, 2011 after giving effect to valid share transfers in physical form lodged with the Company/Registrar and Share Transfer Agents on or before the aforesaid date.
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. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank account in which they wish to receive dividend to their Depository Participants.
7. **Unclaimed Dividends:**

Transfer to General Revenue Account

Pursuant to Section 205A(5) of the Companies Act, 1956, all unclaimed/unpaid dividend up to the financial year ended 30th June, 1995 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 period, are requested to forward their claims in the Form No. II 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 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") setup by the Government of India.

Accordingly, the dividend which had remained unpaid/unclaimed from the financial year ended 30th June, 1995 to 30th June, 2003 have been transferred to the Fund.

Pursuant to Section 205A(5) of the Companies Act, 1956 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
2003-04	16.12.2004	15.12.2011
2004-05	01.12.2005	30.11.2012
2005-06	12.12.2006	11.12.2013
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

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, 2004 or any year thereafter is requested to approach the Company/Registrar and Share Transfer Agents of the Company for claiming the same.

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

Reserve Bank of India has initiated National Electronic Clearing Service (NECS) for credit of dividend directly to the bank account of Members.

Members holding shares in dematerialized form are requested to provide their latest bank account details with their Depository Participants. Members holding shares in physical form are requested to provide their latest bank account details along with their Folio Number to the Company's Registrar and Share Transfer Agents, Karvy Computershare Private Limited.

9. Non-Resident Indian Members are requested to inform the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited, immediately of:

- Change in their Residential status on return to India for permanent settlement.
- 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.

10. A member desirous of getting any information on the accounts or operations of the Company is required to forward his/her queries to the Company at least 10 (ten) days prior to the meeting so that the required information can be made available at the Meeting.
11. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Karvy Computershare Private Limited, the Registrar and Transfer Agents of the Company.
12. 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 can submit their PAN details to the Company.

13. SEBI vide its Circular dated 20th May, 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.
14. Members' attention is particularly drawn to the "Corporate Governance" section in respect of general information for shareholders.

By Order of the Board of Directors

Surat, 27th July, 2011

Kamlesh B. Vyas
Company Secretary

Important Communication **"Green Initiative"**

The Ministry of Corporate Affairs (MCA), Government of India, has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by Companies after considering the relevant sections of the Information Technology Act, 2000, for legal validity of compliances under Companies Act, 1956 through electronic mode. The MCA has vide its Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011, provided that a company would have complied with Section 53 of the Companies Act, 1956, if the service of documents has been made through electronic mode, provided the company has obtained the email addresses of its members for sending the notice/documents through email by giving an advance opportunity to every member to register his/her e-mail address and changes therein from time to time with the company. In cases where any member has not registered his/her e-mail addresses with the company, the service of documents etc. will be effected by other modes of service as provided in Section 53 of the Companies Act, 1956.

In light of the above, we propose to send all documents to be sent to shareholders like General Meeting Notice including the AGM, Annual report including Audited Financial Statements, Director Report, Auditor Report etc. to our shareholder in electronic form, to the e-mail address provided by them and made available to us by the Depositories.

Members, who desire to receive notice/documents including Annual Reports through e-mail, are requested to communicate their e-mail ID and changes thereto from time to time to the Depository Participant/Company's Registrar & Share Transfer Agents, M/s. Karvy Computershare Private Limited for receipt of notice / documents including Annual Reports through e-mail.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business under Item No. 7 of the accompanying Notice dated 27th July, 2011.

Item No.7

At the 27th Annual General Meeting of the Company, held on 12th December, 2006, members of the Company had approved the terms and conditions of appointment of Mr. Sanjay S. Shah as Executive Director of the Company for a period of five years with effect from 1st July, 2007.

Mr. Sanjay Shah who is B.A. from Essex University, U.K. has expertise in the field of Yarn Preparatory and Weaving. He

possesses wide experience in overall business management particularly with regard to textile industry and has over two decades of experience in Senior Corporate Management. During these years, he has performed the functions exceedingly well by assisting the Company in HRD and Administrative matters also. With his efforts today the Company has been able to prosper with a well-qualified team in weaving segment.

Keeping in view his active involvement in the affairs of the Company, his expertise and vast experience in the textile industry and his contribution towards the growth of the Company, the Board of Directors of your Company at its meeting held on 27th July, 2011, has decided to re-appoint

him as Wholetime Director designated as an Executive Director with effect from 1st July, 2012. The abstract of the terms and conditions contained in the draft agreement is as follows:

- i) Salary: upto ₹ 5,00,000/- per month.
With liberty to the Board to grant annual increments at such rate as it may in its absolute discretion deem fit, after taking into account the Company's performance.

- ii) Perquisites:
In addition to the salary, Mr. Sanjay S. Shah shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with utilities therefore such as gas, electricity, water furnishings, repairs, servants salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for himself and his family, club fees, car with driver and telephone at residence and such other allowances and perquisites as the Board may in its absolute discretion, determined from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at i) above.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income-tax Act. Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites as aforesaid.

Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

- iii) Commission:
Such remuneration by way of commission, in addition to the above salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year. Provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceilings prescribed under Section 198 and 309 of the Companies Act, 1956.

The above remuneration payable to Mr. Sanjay S. Shah shall be subject to the limits as laid down in Section 309(3) of the Companies Act, 1956, and the overall limit as laid down in Section 198(1) of the said Act.

In the event of loss or inadequacy of profits in any financial year during his tenure as Wholetime Director, he shall be paid remuneration by way of salary and perquisites in accordance with the provisions

contained in Paragraph A of Section II of Part II of Schedule XIII of the Companies Act, 1956, or any statutory modifications therein or enactments thereof.

- iv) Leave
In accordance with the rules of the Company as applicable to other senior executives of the Company.
- v) Termination
(a) The Board is entitled to terminate the agreement forthwith by notice in writing on her vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956.
(b) 6 months' notice in writing by either party.
- vi) Others
Reimbursement of actual entertainment expenses, actual travelling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.

Your Directors have thought it prudent and in the interest of the Company to reappoint Mr. Sanjay S. Shah as Wholetime Director designated as an Executive Director of the Company, on the terms and conditions as mentioned above. The Remuneration Committee of the Board of Directors has recommended the remuneration as mentioned above.

In compliance with the provisions of Sections 269 and 309 of the Companies Act, 1956, the reappointment and terms of remuneration specified above are now being placed before the Members in General Meeting for their approval. The Board commends the Resolution at items No. 7 for acceptance by the Members.

The draft of the agreement to be entered into by the Company with Mr. Sanjay S. Shah incorporating the above particulars of remuneration is available for inspection at the Registered Office of the Company between 10.00 a.m. and 12 Noon on all working days of the Company up to the date of the 32nd Annual General Meeting.

This Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of agreement and Memorandum of concern or interest pursuant to Section 302 of the Companies Act, 1956.

Mr. Sanjay S. Shah shall be deemed to be interested in the resolution as it pertains to his reappointment and/or remuneration payable to him.

Save and except, Mr. Sanjay S. Shah, none of the other Directors of the Company is, any way, concerned or interested in this resolution.

By Order of the Board of Directors

Kamlesh B. Vyas
Company Secretary

Surat, 27th July, 2011

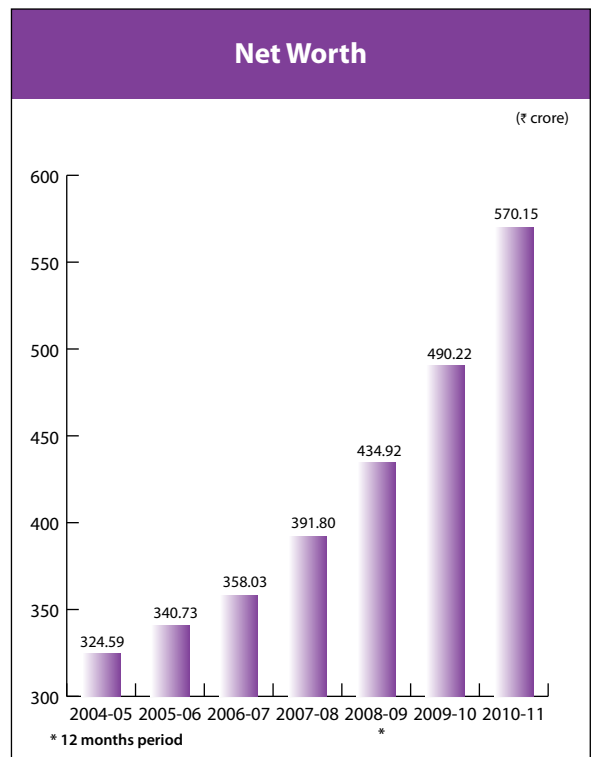
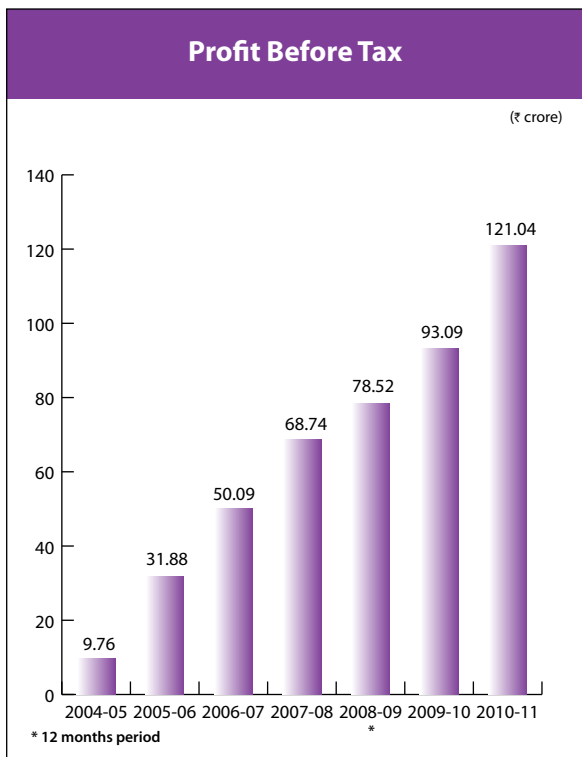
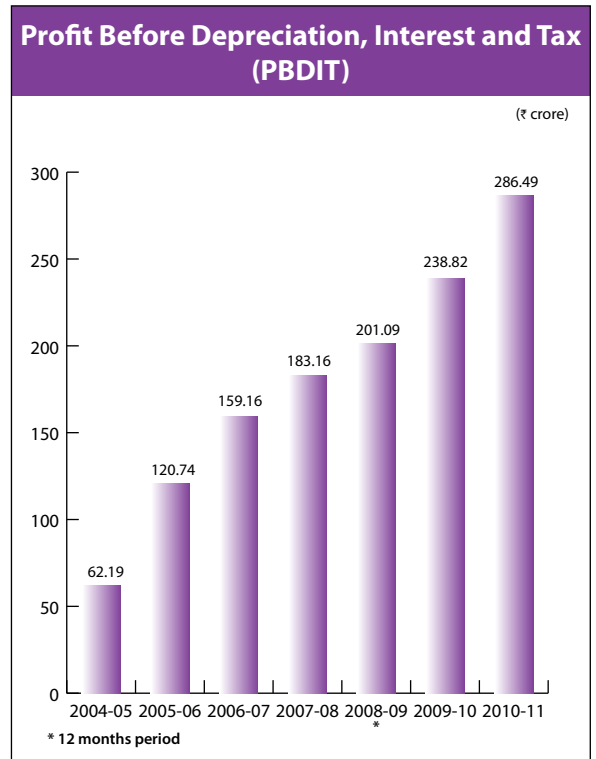
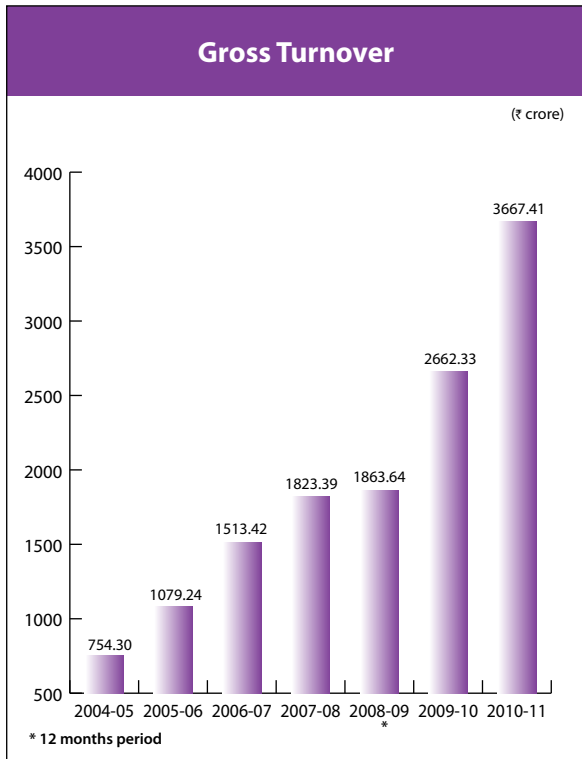
Financial Highlights

	(₹ in crores)						
	2010-11	2009-10	2008-09 (9 months period)	2007-08	2006-07	2005-06	2004-05
Gross Turnover	3,667.41	2,662.33	1,384.75	1,823.39	1,513.42	1,079.24	754.30
Net Revenues from Operations	3,400.48	2,514.89	1,331.61	1,676.28	1,393.31	954.86	635.24
Profit Before Depreciation, Interest and Tax (PBDIT)	286.49	238.82	161.81	183.16	159.16	120.74	62.19
Operating Profit (Excluding other income)	280.72	232.41	154.75	169.31	151.28	115.41	56.11
Profit Before Tax (PBT)	121.04	93.09	69.99	68.74	50.09	31.88	9.76
Profit After Tax (PAT)	87.87	63.20	49.58	40.00	23.26	22.10	8.79
Net Worth	570.15	490.22	434.92	391.80	358.03	340.73	324.59
Loan Funds	1,298.12	1,027.92	903.75	802.15	691.23	639.08	591.69
Shareholders' Funds	570.15	490.29	435.12	392.26	358.97	342.43	326.88
Gross Fixed Assets	1,944.36	1,698.69	1,477.02	1,232.41	1,112.07	1,086.54	1,007.22
Net Fixed Assets	1,339.34	1,142.62	988.84	788.34	722.20	750.06	718.56

Key Indicators

	2010-11	2009-10	2008-09 (9 months period)	2007-08	2006-07	2005-06	2004-05
Earnings Per Share (EPS) - ₹	22.95	16.51	12.95	10.45	6.07	5.77	2.30
Book Value Per Share - ₹	148.90	128.03	113.58	102.32	93.50	88.99	84.77
Total Debt : Equity Ratio	2.28	2.10	2.08	2.04	1.93	1.87	1.81
Operating Profit Margin %	8.26	9.24	11.62	10.10	10.86	12.09	8.83
Net Profit Margin %	2.58	2.51	3.72	2.39	1.67	2.31	1.38
RONW (PAT/Avg. NW)%	16.57	13.66	11.99	10.67	6.66	6.64	2.72
ROCE (PBIT/Avg. CE)%	12.40	11.64	9.24	11.21	10.01	7.60	3.33

Financial Highlights



DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors have pleasure in presenting the 32nd Annual report on the business and operations of your Company together with the Audited Statements of Accounts for the year ended 31st March, 2011.

Financial Highlights:

The highlights of the financial performance for the year ended 31st March, 2011 are as under.

	(₹ in crore)	
	2010-11	2009-10
Total Income	3,406.25	2521.46
Profit before interest, depreciation and tax	286.49	238.82
Less: Interest & Finance Charges (Net)	88.93	73.17
Depreciation	76.52	72.56
Profit before Tax	121.04	93.09
Less: Provision for Tax	33.17	29.88
Net Profit after Tax	87.87	63.21
Add: Balance brought forward from Previous year	180.44	130.02
Balance Available for Appropriation	268.31	193.23
Appropriations:		
General Reserve	6.75	4.75
Proposed Dividend	6.89	6.89
Tax on Dividend	1.12	1.15
Balance carried to Balance Sheet	253.55	180.44
	268.31	193.23

Operating Results:

The year 2010-11 was another year of rapid growth for the Company. Your Company showed a significant improvement in business as compared to the previous year despite high raw material and fuel prices. Your Company recorded 35% growth in net revenue at ₹ 3,406.25 crore from ₹ 2,521.46 crore in the year-ago period, which enabled the Company to maintain its track record of sustained year-on-year growth. The growth in revenue was largely driven by higher sales volumes, aided by new capacities of Polyester Chips of about 250 TPD which commenced commercial production during the year, and increase in product prices.

All the Company's major product categories showed a healthy growth in revenue. Chips sales for the year were ₹ 2018.38 crore (as compared to ₹ 1,356.04 crore in the previous year). Yarn sales were also higher at ₹ 1,417.17 crore (₹ 1,132.55 crore). Finished fabric sales were at ₹ 1,00.61 crore (₹ 79.01 crore) and grey fabric sales were ₹ 87.94 crore (₹ 72.14 crore).

All the product categories showed an increase in profit as well. EBIDTA for the Company was ₹ 286.49 crore for the year, higher by about 20% as compared to the ₹ 238.82 crore in the previous year despite stiff competition and much higher input costs across the board. Operating margins did reduce during the year but this was essentially owing to relatively higher low-margin chip sales. In fact operating profit margins per-unit-production increased during the year for all product categories.

Post tax profit for the year grew 39% to ₹ 87.87 crore.

The volatility in raw material prices continued throughout the year. During the year 2010-11 MEG prices per MT US\$ fluctuated between \$708.40 in July, 2010 to \$1,246.83 in February, 2011. The PTA prices were low at \$ 847.38 in June 2010 and high at \$1,514.00 in March, 2011. Effectively the average international price increase resulting in higher raw material costs for MEG and PTA was about 25% and 22% respectively. In rupee terms the average price of raw materials during the year increased by 17% compared with the previous year. Notably, in the second half of the year the Company's raw material prices increased by an unprecedented 61%. The speed and magnitude of the rise resulted in slowdown in demand but the company was able to pass on price increases to a large extent.

Tightness in supply due to planned and unplanned plant maintenance shut downs of major raw material suppliers resulted in shortage of PTA and MEG as well as increase in prices. This affected Company's operations for a part of the year.

In the dyed and printed fabric products category, during the last year, the Company emphasised upon fabrics manufactured from natural fibres like cotton, bambberg and viscose. The Company tied up with various branded retail Malls for retail sales of its products. In the wholesale segment, efforts were made to increase sales to institutional buyers and corporations for their uniform requirements.

Exports

During the year under review, your Company achieved export sales of FOB value ₹ 315.24 crore as against ₹ 158.62 crore for the previous financial year.

Dividend:

The Directors recommend for consideration of the Shareholders at the ensuing Annual General Meeting, payment of dividend of ₹ 1.80 per share of ₹ 10/- each (18%) for the year ended 31st March, 2011. The amount of dividend and the tax thereon aggregates to ₹ 8.01 crore. (Previous year ₹ 8.04 crore).

Expansion Program:

The Company enhanced its Continuous Polymerization (CP) capacity by 250 TPD on successful commissioning of CP Plants 4-5 during April-June, 2010. The Company has also increased its yarn processing capacity, by installing additional Draw Warping and Air Texturising machines. This will help us consume our captive POY production to supply value-added yarns to the markets.

The trial run in connection with the 18 MW thermal power project has been completed. The company is also on track to complete its next thermal power plant of 21MW before March 2012. These expansions will reduce the cost of energy for the Company.

The Company is also in the process of increasing its POY/FDY capacities. The trial production is in progress and the commercial operations from this expansion are expected to commence during August-October 2011.

Your Company's capacity augmentation of the PFY (polyester filament yarn) business, where net realizations are relatively higher than chips, would help shield the Company from any shrinkage in chips demand due to the ongoing backward integration plans of major domestic chip buyers.

The Company is undertaking further expansion of Draw Texturising and Air texturising capacities which are expected to be financed under the TUF (Technology Upgradation Fund) scheme recently re-introduced by the central government.

The Company has been continuously focusing on technology and process upgradation to produce new value-added specialty products. The most recent expansion of polymerization capacity and the ongoing expansion of PFY spinning capacity will further strengthen our capability to bring innovative products to market.

Review of the Economic Scenario:**Global Economy**

Growth was higher than expected in both advanced as well as emerging economies during 2010. The global economy recorded a spectacular growth of 5.1%. This was primarily owing to the synchronized monetary and fiscal stimuli provided by most governments.

Until recently economists expected stronger performance from the global economy in the next two years. The IMF has projected a solid growth of global GDP at 4.3% in 2011 and 4.5% in 2012 in its latest June report. Yet there are dark clouds on the horizon with three of the four largest economies struggling with slow growth, escalating debt problems, dysfunctional politics and growth-hindering fear. Publications like The Economist have placed the risk of a double-dip recession at one in two.

Yet India and China are playing a useful role in supporting the world economy at a critical time. China's economy, in particular, grew faster than expected in the second quarter

of 2011, easing fears of a hard landing in its fight against persistently high inflation. GDP rose 9.5% from a year earlier, exceeding economists' forecasts, helped by solid domestic consumption and investment. Industrial output rose 15.1% in June from a year earlier, the strongest growth since May 2010.

The Chinese government has adopted a policy of allowing a gradual appreciation of the Yuan as was witnessed last year. In the present year further appreciation is widely expected which may further increase owing to the economic weaknesses in the US, Eurozone and Japan. This will substantially improve India's competitiveness in manufactured products like polyester chips, yarn and fabric.

A global slowdown will keep oil prices in check helping polyester raw materials and fuels stay relatively more competitive.

Indian economy

According to International Monetary Fund (IMF) Report, the Indian economy is expected to grow by 8.2% for 2011 and 7.8% for 2012. The Indian economy is being driven by high domestic demand, strong private investment and excellent export growth owing to its competitiveness. The population is young, well-employed and fuelled with strong wage increases across states and income categories. The economy is supported by a very healthy savings rate of 34.7% of GDP, the largest increase in working-age population in the world and a healthy financial sector.

Yet there are signs of a perceptible slowdown as witnessed by quarterly growth rates in the last two quarters.

The economy grew by just 8.3% in the third quarter last fiscal and 7.8% in the January-March period, the lowest in five quarters.

High and possibly rising interest rates to curb uncomfortably high inflation may further slow the economy. Global downturn will affect exports. Global stockmarket declines will hurt Indian equities and sentiments. Yet these may end up being positive for the economy in the long-term as extremely low interest rates in India of the past, skyrocketing labor costs and land rates as well as asset bubbles were threatening to derail the economy in far more dangerous ways.

Even if the economy were to slowdown the demand for polyester is expected to remain strong as polyester is a defensive sector. In the past consumers have shifted to value products like polyester in uncertain times.

Industry Review:

In 2010-11, all commodity prices including petroleum derivatives increased sharply and so did raw material prices and polyester prices. Cotton was in short supply globally and prices more than doubled during the year. This gave impetus to growth in demand for competing fibers – polyester. Polyester prices are weakly correlated with cotton prices and does get affected by substantial changes in cotton prices.

Major investments in PFY continued to be made in India and especially China on the back of sustained double-digit growth in polyester yarn demand. In India shortage of PTA forced polyester chips producers to operate at lower capacity yet production grew at a healthy pace. Demand for PFY grew by 13% to 2.1 million tons. Of the total demand, export demand grew much faster than the domestic market.

According to CRISIL Research, Polyester Staple Fibre (PSF) and Partially Oriented Yarn (POY) demand is expected to grow at 7.5% CAGR over the next 2 years, driven by rising consumption of blended and non-cotton yarns. Demand will accelerate to 9 per cent CAGR after 2012-13 due to limited availability of cotton and higher substitution by polyester. Exports are expected to grow at a higher 10-15 per cent between 2011-12 and 2014-15 due to rising demand from export destinations in Asia, Middle East, Europe and Latin America.

Opportunities, Strengths and Outlook:

Your Company maintains a price-premium for the vast majority of its products spanning chips to yarn to fabric owing to its quality proposition and service reliability. Its leadership position in both volumes and diversity of products supported by a strong service ethic based on fair practices should keep us well-positioned in the years ahead.

During the year we increased the production and sales of specialty chips such as Bright, Cationic and Full Dull which provided better margins in the segment. We made substantial efforts to explore new export markets in chips, DTY and FDY which paid off last year and opened up new opportunities in the years to come.

In the competitive market, we launched and added to our product range by introducing numerous different Air Texturised yarns, Dope Dyed and Mono yarns which have been successfully accepted in the domestic market.

Our quality standards in producing polyester chips and processed yarn as well our cost-positioning are comparable to the best in the world.

A resilient Indian economy with inclusive growth encompassing all round rural development should ensure increased demand for textiles and polyester textiles in particular. Polyester filament fabric owing to its low-cost, versatility of characteristics, durability and wrinkle-resistance as well the very low per-capita consumption holds outstanding potential in India. Garden, with a strong positioning in the industry is particularly well placed for the years to come. Your Company's capacity expansion in specialty chips and yarn will yield benefits in times to come.

The Company's downstream yarn activities are expected to perform better than the year under review owing to the successful introductions of new specialty yarns that are now being used for mass consumption.

Government regulations add uncertainty to any business. Yet we believe recently enacted and proposed regulations are expected to be favourable to the industry. The recently re-introduced TUF scheme will reduce the financing cost of some of the Company's projects this year and next. Trade agreements with Japan and Korea should improve export opportunities for your Company. GST, which is expected to be implemented in the near term, should positively impact the Company by reducing or removing the disadvantage faced in inter-state sales against CST-exempt competitors.

Risks and Concerns:

Your Company remains exposed to adverse movements in raw material prices. Large changes in prices tend to cause uncertainty and reduce domestic demand for polyester filament yarn. Your company's emphasis on specialty value-added products, diversified product line, strong marketing capabilities, and brand premium should partly offset this risk. Yet short-term inventory losses may be inevitable in the case of large price declines.

High crude oil prices will result in high raw material as well as natural gas and fuel oil costs which are key inputs for the Company. Unlike in the previous year it is possible that the Company and industry may not always be able to pass on the entire increase to the customer. Past history has shown that price increases are generally passed on. In the short-term however, very large price increases, as was witnessed in the last 6 months of 2010-11, do have a crimping effect on demand and create a reduced ability to pass on price increases.

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 exchange rates with reference to countries in which we operate. The Company has a policy of hedging foreign exchange exposure so that forex fluctuations do not unduly affect the business.

Creation of new capacities in polyester yarn and chips may out-pace demand growth in the next 1-2 years. It may lead to price instability and pressure on profit margins. Yet the medium-term for the industry is widely expected to be very bright owing to the rapid demand growth expected.

Your Company uses a mix of fixed and floating rate debts. It is exposed to interest rate fluctuations on many of its borrowings. Yet the high credit rating and numerous funding options available to the Company should partly offset interest rate increases that may occur consequent to the RBI's desire to quell inflation in the economy.

The Eurozone and US face a genuine threat of a double-dip recession. Should this unfortunate event materialize we expect export demand to be affected. Yet, overall we do not expect it to have a net negative impact on our industry.

In the 2008 financial crisis demand held up remarkably well in India as consumers shifted purchases toward value items like polyester clothing. Except for the drastic fall in oil prices which led to inventory losses in the industry, that year was generally a good one for the industry. This time oil prices are much lower than the \$147/barrel peak reached in pre-financial crisis and so has less room to cause large inventory losses. Moreover a recession-induced fall in oil prices will actually help the industry by reducing the price of PTA and MEG which are oil-derivatives. A global downturn will reduce oil prices, generalized economic growth and thus inflationary pressures. This will encourage the RBI to reduce interest rates which will have a positive impact on the Company. Any recession-induced oil price reduction will lower PTA and MEG prices, thus benefitting your Company.

Finance and Investment:

Your Company has maintained satisfactory cash flows and has been regular in discharging its repayment obligations. During the year the Company repaid long-term loans of ₹ 147.79 crore to Financial Institutions and Banks for the year 2010-11.

Your Company manages its investments prudently by temporary deployment of cash surplus in predominantly debt and liquid money market instruments. An adequate safety margin is always maintained to help meet unexpected resource requirements without disrupting operations.

The borrowings of the Company as on 31st March, 2011 stood at ₹ 1298.12 crore (previous year ₹ 1027.92 crore)

There has been a steep rise in interest rates in the past one year. With the introduction of Base Rate concept in August, 10, there has been a significant increase in the Base Rate from 8% in August 10 to 10% in May 11 and the corresponding Bank Prime Lending Rate (BPLR) from 12% to 14.50% respectively. Consequently the Company's floating interest rates have increased.

In view of the infrequent trading of the Company's Global Depository Receipts (GDRs), the lack of liquidity of the GDRs on Luxembourg Stock Exchange (LSE) and the history of conversion of the GDRs into underlying Equity Shares tradable on Indian Stock Exchanges, the Company has got the GDRs delisted from the official Board of the LSE with effect from 4th April, 2011.

Credit rating:

Credit Analysis & Research Ltd. (CARE) reaffirmed the rating of 'CARE A1+' (A One Plus) assigned to the Commercial Paper (CP)/Mibor linked Short-Term unsecured NCD /Fixed Rate short term unsecured NCD programme of the Company, aggregating to ₹ 300 crore (enhanced from ₹ 185 crore) for a maturity up to six months. Strong credit ratings reflect very strong degree of safety regarding timely payment of financial obligations.

The rating agency also reaffirmed the rating of 'CARE A+' (Single A Plus) to the long term facilities of the Company aggregating ₹ 1102.44 crore as well as the non-convertible debenture (NCD) issue of the Company for an amount of ₹ 50 crore.

Corporate governance:

Your Company continued to follow the principles of good Corporate Governance. The Company has already constituted several committees of directors to assist the Board in good corporate governance.

A separate section titled 'Corporate Governance' has been included in this annual report. A certificate from the statutory auditors of the Company regarding compliance with corporate governance norms stipulated in the aforesaid clause is annexed to the report on Corporate Governance.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2010-11. A declaration to this effect signed by the Managing Director of the Company is contained in this annual report.

The Chairman & Managing Director and Joint Managing Director have certified to the board with regard to the financial statements and other matters as required in Clause 49 of the listing agreement and the said certificate is contained in this annual report.

Directors:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Arunchandra N. Jariwala, Mr. J. P. Shah and Mr. Sunil S. Sheth, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting. The Board recommends their re-appointment. The Notice convening the Annual General Meeting includes the proposals for re-appointment of Directors.

Details of the Directors seeking appointment/re-appointment as required under Clause 49 (VI) of the Listing Agreements are provided in Notice forming part of this Annual Report. None of the Directors of the Company is disqualified for being appointed as Director as specified in Section 274(1)(g) of the Companies Act, 1956.

Directors' responsibility statement:

Pursuant to the requirement of sub-section (2AA) of Section 217 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, 2011, 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 judgements 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, 2011 and of the profits 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.

Auditors:

The statutory auditors of the Company, M/s. Natvarlal Vepari & Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a written certificate from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

The Audit Committee at their meeting held on 27th July, 2011 has recommended the reappointment of M/s. Natvarlal Vepari & Co., Chartered Accountants, Surat as Statutory Auditors of the Company for the year 2011-12.

Auditors' report:

The observations made in the Auditors' Report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any further explanations or comments under Section 217 of the Companies Act, 1956.

Cost Audit:

The Cost Accounts records maintained by your Company for the product – Polyester are subject to yearly audit by qualified Cost Auditor. Your Company has appointed Mr. V. Srinivasan, Cost Auditors for conducting the audit of such records for the financial year 2010-11.

Internal Control Systems:

Your Company has adequate internal control procedures commensurate with the size of operations and the nature of the business. These controls ensure efficient use and protection of Company's financial and non-financial resources. They also have ensured compliance of stipulated policies, procedures and statutes, ensuring accuracy of accounting records and corporate governance.

Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of

internal control systems and suggests improvement for strengthening them, from time to time.

Human Resources and Industrial Relations:

The Company continuously work to nurture this environment to keep its employees highly motivated, result-oriented and adaptable to changing business environment. The Company organised activities for staff and officers for exposure to latest trends in technology etc.

Your Company's value proposition is based on providing value to our customers, through innovation and by consistently improving efficiency. With a view to create the resource bandwidth for the future, your Company initiated various measures such as investing in new skills, technologies, business models and training programmes for key technology areas.

For us, growth in the Company extends beyond just numbers and includes personal growth for each individual of the Company, growth for our customers and growth of our relationships and partnerships.

Health, Safety and Environment Measures:

Your Company continued its focus in creating an aesthetic, environment-friendly industrial habitat in its factory units, mobilizing support and generating interest among staff and labour for maintaining hygienic and green surroundings.

The Company has organised various programmes on health issues such as free medical Check-up for staff. The plant also organised programmes on safety related topics with the help of outside trainers and counsellors in this field.

The Company continues to focus on maintenance and performance improvement of related pollution control facilities like effluent treatment plant and waste disposal facility at its manufacturing locations. The Company has put in place co-generation systems that keep carbon emissions to the minimum.

Your Company has ensured eco-friendly disposal of various hazardous waste at the designated disposal site recognised by Pollution Control Board. In addition, the Company has complied with the environmental norms.

Efficient cogeneration plants have been designed to use as much of the fuel's heat value for energy purposes, thus keeping emissions to a minimum.

Investor Education and Protection Fund:

Pursuant to Section 205C of the Companies Act, 1956 the Company has transferred an amount of ₹ 17,58,606/- being the amount of dividend pertaining to financial year 2002-03 which remained unclaimed and unpaid for a period of seven years, to the Investor Education and Protection Fund.

Reward, Recognition and Quality Systems Certification:

Your Company continues to have the status of "Star Export House" 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 Texturising, Twisting, Sizing, Warping and Weaving. The scope of audit includes "Manufacture of Woven Greige Fabrics and Processed Yarns".

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

Fixed Deposits:

Your Company has neither accepted nor invited any deposit from public, within the meaning of Section 58A of the Companies Act, 1956 and Rules made thereunder.

Statutory disclosures:

As required under the provisions of sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of the employees are set out in an Annexure to the Directors' Report. However as permitted under Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all members of the Company.

Any member, who is interested in obtaining such particulars about employees may write to the Company Secretary at Registered Office of the Company.

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of the Particulars in Report of the Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption are set out in Annexure-A forming part of the Directors' Report.

A Cash Flow statement for the year 2010-11 is attached to the balance sheet.

Depository System:

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on 31st March, 2011, 94.78% of the Company's total paid-up Capital representing 36290170 shares are in dematerialized form. In view of the numerous advantages offered by the Depository system, members holding shares in physical mode are advised to avail of the facility of dematerialization on either of the Depositories.

Corporate Social Responsibility:

The Company is contributing to sustainable development by its economic activities combined with the fulfillment of its social responsibilities relating to the education, health, safety and environment aspects.

Corporate Social Responsibility encompasses within itself sustainability which means creating an awareness of climate change and social imbalance and demanded suitable action. The Company was promptly responsive to the call. Be it in infrastructure building or social initiatives, conservation, conscience and commitment became Company's watchwords.

Cautionary Statement:

Statement in this Directors' Report & Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking" within the meaning of applicable securities laws and regulations. Actual result might differ materially from those expressed or implied.

Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal market, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

The Company assumes no responsibility in respect of the forward-looking statements herein, which may undergo changes in future on the basis of subsequent developments information or events.

Acknowledgement:

Your Directors take this opportunity to thank the Banks, Financial Institutions, Central and State Government authorities, Regulatory authorities, Customers, Suppliers, shareholders and investors at large for their continued support to the Company and look forward to having the same support in the years to come.

Your Directors takes this opportunity to express their sincere appreciation for the contribution made by employees at all levels. The consistent growth was made possible by their hard work, cooperation and support.

For and on behalf of the Board

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

Surat, 27th July, 2011

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

The Company is committed to continually finding solutions to improve the energy efficiency of its manufacturing processes, while placing a premium on the pursuit of technological advancements leading to the creation of new and improved products.

(a) Energy Conservation measures taken:

The salient achievements in conservation of energy and the absorption of new technology are as follows:

- Auto operation of stand by cooling water pump in warp draw resulted in stoppage of additional pump.
- Load unload pressure parameter adjusted for early unload of air compressor in warp draw resulting in power saving.
- Reduction of air-system pressure.
- Inverter provided in HTM Circulation pump and Low Pressure Cooling water pump resulted in pump operation at lower operating pressure.
- Pressure reduced in LP & HP compressed air circuit.

(b) Additional investments and proposals, if any, being implemented by the Company for reduction of consumption of energy

- Energy saving through Natural Gas and Thermal Power against Fuel Oil.

(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.

(d) Total energy consumption and energy consumption per unit of production as per prescribed Form-A given hereunder.

II. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption as per Form-B

a) 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:

- Various coloured yarns were developed.
- Numerous new textured, air textured yarn, draw warped yarns developed.

2. Benefits derived as a result of above efforts:

- Opening up avenues for more business in future including export markets.
- Strengthened product portfolio and improved contribution margin.
- Customers' satisfaction and new business opportunities because of competitive costs and better quality.

3. Future plan of action:

- (a) Development of new products and processes.
- (b) Upgradation of new variants of existing products.
- (c) Energy optimization for process plants.
- (d) Further improvement in the Quality of Products and Processes.
- (e) Adoption of technology for coal base power generation.

4. Expenditure on R & D:

- The Company, from time to time exposes itself to better technology and keeps itself abreast of technological improvements. Research & 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

b) Technology Absorption, Adaptation & Innovation

- (i) Efforts in brief, made towards technology absorption, adaptation and innovation
 - P A conveying system modified to achieve high bulk container unloading rate.
 - Coal heaters commissioned.
 - Trays provided in CP-3 EG Distillation column to reduce EG loss through Reflux water.
- (ii) Benefits derived as a result of above efforts
 - Cost reduction leading to improvement in capacity utilization 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) Information regarding imported technology
[Imported during the last 5 years (from the beginning of the financial year)]
 - (a) Technology imported : Nil
 - (b) Year of import : Not Applicable.
 - (c) Extent of absorption of technology. : 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 ₹ 315.24 crore.

2. Total foreign exchange used and earned is contained in Note 18 in Schedule 14 in notes on Accounts.

(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

	Year ended 31st March, 2011	Year ended 31st March, 2010
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased Unit in Lacs	62.50	12.37
Total amount ₹ in Lacs	634.57	196.40
Rate/Unit (₹)	10.15	15.88
b) Own Generation		
i. Through Generator HFO/LDO/HSD Based		
Units in Lacs	556.80	340.72
Unit per Ltr. of Diesel /HFO/LDO/HSD	4.47	4.58
Consumption Cost/Unit (₹)	6.22	4.67
ii. Through Generator Gas Based		
Units in Lacs	2151.01	2102.53
Unit per SCM of Gas Consumption	3.78	3.78
Cost/Unit (₹)	4.68	4.26
iii. Through Generator Thermal Based		
Units in Lacs	45.34	0.00
Unit per Kg of Coal Consumption	1.42	0.00
Cost/Unit (₹)	2.66	0.00
2. Coal/Lignite for Generation of Steam		
Usage in Boilers and Thermopack, Quality used "C" Grade		
Quantity (M.T.)	33967.32	35226.00
Total Cost ₹ in Lacs	1234.92	1236.52
Average rate ₹/M.T.	3635.61	3510.25
3. Furnace Oil		
Quantity (K. Lts.)	NIL	NIL
Total Amount	NIL	NIL
Average rate ₹/Lts.	NIL	NIL
4. Others/Internal generation		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate/Unit (₹)	NIL	NIL
B. CONSUMPTION PER UNIT OF PRODUCTION		
Vareli Division		
Electricity (Unit)	Mts./Kg.	Mts./Kg.
Product:		
- Grey Fabrics	0.30	0.32
- Finished Fabrics	0.34	0.36
- Warp Draw Yarn	1.49	1.54
Furnace Oil	NIL	NIL
Coal/Lignite	0.43	0.75
Jolwa Division		
Electricity (Unit)		
Product:		
- PFY	0.91	0.89
- Chips	0.17	0.15
Furnace Oil	NIL	NIL
Coal/Lignite	NIL	NIL

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the stock exchanges on Corporate Governance, the Company submits, hereunder, a report on the matters mentioned in the said clause and the practice followed by the Company.

1. Company's Philosophy on the Code of Governance

Your Company's commitment for effective corporate governance is continues process to benchmark its efforts within accepted standards for the creation of golden and trustable value towards the shareholders.

Corporate Governance ensures fairness, transparency and integrity of the management. Corporate Governance is a way of life, rather than a mere legal compulsion. It further inspires and strengthens investor's confidence and commitment to the Company.

The Board of Directors represents the interest of the Company's stakeholders, for optimizing long-term value by way of providing necessary guidance and strategic vision to the Company. The basic philosophy of Corporate Governance in the Company is to achieve business excellence for long term stakeholder value. We believe that sound corporate governance is critical to enhance and retain stakeholders trust.

2. Board of Directors

Composition

The Board has an optimum combination of Executive 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.

The present Board of the Company comprises twelve Directors including the Managing Director. The Board has five Executive Directors and seven Non-Executive Directors. 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. None of the Directors on the Board is a Member on more than 10 Committees and Chairman

of more than 5 Committees (as per Clause 49(I)(C)(ii)) across all the Companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies.

Meetings held

The Board met 5 (five) times on the following dates during the financial year 2010-11

4th May, 2010	26th October, 2010
7th July, 2010	27th January, 2011
3rd August, 2010	

The gap between two meetings was not more than four months. The 31st Annual General Meeting was held on 31st August, 2010. There was no extra ordinary general meeting of the shareholders of the Company held during the year 2010-11.

Board procedure

The Board of Directors provides strategic direction and thrust to the operations of the Company, thereby enhancing the value of the stakeholders. The Board meets at least once in a quarter to consider among other business, the quarterly performance of the Company and financial results.

The Agenda prepared by the Company Secretary in consultation with the Chairman & Managing Director is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In addition to the information required under Annexure IA to Clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals taken wherever necessary.

The Members of the Board have complete freedom to express their opinion and decisions are taken after detailed discussion. The Managing Director at the Board Meetings keeps the Board apprised of the overall performance of the Company.

The Minutes of the proceedings of the Meetings of the Board of Directors are noted and the draft minutes are circulated amongst the Members of the Board for their perusal. Comments, if any, received from the Directors are also incorporated in the Minutes, in consultation with the Chairman and Managing Director. The draft minutes are approved by the Members of the Board at the next Meeting.

Code of Conduct

In Compliance with clause 49(l)(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.

Risk Management

The Company has in place mechanisms to inform Board Members about the risk assessment and minimization procedures and periodical review to ensure that executive management controls risk by means of a properly defined framework.

CEO/CFO Certification

As required under Clause 49(v) of the Listing Agreement with the Stock Exchanges, the Managing Director and Joint Managing Director of the Company have certified to the Board regarding their review on the Financial Statements, Cash flow Statements and matters related to internal controls etc. in the prescribed format for the year ended 31st March, 2011.

Category and Attendance of Directors

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the financial year 2010-11 and the last Annual General Meeting (AGM), as also the number of directorships and committee positions held by them in other public limited companies as on 31st March, 2011 are as follows:

Name	Category	No. of Board Meeting attended	Whether attended last AGM held on 31.08.2010	No. of Directorship* in other public limited companies	No. of committee Chairmanship#	Shareholding
Mr. Praful A. Shah	Executive Chairman	4	Yes	12	–	2789190
Mr. Alok P. Shah	Executive	4	Yes	12	–	754671
Mrs. Shilpa P. Shah	Executive	–	No	2	–	554325
Mr. Sanjay S. Shah	Executive	5	No	1	–	880960
Mr. Suhail P. Shah	Executive	4	Yes	12	–	496685
Mr. Rajen P. Shah	Non-Executive	3	Yes	1	–	959198
Mr. J. P. Shah	Non-Executive Independent	–	No	–	–	6595
Mr. Yatish Parekh	Non-Executive Independent	5	Yes	1	–	0
Mr. A. N. Jariwala	Non-Executive Independent	5	Yes	1	–	100
Mr. Sunil S. Sheth	Non-Executive Independent	4	No	–	–	0
Mr. Madanlal Lankapati	Non-Executive Independent	–	No	–	–	150
Mr. Anjan Mukherjee	Nominee	4	No	–	–	0

* Excludes alternate directorships and directorships in foreign companies, private companies and companies governed by Section 25 of the Companies Act, 1956.

Excludes Committees other than Audit Committee and Shareholders/Investors Grievance Committee and company other than public limited companies.

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

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.

Meetings held

During the financial year 2010-11, 5 (five) Audit Committee meetings were held on the following dates:

4th May, 2010	26th October, 2010
7th July, 2010	27th January, 2011
3rd August, 2010	

Composition and Attendance:

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

Name of Director	Status	No. of meetings attended
Mr. Arunchandra N. Jariwala	Chairman	5
Mr. Yatish C. Parekh	Member	5
Mr. Rajen P. Shah	Member	3

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.

b) Share Transfer and 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: Mr. Yatish Parekh, who is Chairman of the Committee. Mr. Rajen P. Shah, Mr. A. N. Jariwala and Mr. 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 2010-11, 26 meetings were held on respective dates. All the transfers of shares have been done within stipulated period. The Share Transfer Agent/Company has

timely resolved/attended all the 241 received during the year 2010-11 and no complaint or grievance remains unattended/unresolved at the year-end.

c) Remuneration Committee

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

The Company's Remuneration Committee is responsible for recommending the fixation and periodic revision of remunerations (including commission and/or incentives, etc.) of Whole-time Directors/Executive Directors.

There was no meeting of Remuneration Committee during the 2010-11.

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.

Payment of remuneration to the Chairman & Managing Director, Joint Managing 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, 2011

(Amount in ₹)

Name of Director	Salary & Perquisites	Sitting fees	Commission (for the financial year 2009-10) paid in 2010-11
Mr. Praful A. Shah	94,67,008	Nil	2,50,00,000
Mr. Alok P. Shah	1,00,99,928	Nil	1,75,00,000
Mrs. Shilpa P. Shah	24,86,868	Nil	Nil
Mr. Suhail P. Shah	73,12,798	Nil	1,25,00,000
Mr. Sanjay S. Shah	20,51,790	Nil	Nil
Mr. Rajen P. Shah	Nil	78,000	Nil
Mr. J. P. Shah	Nil	Nil	Nil
Mr. Yatish Parekh	Nil	1,14,000	Nil
Mr. A.N. Jariwala	Nil	1,13,000	Nil
Mr. Sunil S. Sheth	Nil	45,000	Nil
Mr. Madanlal Lankapati	Nil	Nil	Nil
Mr. Anjan Mukherjee	Nil	40,000	Nil
Total	3,14,18,392	3,90,000	

Consolidated provision of ₹ 950 Lacs has been made in the books of accounts for commission payable to the Managing Director/Executive Directors for the year 2010-11. As per the practice, commission to the Directors is paid after the annual accounts are adopted by the members at the Annual General Meeting.

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 the financial year 2010-11, 5 (five) Management Committee of the Board meetings were held on the following dates:

15th June, 2010	8th December, 2010
31st August, 2010	9th February, 2011
5th October, 2010	

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, 2011, the Company has no such material non-listed subsidiary.

5. Disclosures**Related Party Transactions**

During the financial year 2010-11 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 Jt. 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, 2011.

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

No money was raised by the Company through public issue, rights issue, preferential issues etc. in the last financial year and hence provisions contained in this behalf in Clause 49 of the listing agreement are not applicable for compliance by 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

Date, time and venue of Annual General Meetings (AGM) held during the last 3 years

Year	Date	Time	Venue
2007-08	23/12/2008	11.00 a.m.	Sahara Gate, Surat.
2008-09	30/09/2009	11.00 a.m.	Sahara Gate, Surat.
2009-10	31/08/2010	11.00 a.m.	Sahara Gate, Surat.

In addition to Annual General Meeting, the Company holds Extraordinary General Meetings of the shareholders as and when need arises. There was no such meeting during the year ended on 31st March, 2011.

There were no matters that require passing special resolution at the AGMs held on 23rd December, 2008, 30th September, 2009 and 31st August, 2010.

No Special Resolution was passed by postal ballot in any of the aforesaid Annual General Meetings. As of date there lies no proposal to pass any resolution by postal ballot.

8. Means of Communication

- 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 Gujarat Samachar and Sandesh, Surat edition. The financial results are displayed on Company's web-site www.gardenvareli.com.
- As per the requirements of Clause 51/newly inserted Clause 52 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc. have been electronically filed on the EDIFAR website, [www.sebidifar.nic.in/Corporate Filing and Dissemination System \(CFDS\) portal](http://www.sebidifar.nic.in/Corporate Filing and Dissemination System (CFDS) portal), www.corpfiling.co.in
- Management Discussion and Analysis forms part of the Annual Report.

9. General Shareholders' Information

Annual General Meeting:

Date and Time : Tuesday, 20th September, 2011 at 11:00 a.m.
 Venue : Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395 010

Financial year : April to March

Book Closure Date : Saturday, 10th September, 2011 to Tuesday, 20th September 2011 (both days inclusive for the purpose of AGM and Dividend)

Dividend payment date : On or after 25th September, 2011 but within the statutory time limit of 30 days from the date of approval by members.

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

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

The Company's Global Depository Receipts (GDRs) stands delisted from the Luxembourg Stock Exchange with effect from 4th April, 2011

The Company has paid the Annual Listing fee for the year 2011-12

As on 31st March, 2011, there were 77815 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	GARDENSILKEQ
Demat ISIN in NSDL and CDSL for Equity Shares	INE526A01016.

Corporate Identity Number (CIN): L17111GJ1979PLC003463

Market Price Data:

(in ₹)

Month	Bombay Stock Exchange		National Stock Exchange	
	High	Low	High	Low
April, 2010	84.60	68.00	84.60	67.05
May, 2010	81.95	68.50	82.45	67.15
June, 2010	84.00	70.15	84.95	69.85
July, 2010	88.35	77.05	88.50	77.00
August, 2010	95.65	78.60	95.70	78.55
September, 2010	104.70	85.50	104.70	85.45
October, 2010	142.80	102.00	142.60	101.85
November, 2010	154.00	105.55	151.00	102.50
December, 2010	131.40	90.00	131.60	89.00
January, 2011	127.50	96.35	127.45	96.15
February, 2011	108.00	84.50	104.95	83.50
March, 2011	102.00	90.20	101.00	90.50

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.

Outstanding GDRs / ADRs / Warrants or any Convertible instruments.

Outstanding number of GDRs represent 123925 equity shares (0.32%) of the total share capital as on 31st March, 2010. Each GDR represents 5 underlying equity shares. Since the underlying equity shares represented by GDRs have been allotted in full, the outstanding GDRs have no impact on the equity of the Company. The GDRs stands delisted from the Luxembourg Stock Exchange with effect from 4th April, 2011

There is no convertible instrument, which could result in increasing the equity capital of the Company.

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.

Category of Shareholders as on 31st March, 2011:

Category	Shareholding	
	No. of shares	Percentage
Promoters	21967007	57.37
Mutual Funds & UTI	13800	0.04
Banks, Financial Institutions & Insurance Companies.	29139	0.08
FIs	3025	0.01
Foreign Financial Institutions	5140	0.01
Private Bodies Corporate.	2883920	7.53
NRIs	3687846	9.63
Indian Public	9511377	24.84
Shares underlying GDRs	123925	0.32
Others:		
Clearing Members	64761	0.17
Trust	620	0.00
Total	38290560	100.00

Distribution of shareholding as on 31st March, 2011:

Sr. No.	Range of Holding	No. of Shareholders	% to Shareholders	No. of Shares	% to Capital
1	Upto 500	76174	97.89	4151764	10.84
2	501 – 1000	848	1.08	695506	1.82
3	1001 – 2000	364	0.47	562685	1.47
4	2001 – 3000	120	0.15	306345	0.80
5	3001 – 4000	52	0.07	185879	0.49
6	4001 – 5000	50	0.07	236459	0.62
7	5001 – 10000	93	0.12	705333	1.84
8	10001 and above	114	0.15	31446589	82.12
	Total	77815	100.00	38290560	100.00

Dematerialisation of shares and Liquidity:

The status of Dematerialisation as on 31st March, 2011 is as under:

Segment	No. of Shares	%	No. of holders	%
Physical	2000390	5.22	49850	64.05
Electronic form with NSDL	33207667	86.73	22277	28.63
Electronic form with CDSL	3082503	8.05	5688	7.32
Total	38290560	100.00	77815	100.00

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

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
Sahara Gate,
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.

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) There is no fixed tenure for Independent Directors.

- (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
Tel.: 91-22-24994200
Facsimile: 91-22-24976351
E-mail: info@nsdl.co.in
Website: www.nsdl.co.in

Central Depository Services (India) Ltd.

Phiroze Jeejeebhoy Towers,
17th Floor, Dalal Street,
Mumbai 400023.
Tel.: 91-22-22723333
Facsimile: 91-22-22723199
E-mail: investors@cDSLindia.com
Website: www.cdslindia.com

General Information for shareholders:

1. Members holding shares in physical form are requested to notify to the Company, 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. To prevent fraudulent encashment of dividend warrants, members are requested to provide their Bank Account Details (if not provided earlier) to the Company (if shares held in physical form) or to DP (if shares held in demat form), as the case may be, for printing of the same on their dividend warrants.
3. In terms of the regulations of NSDL & CDSL, bank account details of beneficial owners of shares in demat form will be printed on the dividend warrants as furnished by the Depository Participant. The Company will not entertain requests for change of such bank details printed on their dividend warrants. In case of any changes in your bank details, please inform to your DP immediately.
4. 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.
5. 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.
6. 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 at Sahara Gate, Surat 395 010 or to the Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company.
7. Shareholders can lodge their investors complaint on E-mail ID: sharedepartment@gardenvareli.com.
8. Members/ Proxies/ Representatives are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
9. Members who hold shares in dematerialized 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.
10. 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.
11. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
12. In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.

CEO / CFO CERTIFICATION

Dear Sirs,

We, Praful A. Shah, Managing Director and Alok P. Shah, Joint Managing Director of the Company, to the best of our knowledge and belief certify that:

- (a) We have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' Report:
 - (i) These statements do not contain any materially untrue statements 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) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011 are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies; and
- d) we have informed the Auditors and the Audit Committee of:
 - (i) significant changes, if any, in the internal control over financial reporting during the year;
 - (ii) significant changes, if any, in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Surat, 27th July, 2011

Alok P. Shah
Joint Managing Director

Praful A. Shah
Managing Director

DECLARATION

I, Praful A. Shah, Managing Director of Garden Silk Mills Limited, hereby declare that all the members of the Board of Directors and the Senior Management Personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of Clause 49(I)(D)(ii) of the Listing Agreement entered into with Stock Exchanges, for the year ended 31st March, 2011.

For Garden Silk Mills Limited

Surat, 27th July, 2011

Praful A. Shah
Managing Director

AUDITORS' CERTIFICATE

**To the Members of
Garden Silk Mills Limited**

We have reviewed the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the stock exchanges of India, for the financial year ended 31st March, 2011.

The compliance of conditions of corporate governance is the 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.

Based on such review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreements.

We further 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.**
Firm Registration No. 123626W
Chartered Accountants

R. N. VEPARI
Partner
Membership No. 6728

Surat, 27th July, 2011

**Particulars of the Directors seeking Appointment / Re-appointment at the forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	Mr. Arunchandra N. Jariwala	Mr. J. P. Shah	Mr. Sunil S. Sheth	Mr. Sanjay S. Shah
Date of birth	5th August, 1931	12th June, 1933	27th February, 1952	19th February, 1956
Date of Appointment on the Board	18th July, 1988	12th July, 1987	22nd April, 2002	19th February, 1990
Qualifications	B.Tex. M.Sc. F.I.E.	B.A. LL.M.	Ph.D. (Physics)	B.A. (Essex University) U.K.
Experience and Expertise in specific functional areas	Technocrat and consultant having more than 3 decades of experience in textile industry.	More than 3 decades of experience as practicing advocate and expertise in tax matters.	Professional consultant in telecommunication and energy saving device.	Well known industrialist having more than 3 decades of experience in the business of man made textiles, technology and general management.
Directorship held in other Public Limited Companies (excluding foreign and private companies)	Banswara Syntex Ltd.	Nil	Nil	Kashah Investment Limited
Memberships / Chairmanships of committees across public companies	1. Audit Committee – Chairman 2. Remuneration Committee – Chairman 3. Share Transfer & Investors Grievance Committee – Member	Not applicable	1. Management Committee - Member 2. Remuneration Committee – Member	Share Transfer & Investors Grievance Committee – Member
No. of shares held in the Company	100	6595	Nil	880960

AUDITORS' REPORT

To, the members of

Garden Silk Mills Limited,

1. We have audited the attached Balance Sheet of **Garden Silk Mills Limited** as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report read with notes, are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors of the Company as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) in our opinion, and to the best of our information, and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash-flows for the year ended on that date.

For Natvarlal Vepari & Co.

Firm Registration No. 123626W

Chartered Accountants

R. N. Vepari

Partner

Membership No. 6728

Surat, 27th July, 2011

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph 3 of our report of even date.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- (b) As explained to us, 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 the going concern status of the Company is not affected.
2. (a) The inventories have been physically verified during the year by the management. 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 inventories 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 has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
3. (a) According to the information and explanations given to us, the Company has granted a loan covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was ₹ 3262.50 lacs and the year-end balance is ₹ 2900.00 lacs.

In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loan given by the Company, is not *prima facie* prejudicial to the interest of the Company.
- (b) As per the information and explanations given to us and the records produced to us for our verification, the Company has, during the year, not taken any loan, secured or unsecured, from Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, the requirement of Clauses (iii)(e), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.
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 inventory 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 such internal control system.
5. (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year 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 deposit from the public within the meaning of Sections 58A, 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. On the basis of the internal audit reports broadly reviewed by us, in our opinion, the Company has an internal audit system commensurate with its size and nature of its business;
8. We have broadly reviewed the books of account and records maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956, and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the 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 has been generally regular in depositing the undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues in respect of central excise and Sales Tax which have not been deposited as on 31st March, 2011 on account of disputes are given below:

Name of the Statute	Nature of the Dues	Amount under dispute (₹)	Period to which the amount relates	Forum where dispute is pending	Amount Deposited against (₹)
Central Excise Act, 1944	Penalty	35,00,000	1994-95	Mumbai High Court.	10,00,000
Central Excise Act, 1944	Excise Duty including penalty	1,15,62,90,427	2005-09	CESTAT, Ahmedabad	-
Gujarat Sales Tax Act, 1969	Gujarat Sales Tax	80,50,552	2004-05	The Joint Commissioner of Commercial Tax, Appeal (2), Baroda.	10,00,000

10. The Company does not have accumulated losses as at 31st March, 2011 and it has not incurred any cash losses in financial year ended on that date or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank during the year. The Company has not issued debentures during the year.
12. Based on our examination of the records and the information and explanations given to us, 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(xii) of the Order is not applicable.
13. In our opinion, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society to which the provisions of special statute relating to chit fund are applicable, accordingly paragraph 4(xiv) of the Order is not applicable.
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 during the year for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, the term loans availed by the Company during the year have been applied for the purposes for which they were obtained, however, amounts remained temporarily invested, pending utilisation of the funds for the intended use.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under section 301 of the Companies Act, 1956.
19. No debentures have been issued by the Company and hence the question of creating the security or charges in respect thereof does not arise.
20. The Company has not raised any money by 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 such case by the Management.

For Natvarlal Vepari & Co.

Firm Registration No. 123626W
Chartered Accountants

R. N. Vepari

Partner

Membership No. 6728

Surat, 27th July, 2011

Balance Sheet as at 31st March, 2011

	Schedule	As at 31st March, 2011	(₹ in Lacs) As at 31st March, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,829.06	3,829.06
Reserves and Surplus	2	53,185.49	45,199.97
		<u>57,014.55</u>	<u>49,029.03</u>
Loan Funds			
Secured Loans	3	121,232.52	94,857.36
Unsecured Loans	4	8,579.48	7,934.56
		<u>129,812.00</u>	<u>102,791.92</u>
Deferred Tax Liability		<u>12,665.20</u>	<u>11,758.77</u>
TOTAL		<u><u>199,491.75</u></u>	<u><u>163,579.72</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	159,839.64	150,364.12
Less: Depreciation		60,501.69	55,607.26
Net Block		<u>99,337.95</u>	<u>94,756.86</u>
Capital Work-in-Progress		34,596.34	19,504.78
		<u>133,934.29</u>	<u>114,261.64</u>
Investments	6	4,608.57	7,660.96
Current Assets, Loans and Advances			
Inventories	7	64,109.26	36,536.20
Sundry Debtors		15,954.32	12,686.88
Cash and Bank Balances		2,112.09	3,480.63
Loans and Advances		20,775.48	22,028.67
		<u>102,951.15</u>	<u>74,732.38</u>
Less: Current Liabilities and Provisions	8		
Current Liabilities		37,195.10	27,479.45
Provisions		4,807.16	5,602.56
		<u>42,002.26</u>	<u>33,082.01</u>
Net Current Assets		<u>60,948.89</u>	<u>41,650.37</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)		0.00	6.75
TOTAL		<u><u>199,491.75</u></u>	<u><u>163,579.72</u></u>
Significant Accounting Policies	13		
Notes forming part of the Accounts	14		

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Firm Registration Number: 123626W

Chartered Accountants

R. N. VEPARI

Partner

Membership No. 6728

Surat, 27th July, 2011

For and on behalf of the Board

PRAFUL A. SHAH

Chairman & Managing Director

ALOK P. SHAH

Joint Managing Director

SUNIL S. SHETH

Director

KAMLESH VYAS

Company Secretary

Surat, 27th July, 2011

Profit and Loss Account for the year ended 31st March, 2011

	Schedule	2010-2011	(₹ in Lacs) 2009-2010
INCOME			
Sales and Job Charges (Refer Note 16(a), Schedule 14)		366,741.39	266,233.59
Less: Excise Duty on Sales		26,693.40	14,744.18
Net Sales and Job Charges		340,047.99	251,489.41
Other Income	9	577.11	656.94
		340,625.10	252,146.35
EXPENDITURE			
Consumption of Raw Materials		264,008.53	190,839.64
Purchases		1,378.51	1,408.82
(Increase)/Decrease in Stocks	10	(8,832.33)	(5,931.99)
Manufacturing and Other Expenses	11	55,421.74	41,947.63
		311,976.45	228,264.10
Profit before Interest, Depreciation and Tax		28,648.65	23,882.25
Less: Interest and Finance Charges (Net)	12	8,893.48	7,316.98
Profit before Depreciation and Tax		19,755.17	16,565.27
Less: Depreciation		7,651.63	7,256.39
Profit Before Tax		12,103.54	9,308.88
Less: Provision for Current Tax		2,410.55	1,594.85
Provision for Deferred Tax		906.43	1,393.56
Profit After Tax		8,786.56	6,320.47
Add: Balance brought forward from Previous year		18,044.10	13,002.34
Amount Available for Appropriations		26,830.66	19,322.81
APPROPRIATIONS			
General Reserve		675.00	475.00
Proposed Dividend		689.23	689.23
Tax on Dividend		111.81	114.48
Balance carried to Balance Sheet		25,354.62	18,044.10
		26,830.66	19,322.81
Basic and Diluted Earning per Share of face value of ₹ 10 each (in Rupees) (Refer Note 10, Schedule 14)		22.95	16.51
Significant Accounting Policies	13		
Notes forming part of the Accounts	14		

As per our attached report of even date
For NATVARLAL VEPARI & CO.
 Firm Registration Number: 123626W
 Chartered Accountants

R. N. VEPARI
 Partner
 Membership No. 6728
 Surat, 27th July, 2011

For and on behalf of the Board
PRAFUL A. SHAH Chairman & Managing Director

ALOK P. SHAH Joint Managing Director

SUNIL S. SHETH Director

KAMLESH VYAS Company Secretary
 Surat, 27th July, 2011

Cash Flow Statement for the year ended 31st March, 2011

(₹ in Lacs)

	2010-2011	2009-2010
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax as per Profit and Loss Account	12,103.54	9,308.88
Adjustments for:		
Depreciation	7,651.63	7,256.39
Interest and Finance Charges (Net)	8,893.48	7,316.98
Profit on Sale of Assets	0.00	(31.72)
Loss on Sale of Assets	268.80	9.73
Profit on Sale of Investment (Net)	(403.53)	(333.94)
Share of Loss in Partnership firm	9.98	0.03
Provision for diminution in value of investment	9.44	102.00
Miscellaneous Expenditure written off	6.75	13.73
Dividend Income	(2.97)	(0.25)
Operating Profit before Working Capital Changes	28,537.12	23,641.83
Adjustments for:		
Trade & other receivable	(2,795.84)	(6,812.41)
Inventories	(27,573.06)	(14,781.09)
Trade Payables and other liabilities	9,709.28	15,374.33
Cash Generated from Operations	7,877.50	17,422.66
Taxes Paid	(2,392.96)	(1,186.73)
Net Cash generated from Operating Activities	5,484.54	16,235.93
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(26,355.68)	(22,167.19)
Sale of Fixed Assets	251.40	133.80
Purchase of Investments	(21,240.76)	(22,275.14)
Sale of Investments	24,687.24	20,003.89
Dividend received	2.97	0.25
Loan given to other Companies/Firms	(45.62)	265.88
Net Cash used in Investing Activities	(22,700.45)	(24,038.51)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of Long Term Borrowings	(9,629.71)	(11,771.60)
Proceeds from Long Term Borrowings	31,957.85	18,857.31
Short Term Loans	4,691.94	5,330.75
Interest and Other Finance Charges Paid	(10,369.00)	(7,749.14)
Dividend paid	(689.23)	(574.36)
Tax on dividend.	(114.48)	(97.61)
Net Cash generated from Financing Activities	15,847.37	3,995.35
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,368.54)	(3,807.23)
Opening Balance of Cash and Cash Equivalents	3,480.63	7,287.86
Closing Balance of Cash and Cash Equivalents	2,112.09	3,480.63

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Firm Registration Number: 123626W

Chartered Accountants

R. N. VEPARI

Partner

Membership No. 6728

Surat, 27th July, 2011

For and on behalf of the Board

PRAFUL A. SHAH

Chairman & Managing Director

ALOK P. SHAH

Joint Managing Director

SUNIL S. SHETH

Director

KAMLESH VYAS

Company Secretary

Surat, 27th July, 2011

Schedules forming part of the Balance Sheet

	As at 31st March, 2011	As at 31st March, 2010
(₹ in Lacs)		
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
6,00,00,000 (6,00,00,000) Equity Shares of ₹ 10 each	<u>6,000.00</u>	<u>6,000.00</u>
Issued, Subscribed and Paid up		
3,82,90,560 (3,82,90,560) Equity Shares of ₹ 10 each fully paid up	<u>3,829.06</u>	<u>3,829.06</u>
TOTAL	<u><u>3,829.06</u></u>	<u><u>3,829.06</u></u>
Of the above Equity Shares:		
(a) 25,90,000 Equity Shares of ₹ 10/- each issued as fully paid Bonus Shares by Capitalisation from General Reserve.		
(b) 1,03,08,150 Equity Shares allotted pursuant to the Schemes of Amalgamation sanctioned by the Hon'ble High Court of Gujarat.		
(c) 22,00,000 Equity Shares of ₹ 10/- each fully paid up issued on conversion of fully paid up 12.5% Secured Redeemable Convertible Debentures in terms of Prospectus dated 5th August, 1987.		

	As at 31st March, 2011	As at 31st March, 2010
(₹ in Lacs)		
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities Premium Account		
As per last Balance Sheet	24,198.24	24,198.24
General Reserve		
As per last Balance Sheet	2,957.63	2,482.63
Add: Transferred from Profit and Loss Account	<u>675.00</u>	<u>475.00</u>
Profit and Loss Account	<u>25,354.62</u>	<u>18,044.10</u>
TOTAL	<u><u>53,185.49</u></u>	<u><u>45,199.97</u></u>

	As at 31st March, 2011	As at 31st March, 2010
(₹ in Lacs)		
SCHEDULE 3		
SECURED LOANS		
Loans and Advances from Banks:		
- Rupee Term Loan (Refer Note 1 & 2)	76,781.29	55,717.86
- Foreign Currency Loan (Refer Note 1 & 3)	16,769.90	17,525.53
- Working capital borrowings from Scheduled Banks (Refer Note 4)	24,650.08	17,457.72
Other loans and advances		
- Rupee Term Loans from Financial Institutions (Refer Note 2)	3,031.25	4,156.25
TOTAL	<u><u>121,232.52</u></u>	<u><u>94,857.36</u></u>

Schedules forming part of the Balance Sheet (Contd.)

Notes:

1. Term Loans from Financial Institutions & Banks 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 2 and 3 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.
2. Of the Rupee Term Loans from banks:
 - i) Loans from Bank of India to the extent of ₹ 500.38 Lacs (Previous Year: ₹ 756.31 Lacs) are secured by hypothecation of specific machinery of Fully Drawn Yarn (FDY) Project at Jolwa,
 - ii) Loans from Corporation Bank to the extent of ₹ 9325.81 Lacs (Previous Year: ₹ 6256.89 Lacs) are secured by hypothecation of movable fixed assets of Gas Turbine Power Project at Jolwa, Specific Continuous Polymerisation Projects and Specific POY Projects under implementation at Jolwa,
 - iii) Loans from Bank of India to the extent of ₹ 1763.73 Lacs (Previous Year: ₹ 2430.01 Lacs) are secured by hypothecation of specific Building and machinery of Texturising plant and Draw Twisting plant at Jolwa,
 - iv) Term loans from ICICI Bank, Kotak Mahindra Prime Limited and Axis Bank Limited aggregating to ₹ 210.63 Lacs (Previous Year: ₹ 115.56 Lacs) under vehicle finance scheme are secured by an exclusive charge by way of hypothecation of specific vehicles purchased under the arrangements,
 - v) Housing Loan of ₹ 831.89 Lacs (Previous Year: ₹ 911.95 Lacs) from ICICI Bank is secured by hypothecation of a residential flat at Mumbai,
 - vi) Loans from Bank of India to the extent of ₹ 1125.00 Lacs (Previous Year: ₹ 2625.00 Lacs) are secured by first Charge on stock-in-trade of Art and Artifacts and third charge on the Fixed Assets of the Company,
 - vii) Loans from Union Bank of India to the extent of ₹ 4720.22 Lacs (Previous Year: ₹ 1067.49 Lacs) are secured by hypothecation of specific machinery of Thermal Coal Based Power Project under commissioning at Jolwa,
 - viii) Loans from Bank of Baroda to the extent of ₹ 7860.60 Lacs (Previous Year: ₹ 4942.07 Lacs) are secured by hypothecation of specific machinery of FDY Project and Draw Warper under commissioning at Jolwa.
3. Of the Foreign Currency Loans from banks: Loans to the extent of ₹ 1820.33 Lacs (Previous Year: ₹ 2433.77 Lacs) from Landesbank Baden-Wurttemberg, are secured by hypothecation of specific imported machinery of Direct Spinning Project at Jolwa.
4. Working capital borrowings from scheduled banks are secured by hypothecation of stock of raw materials, work in progress, finished goods, chemicals, stores and spares, stock in transit in respect of imported consignment, if any and book debts of the Company. These loans are further secured by second charge on all the immovable properties of the Company.

	As at 31st March, 2011	As at 31st March, 2010
(₹ in Lacs)		
SCHEDULE 4		
UNSECURED LOANS		
Short Term Loans and Advances		
From Banks		
- Buyers Import Credit	3,984.70	0.00
Commercial Paper	2,500.00	5,000.00
Inter Corporate Deposits	304.02	304.44
Other loans and advances		
Term Loans		
From Foreign Banks	1,790.76	2,630.12
TOTAL	8,579.48	7,934.56

Schedules forming part of the Balance Sheet (Contd.)

SCHEDULE 5
FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01-04-2010	Additions during the year	Deduction/ Adjustments during the year	Total as at 31-03-2011	As at 01-04-2010	For the year	Deduction/ Adjustments during the year	Total Depreciation upto 31-03-2011	Balance as at 31-03-2011	Balance as at 31-03-2010
	2	3	4	5	6	7	8	9	10	11
Freehold Land	2,435.63	0.00	0.00	2,435.63	0.00	0.00	0.00	0.00	2,435.63	2,435.63
Building	22,917.28	4,480.61	0.00	27,397.89	6,359.43	959.64	0.00	7,319.07	20,078.82	16,557.85
Plant and Machinery	122,762.03	7,698.31	3,031.57	127,428.77	48,089.25	6,507.18	2,542.99	52,053.44	75,375.33	74,672.78
Furniture and Equipments	1,321.88	381.67	122.83	1,580.72	746.28	100.09	122.58	723.79	856.93	575.60
Vehicles	927.30	192.33	123.00	996.63	412.30	84.72	91.63	405.39	591.24	515.00
Grand Total	150,364.12	12,752.92	3,277.40	159,839.64	55,607.26	7,651.63	2,757.20	60,501.69	99,337.95	94,756.86
Previous Year	133,863.98	17,079.37	579.23	150,364.12	48,818.29	7,256.39	467.42	55,607.26	34,596.34	19,504.78
Capital Work-in-Progress (including Advance for Capital Goods)									133,934.29	114,261.64

Notes:

- Buildings include ₹ 40.59 Lacs (Previous Year ₹ 40.59 Lacs) being cost of shares relating to ownership flat in Co-Operative Society.
- Borrowing Costs capitalised during the year aggregate to ₹ 1,488.80 Lacs (Previous Year ₹ 579.00 Lacs)
- Freehold Land and Building have been appreciated by ₹ 4,588.94 Lacs and Plant and Machinery has been depreciated by ₹ 10,286.94 Lacs on revaluation as at 1st July, 1997.

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2011	(₹ in Lacs) As at 31st March, 2010
SCHEDULE 6		
INVESTMENTS		
A. LONG TERM INVESTMENTS (Valued at Cost)		
1. Government and other Securities - Unquoted		
6 Years National Savings Certificate (Deposited with Sales Tax Department)	0.10	0.10
2. Non-Trade Investments		
In Equity Shares - Unquoted, fully paid-up		
270 (270) The Surat Art Silk Cloth Producers' Co-operative Society Ltd. of ₹ 10 each	0.03	0.03
75 (75) Rayon Mills Commercial Corporation Ltd. of ₹ 100 each	0.08	0.08
60 (60) New Piece Goods Bazaar Co. Ltd. of ₹ 100 each	1.57	1.57
1000 (1000) Shroff Textile Ltd. of ₹ 10 each	0.10	0.10
450 (450) Majestic Land Developers Pvt Ltd. of ₹ 100 each	29.21	29.21
50000 (50000) Amitabh Bachchan Corporation Ltd. of ₹ 10 each	40.00	40.00
4943832 (4943832) Salora Shinsung Textile Co. Ltd., of ₹ 10 each	549.17	549.17
206667 (206667) Icent Ltd., of ₹ 10 each	62.00	62.00
3. Other Investments		
In Equity Shares - Quoted, fully paid-up		
14500000 (14500000) Surat Textile Mills Ltd. of ₹ 1 each	1,282.92	1,282.92
100 (100) Electrex India Ltd. of ₹ 10 each	0.02	0.02
	<u>1,965.20</u>	<u>1,965.20</u>
Less: Provision for diminution in value of investments	611.17	601.73
TOTAL	<u><u>1,354.03</u></u>	<u><u>1,363.47</u></u>
B. CURRENT INVESTMENTS		
In Units – Unquoted, fully paid up.		
Nil (4775549.188) Prudential ICICI Equity & Derivative - Fund Income Optimiser - Institutional Dividend of ₹ 10 each.	0.00	500.00
Nil (58609.707) Prudential ICICI Flexible Income Plan Premium - Growth of ₹ 100 each.	0.00	100.00
Nil (1951877.925) Birla Sun Life Floating Rate Long Term- Institutional - Growth of ₹ 10 each.	0.00	210.36
Nil (22336441.133) Birla Sun Life Dynamic Bond Fund Retail - Growth of ₹ 10 each.	0.00	2,998.00
Nil (4799492.015) Kotak Quarterly Interval Plan Series - 8 Growth of ₹ 10 each.	0.00	522.65
Nil (9921028.697) LIC Floating Rate Fund-Short Term- Plan - Growth Plan of ₹ 10 each.	0.00	1,500.00
Nil (2982832.500) HDFC Floating Rate Income Fund- Short Term Plan - Whole sale option-Growth of ₹ 10 each.	0.00	466.48
5045.341 (Nil) DSP Blackrock Liquidity Fund Insti. Plan Growth of ₹ 1000 each	69.51	0.00

Schedules forming part of the Balance Sheet (Contd.)

	(₹ in Lacs)	
	As at 31st March, 2011	As at 31st March, 2010
4000000 (Nil) DSP Blackrock FMP-3m Series 27 - Growth of ₹ 10 each.	400.00	0.00
5300000 (Nil) DSP Blackrock FMP-3m Series 33 - Growth of ₹ 10 each.	530.00	0.00
3000000 (Nil) Kotak FMP Series 43-Growth of ₹ 10 each	300.00	0.00
4970228.332 (Nil) Prudential ICICI Long Term Floating Rate Plan C - Growth of ₹ 10 each	500.00	0.00
4854323 (Nil) Prudential ICICI Interval Fund II Quarterly Interval Plan F – Institutional Cumulative of ₹ 10 each	520.00	0.00
3050259.675 (Nil) Reliance Fixed Horizon Fund – XVII Series 1 – Growth Plan of ₹ 10 each	305.03	0.00
4295356.924 (Nil) Tata Floater Fund Growth of ₹ 10 each	630.00	0.00
TOTAL	3,254.54	6,297.49
GRAND TOTAL	4,608.57	7,660.96

	(₹ in Lacs)			
	As at 31st March, 2011		As at 31st March, 2010	
AGGREGATE VALUE OF	Book Value	Market Value	Book Value	Market Value
Quoted Investments	1,282.94	377.00	1,282.94	661.20
Unquoted Investments (Net of Provision for Diminution)	3,325.63	–	6,378.02	–

Investments Purchased and Sold/Redeemed during the year

	Face Value (₹)	Units (Nos.)
Mutual Fund Units		
Birla Sun Life Floating Rate Fund - Short Term - Growth	10	2,573,357
Birla Sun Life - Quarterly Interval Series 4 - Growth	10	4,230,374
Birla Sun Life - Short Term - Opportunities Fund - Instl. Growth	10	4,703,094
Birla Sun Life - Short Term - FMP Series -1 - Growth	10	4,017,730
Birla Sun Life - Medium Term Plan - Institutional Growth	10	4,855,878
Birla Sun Life - Saving Fund - Retail - Growth	10	470,434
Birla Sun Life - Cash Manager Institutional Plan - Growth	10	2,301,413
Birla Sun Life - Saving Fund - Institutional Plan - Growth	1,000	2,854,935
DSP Blackrock Liquidity Fund - Institutional Plan - Growth	1,000	139,651
DSP Blackrock Floating Rate Fund - Institutional Plan - Growth	10	36,755
DSP Blackrock FMP -3m Series 21 - Growth	10	5,006,000
DSP Blackrock Government Security Fund - Growth	10	1,072,379
Kotak Quarterly Interval Plan Series 4 - Growth	10	4,455,265
Kotak Quarterly Interval Plan Series 5 - Growth	10	4,164,797
Kotak Floater Long Term - Growth	10	3,412,084
Kotak Floater Short Term - Growth	10	9,971,611
LIC MF Income Plus Fund - Growth Plan	10	8,012,243

Schedules forming part of the Balance Sheet (Contd.)

Investments Purchased and Sold/Redeemed during the year (contd.)	Face Value (₹)	Units (Nos.)
Prudential ICICI Flexible Income Plan - Premium Growth	10	582,542
Reliance - Short Term Fund - Retail Plan - Growth Plan	10	5,697,651
Reliance - Monthly Interval Fund Series - II - Institutional - Growth Plan	10	4,730,963
Reliance - Dynamic Bond Fund - Growth Plan - Growth Option	10	2,437,954
Reliance - Medium Term Fund - Retail Plan - Growth Plan - Growth Option	10	4,592,131
Reliance - Liquid Fund - Cash Plan - Growth Plan - Growth Option	10	1,962,516
Reliance - Monthly Interval Fund Series- I - Institutional - Growth Plan	10	2,345,109
TATA Fixed Income Portfolio Fund Scheme A2 - Institutional	10	9,002,852
TATA Floater Fund - Growth	10	14,062,554

(₹ in Lacs)

As at
31st March, 2011As at
31st March, 2010

SCHEDULE 7

CURRENT ASSETS, LOANS AND ADVANCES

A. CURRENT ASSETS

1. Inventories

Stores, Spares, and Chemicals	5,276.57	2,688.13
Finished Goods	23,154.19	13,839.70
Stock-in-Process	689.66	685.51
Raw Materials	29,856.52	14,202.54
Stock-in-trade (Art & Artifacts)	4,653.96	4,641.96
Stock-in-trade (Property under development)	478.36	478.36
	<u>64,109.26</u>	<u>36,536.20</u>

2. Sundry Debtors (Unsecured and Considered Good)

Debts exceeding six months	908.88	527.00
Other Debts	15,045.44	12,159.88
	<u>15,954.32</u>	<u>12,686.88</u>

3. Cash and Bank Balances

Cash on hand	36.82	51.39
Balance with Banks:		
With Scheduled Banks:		
– In Current Accounts	500.70	952.61
– In Fixed Deposit Accounts	986.09	1,499.68
– In Margin Money Accounts	588.48	976.95
	<u>2,112.09</u>	<u>3,480.63</u>

B. LOANS AND ADVANCES

Unsecured (Considered Good, Unless Otherwise Stated)		
Loans	3,124.95	3,079.33
Advance Recoverable in cash or in kind or for value to be received, including Deposits (Refer Note 5, Schedule 14)	6,760.53	5,615.19
Balance with Customs, Central Excise Authorities, etc.	6,799.82	8,433.65
Advance Income Tax	4,090.18	4,900.50
	<u>20,775.48</u>	<u>22,028.67</u>
TOTAL	<u>102,951.15</u>	<u>74,732.38</u>

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2011	(₹ in Lacs) As at 31st March, 2010
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Acceptances		
Under usance Letter of Credit	21,201.72	16,248.09
Sundry Creditors		
Due to Micro, Medium and Small Enterprises (Refer Note 4, Schedule 14)	76.41	73.61
For Capital Goods	1,341.57	654.18
Others	12,971.48	8,906.63
Other Liabilities	994.57	989.51
Interest Accrued but not due on Loans	527.13	520.76
Unclaimed Dividend	82.22	86.67
	37,195.10	27,479.45
B. PROVISIONS		
For Taxation	4,006.12	4,798.85
For Proposed Dividend	689.23	689.23
For Tax on Dividend	111.81	114.48
	4,807.16	5,602.56
TOTAL	42,002.26	33,082.01

Schedules forming part of the Profit and Loss Account

	2010-2011	2009-2010
(₹ in Lacs)		
SCHEDULE 9		
OTHER INCOME		
Dividend Income	2.97	0.25
Profit on Sales of Investments (Net)	403.53	333.94
Rent Income	85.71	85.71
[(Tax deducted ₹ 1.80 Lacs (Previous Year: ₹ 5.70 Lacs)]		
Profit on sale of Fixed Assets	0.00	31.72
Bad Debts Recovery	19.00	73.00
Credit Balances Written off	27.59	85.66
Miscellaneous Income	38.31	46.66
TOTAL	577.11	656.94
(₹ in Lacs)		
SCHEDULE 10	2010-2011	2009-2010
(INCREASE)/DECREASE IN STOCKS		
Opening Stock:		
Stock-in-Process	685.51	490.62
Finished Goods and Stock-in-trade	18,481.66	11,984.93
	19,167.17	12,475.55
Closing Stock:		
Stock-in-Process	689.66	685.51
Finished Goods and Stock-in-trade	27,808.15	18,481.66
	28,497.81	19,167.17
Add/(Less): Variation in excise duty on opening and closing stock of finished goods	498.31	759.63
TOTAL	(8,832.33)	(5,931.99)

Schedules forming part of the Profit and Loss Account (Contd.)

	(₹ in Lacs)	
	2010-2011	2009-2010
SCHEDULE 11		
MANUFACTURING AND OTHER EXPENSES		
Conversion and Processing Charges	794.26	705.79
Consumption of Stores, Spares and Chemicals	9,363.48	7,095.17
Packing Charges	5,409.85	4,158.64
Power and Fuel	20,373.45	15,273.78
Repairs and Maintenance:		
Plant and Machinery	779.13	889.00
Buildings	179.67	178.17
Others	85.19	85.90
Rent	242.65	155.85
Payments to and Provision for Employees:		
Salaries, Wages and Bonus	6,416.05	5,193.04
Contribution to Provident and other Funds	778.81	460.72
Staff Welfare	102.54	81.19
Selling and Distribution Expenses	4,840.18	3,010.41
Commission and Discount	2,383.75	1,842.71
Insurance	184.35	148.38
Rates and Taxes	83.72	67.49
Auditors' Remuneration	15.50	14.57
Share of Loss from Partnership firms	9.98	0.03
General Charges	2,946.59	2,455.54
Provision for diminution in value of investments	9.44	102.00
Debit Balances written off	147.60	5.79
Loss on sale of fixed assets	268.80	9.73
Miscellaneous expenditure written off	6.75	13.73
TOTAL	55,421.74	41,947.63

	(₹ in Lacs)	
	2010-2011	2009-2010
SCHEDULE 12		
INTEREST AND FINANCE CHARGES (NET)		
Interest on Fixed Loans and Debentures	8,397.09	7,214.85
Other Interest Expenses	2,670.80	1,365.76
Other Financial Charges	706.28	717.70
	11,774.17	9,298.31
Less: Borrowing cost capitalised	1,488.80	579.00
Less: Interest and other financial income	1,391.89	1,402.33
[(Tax Deducted at Source ₹ 113.91 Lacs (Previous Year ₹ 124.52 Lacs)]		
TOTAL	8,893.48	7,316.98

Significant Accounting Policies

SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and provisions of The Companies Act, 1956, read with the Companies (Accounting Standards) Rules, 2006. The Company follows the mercantile system of accounting and therefore recognizes Income and Expenditure on accrual basis. Accounting policies not referred to otherwise, are consistent with the generally accepted accounting principles.

(b) Revenue Recognition

Revenue is recognized 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) etc. on dispatch of goods to customers. Sales also include sale of scrape, waste, rejects, empty containers etc. Dividend income is recognized when right to receive payment is established. Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

(c) Fixed Assets

Fixed Assets are stated 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.

(d) 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.

(e) Impairment of Assets

The carrying amount of the fixed assets is reviewed at each Balance Sheet date for impairment whenever events or changes in circumstances indicates that the carrying amount of an asset may not be recoverable. An impairment loss is recognized in the financial statement when the carrying amount of fixed assets exceeds the assessed estimated recoverable amount and charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The recoverable amount is the greater of assets' net selling price of its value in use. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

(f) Investments

Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary. Current investments are carried at lower of cost and fair value, computed category wise.

(g) Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard (AS2), 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 Spare parts & Chemicals, Packing Materials, Stock-in-trade (Art and Artifacts) 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 revalued cost of land and construction thereon at cost.

Significant Accounting Policies (Contd.)

(h) Foreign Currency Transactions

- (i) Transactions denominated in foreign currencies are recorded at the rates of exchange in force at the time transactions are affected.
- (ii) At each Balance sheet date, unrealized gains or losses on foreign currency transactions on account of increase or decrease in rupee liability as a result of exchange difference between the Balance sheet date rate and the transaction rate to items of assets and liabilities are recorded to the Profit and Loss account, and accordingly, assets or liabilities are adjusted.
- (iii) The difference between forward rate and the exchange rate at the inception of a forward contract is recognized as income or expenses over the life of a contract, and any unrealized gains or losses, on account of fluctuations in the exchange rate pertaining to forward contracts at the Balance sheet date are recorded to the Profit and Loss account.

(i) Depreciation

Depreciation on fixed assets has been 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 and Gas Based Power Project situated at Vareli which is on written down value method. The depreciation on revalued assets, has been charged by dividing the unamortised depreciable amount over the residual useful life of the Assets. The depreciation on incremental cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets has been provided over the residual life of the assets.

(j) Expenses

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

(k) 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.

(l) Excise Duty and Sales Tax/Value Added Tax

Excise Duty is accounted on the basis of both, payments made goods cleared as also provision made for goods lying in bonded warehouses & uncleared goods and the same has been 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 & Opening Stock of finished goods which is recognised separately in the Profit and Loss Account. Sales tax / Value added tax paid is charged to Profit and Loss Account.

(m) Retirement 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 has been made in accordance with the accounting standard AS-15 "Employee Benefits".

(n) Research and Development

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

(o) Inter-divisional Transfers

Inter-divisional transfer of goods between departments as captive consumption is treated 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.

Significant Accounting Policies (Contd.)

(p) Miscellaneous Expenditure

Miscellaneous Expenditure are Front end fees on loans of earlier years which are being written off equally over the duration of the respective loans.

(q) Borrowing Costs

Borrowing cost (Including interest and exchange differences arising from foreign exchange borrowings to the extent that they are regarded as the adjustments to interest costs) that are 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 its intended use. All other borrowing costs are charged to Profit and Loss account.

(r) Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of 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 recognized 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.

SCHEDULE 14

NOTES FORMING PART OF THE ACCOUNTS

1. The Previous year's figures have been regrouped / reclassified wherever necessary to make them comparable with the current year's figures.
2. As at the balance sheet date, the Company is Contingently liable in respect of the followings:
 - (i) Disputed liabilities for Excise Duty not acknowledged as debts ₹ 11587.90 Lacs. (Previous Year ₹ 11696.54 Lacs).
 - (ii) Disputed liabilities for Gujarat Sales Tax & Central Sales Tax not acknowledged as debts ₹ 70.51 Lacs (Previous year ₹ 70.51 Lacs)
 - (iii) Customs Duty on Capital Goods and Raw Materials imported under Advance Licence / EPCG Scheme, against which export obligation is to be fulfilled is ₹ 2443.25 Lacs (Previous year ₹ 4277.30 Lacs)
 - (iv) Counter-guarantees to Banks against guarantees issued to third parties ₹ 61.75 Lacs (Previous year ₹ 61.75 Lacs)
3. As at the balance sheet date, estimated amount of contracts pending on Capital Account and not provided for ₹ 6678.80 Lacs (Previous Year ₹ 18759.49 Lacs).
4. **Micro and Medium scale business entities:**

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
5. Advance recoverable in cash or in kind or for value to be received includes amount due from partnership firms in which the Company is a partner ₹ 220.23 Lacs (Previous Year ₹ 230.21 Lacs).
6. In view of the recent performance of Surat Textile Mills Limited (STML), the financial position of STML is expected to significantly improve. Therefore the decline in value of investments by the Company in STML is considered to be temporary.

Notes forming part of the Accounts (Contd.)

7. Foreign Currency Exposure

The Company uses plain forward contracts for hedging purpose except for 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 is as under:

		As at 31st March, 2011			As at 31st March, 2010	
		Foreign Currency	Amount in Foreign Currency	₹ in Lacs	Amount in Foreign Currency	₹ in Lacs
(a)	Hedge					
	Debtors	USD	3,749,191.79	1,742.58	1,765,160.00	792.56
	Acceptances	USD	6,719,317.71	3,031.31	15,096,600.00	6,885.91
	Loans Taken	USD	35,231,281.93	15,120.88	42,311,321.20	18,320.30
(b)	Unhedge					
	Debtors	USD	0.00	0.00	5,675,002.00	2,548.08
	Creditors	USD	26,252.98	11.71	11,686.00	5.25
		JPY	0.00	0.00	78,967.00	0.38
		CHF	5,573.90	2.72	0.00	0.00
		GBP	2,150.00	1.54	0.00	0.00
	Acceptances	USD	10,913,153.90	4,866.72	19,427,985.00	8,723.17
		JPY	109,340,600.00	588.50	79,296,000.00	381.00
		EUR	313,560.90	198.74	112,715.00	68.14
	Loans Taken	USD	16,648,701.99	7,424.49	4,087,629.88	1,835.35

8. The deferred tax liability comprise of the following:

(₹ in Lacs)

	As at 31st March, 2011	As at 31st March, 2010
(a) Deferred Tax Liability:		
On Account of Depreciation differential between tax laws and books	12870.58	12,032.02
TOTAL	12,870.58	12,032.02
(b) Deferred Tax Asset:		
Effect of Section 43B & section 2(24)(x) of the Income-tax Act, 1961	168.19	140.28
Provision for diminution in value of investments	37.19	34.67
Carried forward Capital Loss under taxation	0.00	98.30
TOTAL	205.38	273.25
Deferred Tax Liability (Net)	12,665.20	11,758.77
Current year (Credit)/Charge	906.43	1,393.56

Notes forming part of the Accounts (Contd.)

9. Related parties disclosures:

As per Accounting Standard 18, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

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

Sr. No.	Relationship	Name of the Related Party
1	Associate Company	Surat Textile Mills Limited
2	Partnership firms	Aloysha Investments Saska Investments
3	Key Managerial Personnel	Mr. Praful A. Shah Mrs. Shilpa P. Shah Mr. Sanjay S. Shah Mr. Alok P. Shah Mr. Suhail P. shah
4	Relatives of Key managerial personnel and their enterprises where transactions have taken place	Mrs. Sujata V. Parsai Mr. V. K. Parsai Armorax Business Center Pvt. Ltd. Como Textile Pvt. Ltd. Sorronto Textile Pvt. Ltd. Amalfi Textile Pvt. Ltd. Tissue Textile (India) Pvt. Ltd. Vareli Fabrics Pvt. Ltd.

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

Notes forming part of the Accounts (Contd.)

(ii) Transactions carried out with related parties during the year referred in (i) above, in ordinary course of business:

(₹ in Lacs)

Sr. No.	Nature of Transactions	Related Parties				Total
		Associate Company	Partnership firms	Key Managerial Personnel	Others	
1.	Sales	6,217.72 (3,195.19)				6,217.72 (3,195.19)
2.	Rent Income	90.00 (84.30)				90.00 (84.30)
4.	Electric Power & Utility Charges	2,102.30 (1,911.15)				2,102.30 (1,911.15)
5.	Secured Loan Interest received	362.50 (362.50)				362.50 (362.50)
6.	Purchases	22,403.47 (17,897.67)				22,403.47 (17,897.67)
7.	Rent Paid	70.54 (70.54)				70.54 (70.54)
8.	Business Center user expenses				112.13 (64.39)	112.13 (64.39)
9.	Share of Loss		9.98 (0.03)			9.98 (0.03)
10.	Furniture purchase				27.22 (0.00)	27.22 (0.00)
11.	Remuneration			1,209.55 (807.74)		1,209.55 (807.74)
12.	Professional Consultancy Fee				1.40 (1.00)	1.40 (1.00)
13.	Interest expenses				36.48 (38.85)	36.48 (38.85)
14.	ICD Received				0.00 (0.75)	0.00 (0.75)
15.	ICD Repaid				0.42 (27.05)	0.42 (27.05)
16.	Deposit Received Back	0.00 (300.00)			30.00 (0.00)	30.00 (300.00)
17.	Payments under Current Account	26,984.69 (20,559.12)				26,984.69 (20,559.12)
18.	Receipts under Current Account	11,139.01 (8,860.32)				11,139.01 (8,860.32)
19.	Balance at the beginning of the year					
	Payables			556.82	32.76	589.58
	ICD Received				304.44	304.44
	Security Deposit given				30.00	30.00
	Current Account: Credit Balance	672.88				672.88
	Current Account: Debit Balance		230.21			230.21
20.	Balance at the end of the year					
	Payables			959.06 (556.82)	0.48 (32.76)	959.54 (589.58)
	ICD Received				304.02 (304.44)	304.02 (304.44)
	Security Deposit given				0.00 (30.00)	0.00 (30.00)
	Current Account: Credit Balance	0.00 (672.88)				0.00 (672.88)
	Current Account: Debit Balance	1,471.31 (0.00)	220.23 (230.21)			1,691.54 (230.21)

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

Notes forming part of the Accounts (Contd.)

10. Earning per share:

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under:

	2010-2011	2009-2010
Net Profit after tax available for equity shareholders (₹ in Lacs)	8,786.56	6,320.47
Weighted average number of equity shares outstanding during the year (No. of shares)	38290560	38290560
Basic and Diluted Earnings per Share - Rupees	22.95	16.51
Nominal value per share - Rupees	10.00	10.00

11. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March, 2011.

12. 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.

Superannuation:

The present value of obligation for Superannuation is determined based on actual liability method and is unfunded.

		(₹ in Lacs)		
		Gratuity	Leave Encashment	Superannuation
A.	Amounts recognised in Balance Sheet are as follows			
(i)	Present Value of Defined Benefit Obligation			
	- Wholly Funded	1,577.49	0.00	0.00
		(1,269.19)	(0.00)	(0.00)
	- Wholly Unfunded	(11.81)	558.24	156.30
		(0.00)	(468.17)	(100.03)
	Less: Fair Value of Planned Assets	1,305.97	0.00	0.00
		(1,217.86)	(0.00)	(0.00)
	Amount to be recognised as Liability or (Asset)	259.71	558.24	156.30
		(51.33)	(468.17)	(100.03)
(ii)	Amount Reflected in the Balance Sheet			
	- Liability	259.71	558.24	156.30
		(51.33)	(468.17)	(100.03)
B.	Amounts recognised in the Profit and Loss account			
		(₹ in Lacs)		
		Gratuity	Leave Encashment	Superannuation
1.	Current Service Cost	93.22	168.00	56.27
		(6.00)	(236.25)	(24.10)
2.	Interest Cost	101.54	37.46	0.00
		(91.78)	(26.23)	(0.00)
3.	Expected Return on Planned Assets	(117.10)	0.00	0.00
		(-80.65)	(0.00)	(0.00)
4.	Actuarial Losses / (Gains)	155.71	55.00	0.00
		(84.20)	(7.31)	(0.00)
	Total included in "Payments to and Provisions for Employees" (Refer Schedule 11)	233.37	260.46	56.27
		(101.33)	(269.79)	(24.10)

Notes forming part of the Accounts (Contd.)

C. Changes in present value of defined benefit obligation representing reconciliation of opening & closing balances are as follows: (₹ in Lacs)

	Gratuity	Leave Encashment	Superannuation
Opening value of present value of defined benefit obligation	1,269.19 (1,147.35)	468.17 (327.91)	0.00 (0.00)
Add: Current Service Cost	93.22 (6.00)	168.00 (236.25)	0.00 (0.00)
Add: Interest Cost	101.54 (91.78)	37.46 (26.23)	0.00 (0.00)
Add: Contributions made	130.25 (50.00)	0.00 (0.00)	0.00 (0.00)
Add: Actuarial Losses / (Gains)	0.00 (0.00)	55.00 (0.00)	0.00 (0.00)
	1,594.20 (1,295.13)	728.63 (590.39)	0.00 (0.00)
Less: Benefits paid	54.86 (25.94)	170.39 (122.22)	0.00 (0.00)
Closing value of present value of defined benefit obligation	1,539.34 (1,269.19)	558.24 (468.17)	0.00 (0.00)

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

	Gratuity	Leave Encashment
Discount Rate (p.a.)	8.25% (8.00%)	8.25% (8.00%)
Expected Rate of Return on Assets (p.a.)	8.50% (7.20%)	
Mortality	1994-96 LIC (1994-96 LIC)	1994-96 LIC (1994-96 LIC)

Note: Figures in bracket represents previous year's amount.

13. Auditor's Remuneration

	Year ended 31st March, 2011	Year ended 31st March, 2010
(a) Statutory Auditor: Audit fee	12.15	12.00
(b) Tax Auditor: Audit fee	2.15	1.57
(c) Cost Auditor: Audit fee	1.20	1.00

14. Managerial Remuneration:

	Year ended 31st March, 2011	Year ended 31st March, 2010
(a) Remuneration to Managing Director/Executive Directors		
(i) Salaries	234.58	232.77
(ii) Contribution to Provident & other Funds	24.97	24.97
(iii) Perquisites	79.60	63.36
(iv) Commission	950.00	550.00
Total	1,289.15	871.10

Note:

- (i) The above excludes contribution for gratuity and leave encashment as the incremental liability has been accounted for by the Company as a whole.
- (ii) Of the above, ₹ 950 Lacs (Previous Year ₹ 550 Lacs) is subject to approval of shareholders.

Notes forming part of the Accounts (Contd.)

(b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956.	Year ended 31st March, 2011	Year ended 31st March, 2010
Profit before Taxation	12,103.54	9,308.88
Add:		
(a) Managerial Remuneration (including Commission)	1,289.15	871.10
(b) Provision for diminution in value of investments	9.44	102.00
(c) Share of loss from a partnership firm	9.98	0.03
(d) Loss on sale of fixed assets	268.80	9.73
(e) Directors' sitting Fees	3.90	2.16
	<u>13,684.81</u>	<u>10,293.90</u>
Less:		
(a) Profit on sale of Investments	403.53	333.94
(b) Profit on sale of Fixed Assets	0.00	31.72
Net Profit as per Section 198 of the Companies Act, 1956	<u>13,281.28</u>	<u>9,928.24</u>
Maximum permissible remuneration to managing and whole-time directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above	<u>1,328.13</u>	<u>992.82</u>
Total Managerial Remuneration paid / payable for the year.	1,289.15	871.10

15. (a) Licensed Capacity *

*Delicensed Vide Notification No. 477(E) dt.27th July, 1991

	Unit	As at 31st March, 2011	As at 31st March, 2010
(b) Installed Capacity			
Polyester Chips / Melt	MT (Per Annum)	# 506000	416000
Polyester Filament Yarn	MT (Per Annum)	162450	162450
Looms	Numbers	1220	1220

Additional capacity of 90000 TPA commenced production during April-June, 2010

Note: The installed capacity is as certified by a Director and being a technical matter is accepted by the Auditors without verification.

	Unit	As at 31st March, 2011	As at 31st March, 2010
(c) Production			
Polyester Chips / Melt *	MT	434,350	358,758
Polyester Filament Yarn	MT	140,547	127,520
Fabrics #	Mtrs. in Lacs	411.94	352.10

* Including 90068 MT (Previous Year 77659 MT) of Polymer melt used captively for Direct Spinning of Yarn.

Including Fabrics procured from other manufacturers on job work 8.30 lac. mtrs. (Previous Year 14.18 lac. mtrs.)

Notes forming part of the Accounts (Contd.)

	Unit	Year ended 31st March, 2011		Year ended 31st March, 2010	
		Qty.	₹ in Lacs	Qty.	₹ in Lacs
16. (a) Turnover					
P.T.A.	MT	1,257	782.22	773	377.90
M.E.G.	MT	1,766	915.26	683	271.66
Chips	MT	294,413	201,837.74	233,036	135,604.12
Spin Fin Oil	MT	49	86.79	60	100.59
Yarn (Includes POY & Processed yarn)	MT	143,054	141,716.85	130,672	113,255.24
Fabrics	Mtrs. in Lacs	524.13	18,852.41	442.90	15,107.67
Readymade Garments	Pcs. in Lacs	0.02	2.82	0.03	6.89
Job Work			36.75		3.08
Others			2,510.55		1,506.44
(b) Consumption of Raw Materials					
P.T.A.	MT	373,872	183,441.19	308,155	134,331.46
M.E.G.	MT	145,646	61,851.22	120,123	41,925.61
Polyester Chips	MT	5,660	5,315.03	4,126	2,835.17
Yarn	MT	9,525	10,259.08	11,429	9,950.02
Cloth	Mtrs. in Lacs	112.66	3,142.01	84.23	1,797.38
(c) Opening Stock					
Finished Goods					
Yarn	MT	6,124	5,322.06	2,048.86	1,582.92
Polyester Chips	MT	9,484	5,955.17	8,023.51	3,662.32
Fabrics	Mtrs. in Lacs	# 64.43	2,539.44	# 53.78	2,064.57
Readymade Garments	Pcs. in Lacs	0.03	3.25	0.06	14.57
Stock-in-trade (Art and Artifacts)	Nos.	43	4,641.96	43	4,641.96
Others		74	19.78	110	18.60
(d) Closing Stock					
Finished Goods					
Yarn	MT	8,991.47	10,259.48	6,124	5,322.06
Polyester Chips	MT	11,588.68	9,667.86	9,484	5,955.17
Fabrics	Mtrs. in Lacs	# 71.59	2,905.39	# 64.43	2,539.44
Readymade Garments	Pcs. in Lacs	0.01	0.82	0.03	3.25
Stock-in-trade (Art and Artifacts)	Nos.	44	4,653.96	43	4,641.96
Others	MT	797	320.64	74	19.78
(e) Purchase					
Fabrics	Mtrs. in Lacs	25.96	1,132.71	32.26	1,408.82
Yarn	MT	243.31	233.79	0.00	0.00
Art and Artifacts	Nos.	1	12.01	0	0.00

Excluding Shortages, Wastages, Scrap etc.

Notes forming part of the Accounts (Contd.)

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Qty.	₹ in Lacs	Qty.	₹ in Lacs
17. Value of Imported and Indigenous Raw Material, Stores, Spare parts Components & Chemicals consumed.				
(a) Raw Materials				
Imported	21.22	56,011.44	18.65	35,582.75
Indigenous	78.78	207,997.09	81.35	155,256.89
	100.00	264,008.53	100.00	190,839.64
(b) Stores, Spare parts, Components, Chemicals				
Imported	48.40	4,531.94	40.26	2,856.46
Indigenous	51.60	4,831.54	59.74	4,238.71
	100.00	9,363.48	100.00	7,095.17
				(₹ in Lacs)
18. (a) CIF Value of Imports		Year ended 31st March, 2011		Year ended 31st March, 2010
(i) Raw Materials		58,339.36		33,885.62
(ii) Stores, Spare parts, Components and Chemicals		4,183.06		1,203.03
(iii) Capital Goods		6,011.64		6,339.90
(b) Expenditure in Foreign Currency				
(i) Technical know-how and consultancy fees		54.16		159.06
(ii) Interest paid		652.07		1,000.10
(iii) Travelling Expenses		93.72		17.20
(iv) Overhauling and Maintenance Charges		108.44		90.45
(v) Other Matters		105.66		81.03
(c) The Company has not made any remittances in foreign currencies on account of dividends during the year. The Company has remitted appropriate amount to the bank accounts in India of non-resident shareholders who have provided Indian bank mandate.				
(d) Earning in foreign exchange: F.O.B. value of goods exported.		31,523.54		15,861.91
19. The Company has identified only one segment viz. 'Textiles' as per Accounting Standard 17 of ICAI, and has not identified any geographical segment, where risks and returns are materially different.				
20. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956 is as per Annexure 'A'				

As per our attached report of even date
For NATVARLAL VEPARI & CO.
 Firm Registration Number: 123626W
 Chartered Accountants

R. N. VEPARI
 Partner
 Membership No. 6728
 Surat, 27th July, 2011

For and on behalf of the Board
PRAFUL A. SHAH Chairman & Managing Director

ALOK P. SHAH Joint Managing Director

SUNIL S. SHETH Director

KAMLESH VYAS Company Secretary
 Surat, 27th July, 2011

Balance Sheet Abstract and Company's General Business Profile

1. Registration details

Registration No.: State Code Balance Sheet Date:

3	1	0	3	2	0	1	1
D	D	M	M	Y	Y	Y	Y

2. Capital raised during the Year (Amount in ₹ Thousand)

Public Issue Rights Issue
 Bonus Issue Private Placement

3. Position of mobilisation and deployment of funds (Amount in ₹ Thousand)

Total Liabilities Total Assets

Sources of Funds

Paid-Up Capital Reserves and Surplus
 Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Deferred Tax Liability Accumulated Losses

4. Performance of Company (Amount in ₹ Thousand)

Turnover (including other income) Total Expenditure
 (+/-)Profit/Loss Before Tax (+/-)Profit/Loss After Tax
 (Please tick appropriate box + for Profit, - for Loss)
 Earning Per Share in ₹ Dividend Rate %

5. Generic names of three principal products/services of the Company (As per monetary terms)

a) Item code No. (ITC Code)
 Product description

W	O	V	E	N		F	A	B	R	I	C	S		O	F							
S	Y	N	T	H	E	T	I	C		F	I	L	A	M	E	N	T		Y	A	R	N

b) Item code No. (ITC Code)
 Product description

P	O	L	Y	E	S	T	E	R		F	I	L	A	M	E	N	T		Y	A	R	N
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c) Item code No. (ITC Code)
 Product description

P	O	L	Y	E	S	T	E	R		C	H	I	P	S
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Note: Classification of products/service under ITC code being of a technical nature, is not verified by the Auditors.

FORM OF PROXY**GARDEN SILK MILLS LIMITED**

Regd. Office: Sahara Gate, Surat 395 010.

Annual General Meeting – 20th September, 2011 at 11:00 a.m.

DP. Id*	
---------	--

Folio No.	
-----------	--

Client Id*	
------------	--

No. of Shares.	
----------------	--

I/We _____ of _____ being a Member/members of Garden Silk Mills Limited, hereby appoint of _____ or failing him _____ of _____ as my/our proxy to attend and vote for me/us and on my/our behalf at the **32ND ANNUAL GENERAL MEETING** of the Company, to be held on Tuesday, the 20th September, 2011 at 11.00 a.m. and at any adjournment thereof.

Signature:

Affix ₹ 0.15 Revenue Stamp

Signed this day of September, 2011.

* Applicable for the members holding shares in dematerialised form.

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. A proxy need not be a member of the Company.

ATTENDANCE SLIP**GARDEN SILK MILLS LIMITED**

Regd. Office: Sahara Gate, Surat 395 010.

PLEASE COMPLETE THIS AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Annual General Meeting – 20th September, 2011 at 11:00 a.m.

DP. Id*	
---------	--

Folio No.	
-----------	--

Client Id*	
------------	--

No. of Shares.	
----------------	--

NAME AND ADDRESS OF THE SHAREHOLDER / PROXY:

I hereby record my presence at the **32ND ANNUAL GENERAL MEETING** of the Company at Garden Mills Complex, Sahara Gate, Surat 395 010 at 11:00 a.m. on Tuesday the 20th day of September, 2011.

Signature of the attending Member/Proxy _____

- Notes:
1. A Member/Proxyholder attending the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
 2. A Member/Proxyholder attending the meeting should bring copy of the Annual Report for reference at the meeting.

* Applicable for members holding shares in dematerialised form.

BOOK POST



If undelivered please return to:
Garden Silk Mills Limited
Garden Mills Complex, Sahara Gate, Surat-395010