



ANNUAL REPORT 2011-2012



Garden Silk Mills Limited



CORPORATE INFORMATION

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

Chairman & Managing Director

Alok P. Shah

Joint Managing 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)

*As on 8th August, 2012

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) 2287 3117-19

Fax: (022) 2204 8112

Statutory Auditors

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

Registrar & Share Transfer Agents

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

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**33rd Annual General Meeting on Wenesday, 26th September, 2012 at 11:00 a.m. at
Garden Mills Complex, Sahara Gate, Surat 395010.**

NOTICE

NOTICE is hereby given that the 33rd Annual General Meeting of the Members of **GARDEN SILK MILLS LIMITED** will be held at **11:00 a.m. on Wednesday, 26th September, 2012** 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 Statement of Accounts for the year ended 31st March, 2012, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Sanjay S. Shah, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Suhail P. Shah, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Alok P. Shah, who retires from office by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Madanlal U. Lankapati, 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 a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956, if any (including any statutory modification(s) or re-enactment thereof, for the time being in force), the provisions of Foreign Exchange Management Act, 1999 and rules and regulations framed thereunder and subject to the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, (SEBI, ICDR Regulations, 2009), as in force and subject to other applicable rules, regulations and guidelines of Securities and Exchange Board of India (SEBI) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into between the Company and the Stock Exchanges, where

the shares of the Company are listed and subject to requisite approvals, consents, permissions and/or sanctions if any, of SEBI, the Stock Exchanges and other appropriate authorities, including Reserve Bank of India, as may be required and subject to such conditions as may be prescribed by any of them while granting any such approvals, consents, permissions, and/or sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred hereunder), the Board be and is hereby authorized to create, offer, issue and allot, from time to time, in one or more tranches, up to such number of Warrants of ₹ 10/- each aggregating to ₹ 7.00 crores (Rupees Seven Crores only) convertible into equity shares on a preferential basis in one or more tranches, to the Promoters and/or Promoters Group of the Company, entitling the holder of each Warrant, from time to time, to apply for and obtain allotment of such number of fully paid-up equity shares of the face value of ₹ 10 each against conversion of the Warrant (hereinafter referred to as the "Warrants"), in one or more tranches, at the sole option of the warrant holder in such manner and on such price, terms and conditions as may be determined by the Board in accordance with the SEBI (ICDR) Regulations, 2009 or other provisions of the law as may be prevailing at the time; provided that the minimum price of the Warrants so issued and the Equity Shares to be issued and allotted upon conversion of the Warrants shall not be less than the price arrived at in accordance with provisions of Chapter VII of SEBI (ICDR) Regulations, 2009.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the Warrants may have all or any terms or conditions or combination of terms in accordance with applicable regulations, prevalent market practices, including but not limited to terms and conditions relating to variation of the price or period of exercise of option by Warrant holder(s).

RESOLVED FURTHER THAT without prejudice to the generality of the above, the Relevant Date, as per the SEBI (ICDR) Regulations, 2009, as amended up to date, for the determination of price of the Equity Shares to be issued and allotted upon exercise of the right of conversion attached to the Warrants referred to above by the Warrant holders, will be 30 days prior to the date on which the holders of Warrants exercise their rights to apply for the Equity shares.

RESOLVED FURTHER THAT

- a) The Warrants shall be converted, in one or more tranches, at the sole option of the warrant holders but not in any case more than 18 (eighteen) months from the date of allotment.
- b) the Board be and is hereby authorized to issue and allot such number of Equity Shares as may be required to be issued and allotted upon exercise of option by Warrant holder(s) or as may be necessary in accordance with the terms of the offer and subject to the provisions of the Articles of Association of the Company.
- c) the equity shares to be allotted on conversion of Warrants in terms of this resolution shall rank *pari passu* in all respects including as to dividend, with the existing fully paid up equity shares of face of value of ₹ 10 each of the Company, subject to the relevant provisions contained in the Memorandum and Articles of Association of the Company and will be subject to lock-in requirements in terms of the SEBI (ICDR) Regulations, 2009, as amended up to date.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable, incidental or expedient to the issue or allotment of aforesaid Warrants and listing of the Equity Shares on conversion with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in relation to the proposed issue, offer and allotment of any of the said Warrants, the utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion may deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of the Board or any other Director(s) or officer(s) of the Company and to generally do all such acts, deeds and things as may be necessary or incidental to give effect to the aforesaid resolutions.

RESOLVED FURTHER THAT all actions taken by the Board or Committees duly constituted for this purpose in connection with any matter(s) referred to or contemplated in any of the foregoing resolutions be and are hereby approved, ratified and confirmed in all respects."

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

"RESOLVED THAT pursuant to the provisions of Sections 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') and the rules and regulations thereunder, including any statutory modification(s) or re-enactment thereof, for the time being in force and as may be enacted from time to time, consent of the Company be and is hereby accorded to Smt. Shilpa P. Shah, relative of a Director of the Company, for holding / continuing to hold Office or Place of Profit under the Company as Director-Advertising (or any other designation as the Board of Directors of the Company may, from time to time decide) of the Company, with effect from 1st May, 2012, upon the terms and conditions and payment of remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting seeking members' approval.

RESOLVED FURTHER THAT during the tenure of her appointment, she will be governed by the rules and regulations of the Company as may be applicable to the employees in her grade from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee constituted by the Board including the Remuneration Committee), be and is hereby authorized to alter and vary the remuneration within the overall limits specified under the Act, the terms and nature of her appointment as also the change in her designation, modify the terms and conditions of appointment including her responsibilities and to do all such acts, deeds, matters and things, make, sign and execute all such documents, agreements, contracts, or writings as the Board may in its absolute discretion may deem necessary or desirable and delegate the said authority to any person(s) or committee thereof as the Board may deem fit in its absolute discretion for purpose of giving effect to this resolution without being required to seek any further consent or approval of the members or otherwise, with the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

By Order of the Board of Directors

Kamlesh B. Vyas
Company Secretary

Surat, 8th August, 2012

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. The enclosed proxy form, if intended to be used, should reach the registered office of the Company duly completed not less than forty eight hours before the scheduled time of the meeting.
2. 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 Friday, 21st September, 2012 to Wednesday, 26th September, 2012 (both days inclusive) in connection with the Annual General Meeting.
3. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business set out above is annexed hereto.
4. As per Circulars issued by the Ministry of Corporate Affairs (MCA) bearing nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011 respectively, members holding shares in dematerialized form are requested to register their email addresses with their Depository Participant (DP) and members holding shares in physical form are requested to register their email addresses with the Company at sharedepartment@gardenvareli.com or with the Registrar and Share Transfer Agents viz. Karvy Computershare Private Limited at einward.ris@karvy.com and changes therein from time to time, to enable the Company to serve notice/documents/Annual Report etc. through e-mail, in compliance with Section 53 of the Companies Act, 1956.
5. Corporate members are requested to send a duly certified copy of the board resolution / power of attorney authorising their representative to attend and vote at the Annual General Meeting.
6. Non-Resident Indian Members are requested to inform the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited, immediately of:
 - (a) Change in their Residential status on return to India for permanent settlement.
 - (b) Particulars of their Bank Account maintained in India with complete name, branch, account type, account number with 9 digit MICR code and address of the Bank with Pin Code Number, if not furnished earlier.
7. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company Secretary at least ten days in advance of the annual general meeting.
8. Information under clause 49 of the listing agreement with the stock exchanges in respect of Directors seeking appointment / re-appointment at the annual general meeting (Item Nos. 2 to 5 of the notice) is given hereinafter.
9. The shares of the Company are under compulsory demat list of Securities & Exchange Board of India w.e.f. 24th July, 2000. The trading in equity shares can now be only in demat form. In case you do not hold shares in demat form, you may do so by opening an account with a depository participant and complete dematerialization formalities.
10. Members holding shares in dematerialized mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, e-mail address, change in name etc. to their depository participant (DP). These changes will be automatically reflected in the Company's records which will help the Company to provide efficient and better service to the members.
11. Members holding shares in physical form are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, e-mail address, change in name etc. immediately to 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 are requested to submit their PAN details to the Company.
13. SEBI vide its Circular dated May 20, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTA for registration of such transfer of shares.
14. To prevent fraudulent transactions, members are also advised to exercise due diligence and notify the Company of any change in address or staying abroad or demise of any member as soon as possible. Members are also advised not to leave their demat

account(s) dormant for long. Periodic statement of holding should be obtained from the concerned DP and holdings should be verified.

15. Consolidation of Folios : The members holding shares in the same name or in the same order of names, under different Folios, are requested to notify the relevant details of the said holdings to the Registrar and Share Transfer Agents of the Company M/s Karvy Computershare Private Limited for consolidation of their shareholding into a single folio.

16. Members' attention is particularly drawn to the "Corporate Governance" section in respect of general information for shareholders.

By Order of the Board of Directors

Kamlesh B. Vyas
Company Secretary

Surat, 8th August, 2012

Important Communication to Members

"Green Initiative"

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

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

Item No. 7

A. Material Facts relating to the Preferential Allotment

In terms of Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts relating to the Item No. 7 of the accompanying Notice dated 14th August, 2012.

- i. There is a need to augment funds in the Company to enhance its long term resources and thereby strengthening the financial structure of the Company. The Company during the year has entered into an arrangement with lenders to realign its principal debt repayment schedule and has secured the consent of lenders to a revised loan repayment schedule and as a part of such arrangement, the Promoters, have agreed to infuse funds in the Company.
- ii. The Company is proposing to undertake a proposal for issue of Warrants aggregating to ₹ 7.00 crores (Rupees Seven Crores only) convertible into equity shares through preferential offer to Promoters and/or Promoters Group in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "SEBI (ICDR) Regulations") to meet requirement of funds. The promoters of the Company are also

committed to the growth of the Company and are desirous of subscribing to the Warrants of the Company, as well as, maintaining their shareholding in the Company.

- iii. The Board of Directors of the Company, at its meeting held on 14th August, 2012 subject to necessary approval(s), has approved the proposal for issuing such number of Warrants of ₹ 10/- each aggregating to ₹ 7.00 crores (Rupees Seven Crores only) convertible into equity shares through preferential offer to Promoters and/or Promoters Group.
- iv. The minimum price at which Warrants shall be issued and the Equity Shares to be issued and allotted upon conversion of the Warrants over a period of 18 months from the date of allotment shall not be less than the price arrived at in accordance with provisions of Chapter VII of SEBI (ICDR) Regulations, 2009.
- v. The Promoters and/or Promoters Group of the Company to whom the Warrants shall be allotted shall have the sole option to apply for and obtain allotment, from time to time, not later than 18 (eighteen) months from the date of allotment of Warrants, of such number of fully paid-up equity

shares of the face value of ₹ 10 each ("**Equity Shares**") against conversion of the Warrants in such manner and on such price, terms and conditions as determined by the Board, such that the total issue size of the preferential allotment does not exceed an aggregate value of ₹ 7.00 crores (including, premium if any, on such Equity Shares), in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations or other provisions of the law as may be prevailing at that time.

- vi. The Equity Shares allotted pursuant to the above Resolution and on exercise of option by Warrant holder shall rank pari passu in all respects with the existing Equity Shares of the Company.
- vii. Pursuant to provisions of Section 81 (1A) of Companies Act, 1956, any offer or issue of shares of the Company to persons other than the exiting holders of the equity shares of a Company requires prior approval of the Shareholders in general meeting by a Special Resolution. The Listing Agreements executed by the Company with the Stock Exchanges also provide that the Company shall, in the first instance, offer all securities for subscription pro-rata to the Shareholders unless the Shareholders in a general meeting decide otherwise.
- viii. The holders of the Warrants shall have the option to exercise the Warrants to subscribe to Equity Shares of the Company within 18 (eighteen) months from the date of allotment of the Warrants.
- ix. The Equity shares arising out of exercise of right attached to the warrant(s) to be allotted to Promoters and/or Promoters Group pursuant to the proposed Special Resolution shall be subject to lock-in for such period from the date of allotment of such shares, consistent with SEBI (ICDR) Regulations, 2009.
- x. The preferential allotment of Securities to Promoters and/or Promoters Group would be strictly in accordance with Chapter VII of the SEBI (ICDR) Regulations, 2009 and the following parameters would be subject to such changes as may be required to conform to the SEBI (ICDR) Regulations, 2009.

B. The details of the issue and other particulars as required in terms of SEBI, (ICDR) Regulations, 2009 in relation to the resolution proposed under Item No. 7 are given as under:

i. The Objects of the issue through preferential offer:

The proceeds of the preferential offer are proposed to be used to provide financial support for general corporate purposes and maintain adequate liquidity for the future requirements in line with the growth strategy of the Company.

ii. The intention of the promoters/directors/key management persons to subscribe to the offer:

The preferential issue is being made to the Promoters and/or Promoters Group of the Company. As such this resolution is being sought to approve subscription to the Warrant by the Promoters and/or Promoters Group that are being offered through this resolution.

iii. The Company hereby undertakes that:

- a) It would re-compute the price of the Securities specified above in terms of the provisions of the SEBI (ICDR) Regulations, 2009 where it is required to do so.
- b) If the amount payable on account of re-computation of price is not paid within the time stipulated in the SEBI (ICDR) Regulations, 2009, the above specified securities shall continue to be locked in till the time such amount is paid by allottees.

iv. Securities to be issued:

The resolution set out at Item No. 7 of the accompanying Notice authorises the Board to issue to the Promoters and/or Promoters Group such number of Warrants of ₹ 10/- each aggregating to ₹ 7.00 crores (Rupees Seven Crores only) convertible into of such number of fully paid-up equity shares of the face value of ₹ 10 each ("**Equity Shares**") against conversion of the Warrants in such manner and on such price, terms and conditions as determined by the Board, such that the total issue size of the preferential allotment does not exceed an aggregate value of ₹ 7.00 crores (including, premium if any, on such Equity Shares), in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations or other provisions of the law as may be prevailing at that time.

v. Relevant Date:

The Relevant Date, as per the SEBI (ICDR) Regulations, 2009, as amended up to date, for the determination of price of the allotment of Warrants shall be 27th August 2012, being 30 days prior to the date of Annual General Meeting of the Company to be held on 26th September 2012.

The Relevant Date, as per the SEBI (ICDR) Regulations, 2009, as amended up to date, for the determination of price of the Equity Shares to be issued and allotted upon exercise of the right of conversion attached to the Warrants, will be 30 days prior to the date on which the holders of Warrants exercise their rights to apply for the Equity shares.

vi. Terms of Issue of Warrants to Promoters and / or Promoters Group:

1. The proposed allottees of Warrants shall, on the date of allotment, pay an amount equivalent to 100% of the price fixed per Warrant in terms of the SEBI, (ICDR) Regulations, 2009.
2. The Promoters and/or Promoters Group of the Company to whom the Warrants shall be allotted shall have the sole option to apply for and obtain allotment, from time to time, not later than 18 (eighteen) months from the date of allotment of Warrants, of such number of fully paid-up equity shares of the face value of ₹ 10 each against conversion of the Warrants in such manner and on such price, terms and conditions as determined by the Board, such that the total issue size of the preferential allotment does not exceed an aggregate value of ₹ 7.00 crores (including, premium if any, on such Equity Shares), in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations or other provisions of the law as may be prevailing at that time.
3. If the entitlement against the Warrants to apply for the equity shares is not exercised within the aforesaid period, the entitlement of the Warrant holders to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such Warrants shall stand forfeited.
4. The minimum price at which Warrants shall be issued and the Equity Shares to be issued and allotted upon conversion of the Warrants

over a period of 18 months from the date of allotment shall not be less than the price arrived at in accordance with provisions of Chapter VII of SEBI (ICDR) Regulations, 2009.

5. In the event of the Company making a bonus issue by way of capitalisation of its reserves, prior to allotment of Equity shares resulting from the exercise of the option under the Warrants, the number of shares to be allotted against such Warrants shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium shall stand reduced pro tanto.
6. In the event of the Company making a rights offer by way of issue of new equity shares prior to allotment of Equity shares resulting from the exercise of the option under the Warrants, the entitlement of the Equity shares under the Warrants shall stand increased in the same proportion in the rights offer and such additional equity shares will be offered to the warrant holder(s) at the same price at which the existing shareholders are offered equity shares.
7. The Warrant(s) by itself until converted into equity shares, does not give to the holder(s) thereof any rights with respect to that of a shareholder of the Company except as specified above.
8. The equity shares issued as above shall rank pari passu in all respects including with respect to dividend, with the then fully paid up equity shares of the Company, subject however to the provisions of the Memorandum and Articles of Association of the Company.

vii. Particulars of subscribers to Warrants:

The Promoters and/or Promoters Group Companies intend to subscribe to such number of Warrants of ₹ 10/- each aggregating to ₹ 7.00 crores (Rupees Seven Crores only) under this Preferential Issue.

viii. Under subscription, if any:

Any of the Warrants issued as above, that may remain unsubscribed for any reason whatsoever, may be offered and allotted by the Board in its absolute discretion to any person / entity / investor controlled by the Promoters and/or Promoters Group, on the same terms and conditions.

ix. Shareholding Pattern pre and post preferential offer:

The Shareholding pattern giving the present position as also considering full allotment of warrants to Promoters and/or Promoters Group and equity shares arising out of the conversion thereof, as per Resolution 7 of the Notice are given below:

Category of shareholders	Pre-Allotment holding		Post-Allotment holding	
	Number of Shares	% of holding	Number of Shares	% of holding
Promoters and Promoters Group	21910771	57.22	23281439	58.70
Mutual Funds/UTI	13800	0.04	13800	0.03
Financial Institutions/Banks	9450	0.02	9450	0.02
Foreign Institutional Investors	8165	0.02	8165	0.02
Bodies Corporate	2304834	6.02	2304834	5.81
Non-resident individuals / OCBs / Trusts	3911895	10.22	3911895	9.86
Resident individuals / others	10131645	26.46	10131645	25.55
Total	38290560	100.00	39661228	100.00

The percentage of post preferential issue capital that may be held by the proposed allottee(s) is as follows:

Name of the proposed allottee	Pre-Allotment holding		Post-Allotment holding	
	Number of Shares	% of holding	Number of Shares	% of holding
Praful Amichand Shah, Partner Rayban Investments	2492816	6.51	3863484	9.74
Total	2492816	6.51	3863484	9.74

Notes with respect to the shareholding pattern:

- 1) The pre-shareholding pattern is based on the beneficiary position as on 30th June, 2012.
- 2) The post issue shareholding pattern has been arrived on the below assumptions:
 - a) Warrants equivalent to ₹ 7.00 crores shall be allotted to the Promoters and Promoters Group at the issue price of ₹ 51.07 being arrived in accordance with Regulation 76(1) of SEBI (ICDR) Regulations, 2009, as amended from time to time, based on the Relevant Date as on 27th August 2012;
 - b) The warrant holder exercises the option for conversion on the entire Warrants allotted and the pricing for conversion has been taken at ₹ 51.07 as determined in accordance with Regulation 76(1) of SEBI (ICDR) Regulations, 2009, as amended from time to time, based on the Relevant Date as on 27th August 2012;

c) The non-promoters holding remains the same.

x. Proposed time within which the allotment shall be completed:

As required under the SEBI (ICDR) Regulations, 2009, the Company shall complete the allotment(s) of Warrants as aforesaid on or before the expiry of 15 days from the date of passing of this resolution by the shareholders granting consent for preferential issue or in the event allotment of Warrants would require any approval(s) from any regulatory authority or the Central Government, within 15 (fifteen) days from the date of such approval(s), as the case may be.

xi. Change in control

As a result of the proposed preferential issue of Issue Shares, there will be no change in the control of the Company.

xii. Pre-preferential allotment holding of Equity Shares, non disposal of Equity Shares and lock-in period of the Equity Shares

- (i) The Issue Shares allotted to Promoter and/or Promoters Group shall be subject to 'lock-in' for a period of 3 (three) years from the date of allotment as per Clause 78(1) of the SEBI (ICDR) Regulations.
- (ii) The entire pre-preferential allotment shareholding of Promoter and/or Promoters Group shall be locked in from the Relevant Date up to a period of six months from the date of preferential allotment.

xiii. Auditor's certificate

The certificate of the Statutory Auditors to the effect that the present preferential offer is being made in accordance with the requirements contained in Chapter VII of the SEBI (ICDR) Regulations, 2009 shall be placed before the shareholders at the meeting and will be open for inspection at the Registered office of the Company on all working days except Saturdays and Sundays between 10.00 a.m. to 12.30 p.m. prior to the date of the Annual General Meeting and will also be available for inspection at the Meeting.

The Board has already approved the issue and allotment of Issue Shares on preferential basis to Promoters and/or Promoters Group in the manner stated hereinabove.

Section 81(1A) of the Companies Act, 1956, provides that allotment of equity shares of a public company on preferential basis would require approval of its shareholders by way of a special resolution. Further, Chapter VII of the SEBI (ICDR) Regulations prescribes that a listed company may undertake a preferential issue only if the shareholders, through a special resolution, approve such preferential issue. The Board, therefore, recommends the abovementioned resolution to be passed as a Special Resolution.

None of the Directors of the Company is in any way concerned or interested in the said resolution except to the extent of the shares, if any held by them.

Item No.8

Smt. Shilpa P. Shah resigned as member of the Board w.e.f. 1st May, 2012. She held the position of Whole-time Director since inception of the Company in the year 1979.

Smt. Shilpa P. Shah has Master of Arts Degree from University of California, Berkeley, USA. She made several significant contributions to the Company's growth and business strategies, more particularly in marketing and advertising of Company's finished fabrics segment. She has played a pivotal role in making Garden and Vareli household names across the breadth of our country. The advertising campaigns she has conceived and executed have captured the imagination of men and women alike over a generation. The Company has immensely benefited from her contribution and guidance.

In recognition of her experience and contributions, the Board of Directors of the Company appointed Smt. Shilpa Shah as a senior member of the Company's management team, designated as Director-Advertising to hold office of profit w.e.f. 1st May, 2012 upon the terms and conditions and on a basic salary of ₹ 1,62,420 per month.

In addition to the basic salary, Smt. Shilpa P. Shah will be entitled to the allowances, perquisites and benefits, which include HRA / accommodation, medical reimbursement, special allowances, LTA, personal accident insurance, use of car and telephone, contribution to provident fund, gratuity etc., as per rules of the Company, the value whereof taken together with the basic salary shall not exceed ₹ 2,50,000 per month.

Smt. Shilpa P. Shah, is the wife of Shri Praful A. Shah, Chairman & Managing Director of the Company, and is also related to Shri Alok P. Shah, Joint Managing Director and Shri Suhail P. Shah, Executive Director of the Company.

Since Smt. Shilpa P. Shah relative of the Directors of the Company hold/propose to hold the office or place of profit carrying a total monthly remuneration in excess of ₹ 50,000 per month but not exceeding ₹ 2,50,000 per month, consent of the Members by a special resolution is required in terms of Section 314(1)(b) of the Companies Act, 1956.

Except for Shri Praful A. Shah, Shri Alok P. Shah and Shri Suhail P. Shah who are the relatives of Smt. Shilpa P. Shah, no other Director of the Company is concerned or interested in the said resolution.

The Board recommends the Resolution for approval of the members.

By Order of the Board of Directors

**Kamlesh B. Vyas
Company Secretary**

Surat, 8th August, 2012

**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	Shri Sanjay S. Shah	Shri Suhail P. Shah	Shri Alok P. Shah	Shri Madanlal U. Lankapati
Date of birth	February 19, 1956	September 1, 1974	September 11, 1970	April 29, 1931
Date of Appointment on the Board	February 19, 1990	October 30, 2006	October 19, 2001	September 16, 2002
Qualifications	B.A. (Essex University) U.K.	Ph.D. , Theoretical Physical Chemistry, (University of Chicago, M.S., Physical Chemistry A.B., Chemistry and Physics, (Harvard University).	B.S. (Stanford University) M.B.A. (University of Chicago, USA)	Matriculation
Experience and Expertise in specific functional areas	Well known industrialist having more than 3 decades of experience in the business of manmade textiles, technology and general management.	To his credit various research accomplishments, computational skills and research operations of more than 15 years	He has wide exposure and knowledge in project appraisal, assessing technical feasibility in respect of projects, corporate finance & management etc. He has made outstanding contribution towards improvement of production and productivity, optimising the operational efficiency and cost reduction measures.	Rich business experience as importers – exporters of textiles and gold jewelry.
Directorship held in other Public Limited Companies (excluding foreign and private companies)	Kashah Investment Limited Surat Textile Mills Limited	Prabhat Silk Mills Ltd. Palomar Textiles Ltd. Wheel & Axle Textiles Ltd. Rosekamal Textile Ltd. Bijlee Textiles Ltd. Jarigold Textiles Ltd. Vareli Trading Co. Ltd.	Prabhat Silk Mills Ltd. Palomar Textiles Ltd. Wheel & Axle Textiles Ltd. Rosekamal Textile Ltd. Bijlee Textiles Ltd. Jarigold Textiles Ltd. Vareli Trading Co. Ltd.	- -
Memberships/Chairmanships of committees across public companies	Share Transfer & Investors Grievance Committee – Member	N.A.	Management Committee –Chairman	Not Applicable
No. of shares held in the Company	824660	496685	754671	150

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

To
The Members
Garden Silk Mills Limited

Your Directors present their Report on the Audited Accounts of the Company for the year ended 31st March, 2012.

Financial Results:

	(₹ in crore)	
	2011-12	2010-11
Total Income	3527.72	3407.39
Profit before interest, depreciation and tax	122.05	287.48
Less: Finance Costs	153.95	90.07
Depreciation	86.15	76.52
Profit / (Loss) before Tax	(118.05)	120.89
(Add)/Less: Provision for Tax	(39.17)	33.02
Profit / (Loss) after Tax	(78.88)	87.87
Add: Balance brought forward from Previous year	253.55	180.44
Balance Available for Appropriation	174.67	268.31
Appropriations:		
General Reserve	0.00	6.75
Proposed Dividend	0.00	6.89
Tax on Dividend	0.00	1.12
Balance carried to Balance Sheet	174.67	253.55
	174.67	268.31

Notes:

Previous years' figures have been regrouped wherever necessary to bring them in line with the current year's representation of figures.

Dividend:

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

Review of Operations:

The year 2011-12 marked a deterioration in the fundamentals of both the global and the Indian economies. The global and domestic textile industries were not spared either. The year under review was a challenging one for your Company as well. It marked the first loss for the Company since its inception.

During the year under review, your Company achieved a gross turnover of ₹ 3,763.55 crores as compared to ₹ 3,667.05 crores in the previous year, an increase of 2.6%. The total sale of yarn was 156,246 M.T. an increase of 9.2% over the previous year. In value terms, sales of yarn have gone up by 23.5% to ₹ 1,749.84 crores. Sales of chips were 211,093 M.T. during the year, a reduction of 28%. In value terms, chips sales were at ₹ 1,770.96 crores, a reduction of 12.2% compared with the previous year. We maintained our sale of fabrics at ₹ 189.30 crores as compared to ₹ 188.52 crores for the previous year.

The unprecedented crash in raw material prices in the first quarter of the year under review resulted in significant inventory losses. It also led to panic in the downstream market and thus severe demand contraction. The second quarter saw a clawback but the third and fourth quarters were hamstrung by very weak consumer demand for polyester filament yarn-based fabrics coupled with rising raw material prices that could not be adequately passed on. Energy cost, which is the biggest operating cost for the company, increased dramatically. Gas, which is the major energy cost component for the company, saw a cost increase of 47%, supported by a crash in the rupee and a large increase in the dollar price of gas.

Average interest rates for the company increased by about 230 basis points last year. This resulted in substantially increased financial costs. The lowered return on capital coupled with the high interest rate in the last financial year led to a financial loss for your Company.

Despite the contraction in domestic demand for yarn and fabric, your Company was able to increase production and sales of yarn and maintain sales of fabric. Chips were worse affected as the demand slowdown affected the small chip-based spinners relatively more than direct spinners, reducing their demand for textile-grade chips. The reduced demand and margins in the chips division led to curtailed production and sales of chips.

Operations were further impacted during the year due to a temporary shutdown of our continuous polymerization (CP) plant on account of technical modifications, as well as a shortage of PTA.

Despite the slowdown, the company maintained its position as the largest producer of polyester textile and film-grade chips in the world.

Your Company is proud to be known to have the largest product range and to be the most differentiated among any polyester filament yarn producer in India, if not the world.

We are the only Indian company to be present in every segment of the polyester filament yarn business: POY, FDY, draw-twisting, draw-texturising, air-texturising, draw-warping, warping, sizing, twisting and other yarn-preparatory segments.

The Company has always been a leader in yarn innovation and this position has been consolidated in the year under review. A host of new products have been introduced through close cooperation between our R&D, production and marketing departments. Despite the draw-texturised yarn sector witnessing significant de-growth last year, our texturising division held its own as we have emerged a leader in specialized texturised yarns for different applications such as automotive and lining. We are today the largest producer of lycra yarns on DTY machines in the country.

The Company continues to be the leader in draw-warped and draw-twisted yarns in the world. We are India's largest sized-yarn producer and country's one of the largest producers of fully drawn yarn.

Our weaving and finishing (dyed and printed fabric) divisions continue to be at the forefront of design innovation in India. The sheer varieties of designs generated are unparalleled in the industry. In our finished (dyed and/or printed) fabric division we continued to emphasise naturals via the introduction of new cottons, 100% viscose filament, bemberg as well as blended varieties like poly-viscose and poly-cotton fabrics. Various new sized yarn-based saree varieties have been introduced. We have also introduced a host of new embroidery and other value-added varieties especially for party-wear and wedding-wear.

In order to reach working women in towns and villages, we have introduced saree ranges and dress materials / suit combinations at competitive price-levels.

During the year, a fire occurred at the 'Texturising Division' of our Plant at Village Jolwa, Taluka Palsana, Dist. Surat on August 4, 2011, damaging few of the machineries and inventory in the Division. The Company took immediate steps and restored the production on the remaining machines of the Texturising Division. There was no injury to any person or casualties due to such accident. The plant and machineries, building and the material in stock were adequately covered under insurance.

Export:

To counter the slowdown in the domestic industry your Company paid special emphasis on exports. The total export of goods of your Company during the year 2011-12 was higher at ₹ 412.24 crores as compared to ₹ 340.49 crores in the previous financial year.

Expansion Program:

Your Company successfully enhanced its POY / FDY manufacturing capacity by about 225 TPD in a phased manner during the second half of the year. In the coming months the company hopes to make a range of new products on these spinning lines that will substitute the import of specialty yarns used by the domestic weaving industry.

To further strengthen and maintain its leadership in downstream yarn preparatory activities and to achieve better yarn margins, the Company enhanced its yarn processing capacity during the year. This will increase captive consumption of our own POY production to provide value-added yarns in the market.

We commissioned an 18 MW coal-based power plant which commenced power generation in August 2011 at the Company's plant at Jolwa.

Further, a 21 MW coal-based power plant project has been initiated in 2011, which is likely to come on stream by the third quarter of the current year. This initiative is expected to substantially reduce our power generation cost by restricting the use of expensive gas-based power plants.

Overview of Economy:

India's economic growth rate in 2011-12 moderated to 6.5 per cent from 8.4 per cent in 2010-11. Alarming, Gross Domestic Product (GDP) growth has been steadily declining over the last few quarters and slipped to 5.3 per cent in the fourth quarter of 2011-12 the lowest in nearly 9 years due to poor performance of the manufacturing and farm sectors. By comparison the GDP growth in January-March quarter of 2010-11 was 9.2 per cent indicating the magnitude of the economic slowdown. Indicators suggest the year 2012-13 will see a further slowdown in economic growth to around 6 per cent. While inflation has moderated somewhat, it still remains uncomfortably high and according to the RBI risks to inflation are still on the upside. Government borrowings are also uncontrolled, leading to a dangerously high fiscal deficit. Soaring inflation concomitant with a high deficit suggests that the high interest rates, which have subdued the economy, will continue to remain elevated.

The sovereign-debt crisis in Europe along with the slowdown in the major world economies increases the likelihood of weak export potential from India and poor foreign investments into the country despite the weak rupee. Weak private and public investments, slowing consumer demand and restricted government scope to stimulate the economy through either monetary or fiscal policy suggests harder times ahead for the economy. Despite the falling crude and coal prices internationally, in rupee terms prices of these key commodities have risen, thus worsening inflation and endangering the current account position.

Yet the gloom diminishes when one puts the past in perspective and realizes how far India has come over the last two decades measured by almost every economic and social indicator. Growth has slowed but growth there will be and it will be quick by world standards though probably not our own. The aggregate GDP growth figures hide the 'miracle' performance of "Little Indias" including relatively poor states like Bihar, UP and Chattisgarh that have been mostly unaffected by the slowdown as well as more developed ones like Gujarat that continue to grow at double-digit levels.

India's extraordinary demographic dividend over next few decades will allow for an enormous increase in working age population that will benefit labour-intensive sectors like textiles. Around 250 million people are expected to enter the workforce over the next 15 years. Any slowdown would increase labour availability further still. In China, our largest textile and polyester competitor, the working-age population is expected to start declining in some years, a fact that is expected to decelerate the growth of labor-intensive manufacturing like textiles. The relatively strong Yuan puts further pressure on China's manufactured exports. India should witness a revival in labour-intensive sectors over the next decade.

Industry Scenario:

In the year 2010-11 spectacular global and Indian economic growth along with record-high cotton prices lifted production and profitability of polyester manufacturers. Expensive cotton was substituted with polyester. Record profitability globally meant that 2010-11 saw the initiation of the largest polyester filament yarn capacity expansions witnessed both globally (especially China) and in India.

For the PFY industry the year 2011-12 started with optimism which was soon belied as the industry witnessed an unprecedented crash in raw material prices in April-May 2011 which shadowed the rapid fall in cotton prices. The crash resulted in inventory losses in the chain but, worryingly, did not increase consumer demand despite a now-cheaper PFY-based fabric.

High food inflation weakened demand for PFY in the rural areas which have been the main driver of PFY growth in recent years. Also slower GDP growth meant lower increase in disposable income further affecting demand for clothing. Cheaper cotton also resulted in pressure on pricing and demand of polyester. The effect of all these was a contraction in demand of PFY by domestic weavers. The silver lining was that India could substantially increase polyester filament yarn exports owing to the high quality standards and cost-competitiveness of its PFY producers. India also showed strong growth in exports of PFY-based fabrics and made-ups in the year under review.

Overall, according to the Textile Commissioner's office PFY production fell by 5.8% in 2011-12 compared with the previous year. The reduction in polyester yarn demand coupled with the increase in supply resulted in contraction in operating margins for the industry and your Company. It may be noted that cotton yarn production fell by 11.8% and PSF fell by 7.49% last year showing that there has been a generalized fall in textile production in India. In the first 2 months of this financial year growth resumed as PFY production grew by 6.6% (cotton yarn production grew by only 1.53% and PSF production fell by 1.04%). Yet the expected increase in PFY capacities will continue to put pressure on margins.

In the year under review, domestic demand for texturised yarn decreased substantially. Texturised yarn is the larger of two categories of PFY. Fortunately, the other category – flat yarn (mainly fully drawn yarn) -grew rapidly to substantially (though not fully) offset the contraction in texturised yarn demand. The shift from texturised yarn-based fabric to more flat yarn-based fabric has been largely due to a shift in fashion. Flat yarn is preferred in the growing embroidery segment and offers better drape properties in twisted-yarn based fabric. Since your Company is a leader in flat yarn production and also produces highly differentiated and value-added flat yarns, the recent shift keeps us well-positioned in the year ahead. To offset the domestic slowdown leading Indian producers of yarn increased export sales as did your Company.

In the recent budget 2012-13, considering the need for fiscal correction, the standard rate of Central Excise Duty has been raised to 12% from the existing level of 10%. This increases the tax differential with cotton products which effectively enjoy an exemption from excise duty.

Further the Inter-Ministerial Steering Committee (IMSC) under R-TUFS, in May'12, decided to continue R-TUFS in 2012-13 to the extent of the unutilized amount of the subsidy cap of ₹ 1,972 crores.

In addition to international developments, India's textile industry has also been affected by Government decisions such as reduction of drawback rates and withdrawal of interest subvention on export credit as well as the inordinate delay in disbursement of TUFS claims.

Opportunities and Outlook:

The PFY market is the largest synthetic yarn segment in India and accounts for over 50% of the total demand for synthetic yarn. Surat and its outskirts provide the largest market for PFY, being at the heart of the polyester filament weaving and processing industry. The Company's manufacturing units have a locational advantage being situated in the Surat area. Its location gives it proximity to both raw material suppliers as well as end users.

The Surat area is also the most innovative textile center which gives the Company a natural outlet for its specialty yarns and fabrics.

The economic slowdown may affect PFY growth as well. Yet 2012-13 is widely expected to see a revival in PFY demand. In the first 2 months of 2012-13 PFY-based fabric growth has been strong at around 22% y-o-y. Moreover, the demand for differentiated products continues to increase as does our ability to cater to the demand for specialty products. Moreover the flat yarn segment which is a core-competency for your Company is growing rapidly despite the slowdown. While commodity textile-grade chips sales are likely to be under pressure in the coming year, the Company intends to sell primarily specialty chips like various bright-chip variants, full dull, cationic and silica-based chips whose demand is expected to increase.

The Company's wide product range, highly differentiated product-mix, high quality standards, strong service-ethics and reputation for fair practices give it a special position among customers of chips, yarn and fabric. We hope to leverage our position to sell during the slowdown and to help us introduce the new products we have planned to bring to the market.

The fundamentals of PFY based fabrics – wrinkle-resistant, highly durable, most versatile, affordable, light and fashionable – remain sound. For Indian women, such fabrics will always be preferred not just by the cost-sensitive buyer but also by the fashion-conscious rich. PFY based fabrics have a dominant position in sarees and are very popular in the growing salwar-kameez/kurti segment. PFY is also the most widely used yarn in fabric for party and wedding wear among both rich and poor consumers. The application of PFY is increasing in denim-wear, sportswear, home-textiles and automotive textiles. Globally, demand growth of polyester is much faster than that of cotton. This is true for both developing and developed countries. It is widely expected that PFY growth in India will be much faster than global growth.

With the large PFY capacity expansions likely to come on stream this year and the next, operating margins in the industry over the next couple of years will remain under pressure. However, as far as your Company is concerned, it is expected that with the introduction of important new products produced on our new and existing spinning lines and with the second thermal power plant coming on stream we will improve our performance in time to come.

We have strong tie-ups with raw material (PTA and MEG) suppliers and that offers advantages at a time when raw materials are projected to be in short supply.

Risks and Concerns:

The PFY industry is very competitive, with players ranging from large vertically integrated players with very low variable costs to small flexible players who can rapidly respond to market changes in terms of both price and product mix. The competition is likely to reach a historical climax this year and the next with the large expansions planned in 2010-11 coming on stream.

An economic slowdown – both domestic and global – may have some adverse effect on the growth of the PFY industry. Yet, since growth will be on a low base it is expected the industry will not be as badly affected as it was last year. In the first 2 months of 2012-13 PFY-based fabric growth has been very strong.

Raw material prices fluctuate in line with international prices and will continue to have an impact on the Company's results as raw materials constitute around 80% of the Company's net sales. Increased emphasis on differentiated and value-added products as well as a reduced working capital cycle this year will help reduce this risk.

The industry is dependent on the international price of crude oil which directly impacts the price of both our key raw materials PTA and MEG. Any crude supply shock could have an adverse impact on the industry.

The PTA industry is presently in distress, both globally and in India. There are signs that owing to the poor margins in the PTA business, suppliers may possibly curtail supply, resulting in temporary shortages.

The Company hedges its forex exposures and hence, does not carry significant forex risk. The Company's relatively high debt coupled with high interest rates makes it sensitive to interest rate fluctuations. Over the years it expects to bring down debt levels.

For domestic sales of chips and yarns outside of Gujarat State, the Company has a disadvantage compared with central sales tax (CST) exempted units in Silvassa and Daman. Once the exemptions expire (latest by 2017) or once GST is implemented, this disadvantage is expected to be removed or significantly reduced. The Company's emphasis on value-added and differentiated products, exports and Gujarat-based sales is expected to partly counter this shortcoming.

Finance and Investment:

Tight monetary policy throughout the year kept bank base rates high which resulted in increased and high interest rates for the Company. Since interest rates are expected to remain high and owing to the relatively high amount of leverage, it is the intent of the Company to reduce debt in the years to come.

Over time the Company intends to unlock value from non-core assets such as Art and Artifacts, land and other unproductive assets.

The Company follows a conservative policy in managing its foreign exchange liabilities to minimise the risks associated with fluctuations in exchange rates. This has limited the losses resulting from the large fluctuations in the rupee during the year.

The Company has been taking advantage of interest subsidy under Technology Upgradation Fund (TUF) provided by the central government.

The Company along with its lenders has worked out a realignment of certain long term debts. As a result of this, repayments of these loans will be extended by about 2 years.

Credit Rating:

During the year under review Credit Analysis & Research Ltd. (CARE), on review of operational and financial performance of the Company, revised the rating from CARE A+ (Single A Plus) to CARE BB (Double B) assigned to the long-term facilities of your Company. Further, the Rating Committee of CARE has revised the rating from 'CARE A1+' (A One Plus) to 'CARE A4' (A Four) assigned to the short-term facilities of your Company.

Corporate Governance:

Your Company reaffirms its commitments to the good corporate governance practices. Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are enclosed and form an integral part of this report.

Directors:

Pursuant to the provisions of section 255 and 256 of the Companies Act, 1956 and in accordance with provisions of Articles of Association of the Company, Shri Sanjay S. Shah, Shri Suhail P. Shah, Shri Alok P. Shah and Shri Madanlal U. Lankapati, Directors of the Company, are liable to retire by rotation and being eligible, offer themselves for re-appointment at the ensuing 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 reappointment as required under Clause 49 (VI) of the Listing Agreements are provided in Notice forming part of this Annual Report. None of the Directors are disqualified under Section 274(1)(g) of the Companies Act, 1956.

Smt. Shilpa P. Shah resigned as member of the Board w.e.f. 1st May, 2012. She held the position of Whole-time Director since inception of the Company in the year 1979.

During this period, she made several significant contributions to the Company's growth and business strategies, more particularly in marketing and advertising of Company's finished fabrics segment. She has played a pivotal role in making Garden and Vareli household names across the breadth of our country. The advertising campaigns she has conceived and executed have captured the imagination of men and women alike over a generation. The Company has immensely benefited from her contribution and guidance. The Board places on record their deep sense of appreciation for the distinguished services rendered by Smt. Shilpa Shah during her tenure as a Director of the Company.

In recognition of her experience and contributions, the management of the Company appointed Smt. Shilpa Shah as a senior member of the Company's management team, designated as Director-Advertising w.e.f. 1st May, 2012. The resolution seeking members' approval in terms of Section 314(1)(B) of the Companies Act, 1956, forms part of the Notice of Annual General Meeting. The remuneration committee and the Board of Directors have recommended the said appointment.

Directors' Responsibility Statement:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 217 (2AA) of the Companies Act, 1956:

- (i) that in the preparation of the Annual Accounts for the year ended 31st March, 2012, 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) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the loss of the Company for the year ended on that date;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Auditors and Auditors' Report:

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

Based on the recommendations of the Audit Committee, the Board of Directors of the Company proposes the re-appointment of Natvarlal Vepari & Company, chartered accountants, as the Statutory Auditors of the Company.

The comments on statement of accounts referred to in the report of the auditors are self explanatory and therefore do not call for any further comments.

Cost Audit:

Manubhai & Associates, Cost Accountants, were appointed with the approval of the Central Government to carry out the cost audit relating to products Polyester Chips and Yarns for the year 2011-12. They will submit their report to the Board of Directors, before forwarding it to the Ministry of Corporate Affairs, Government of India.

Based on the recommendation of the audit committee, Manubhai & Associates, cost accountants, being eligible, have also been appointed by the Board as the Cost Auditors for FY13. The Company has received a letter from them to the effect that their re-appointment would be within the Limits prescribed under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of section 226 of the Act.

The cost audit report for the Financial Year 2010-11 which was due to be filed with the Ministry of Corporate Affairs on 30th September, 2011 was filed on 27th September, 2011.

Internal Control Systems and their adequacy:

The Company maintains adequate internal control systems, which provides, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of company assets.

Internal Controls are adequately supported by Internal Audit and periodic review by the management. The Audit Committee meets periodically to review with the management, and statutory auditors, financial statements. The audit committee also meets with the internal auditors to review adequacy / scope of internal audit function, significant findings and follow up thereon and findings of any abnormal nature.

Your Company has successfully implemented an Oracle Applications ERP system across the Company. This has ensured improved controls making them process driven rather than individual driven. It will ensure the highest data integrity with an audit trail. It enables integration of all systems.

Human Resources and Industrial Relations:

Industrial relations at all the plants were cordial. Your Company offers various incentives to motivate performance. The employees attend technical seminars and workshops to enhance their expertise levels. The Company's continuous focus on skill building provides equal opportunities on lateral growth.

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.

Your Company is aware of its responsibilities as a good corporate citizen in health, safety and environmental management. Your Company contributes to community welfare activity and takes up initiatives and measures related to education and health. The Company recognises protection and management of environment as one of its highest priorities and every effort is made to conserve and protect the environment.

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.

Investor Education & Protection Fund:

Pursuant to the provisions of section 205A(5) and 205C of the Companies Act, 1956 an amount of ₹ 11,47,921 which pertains to the dividend for the year 2003-04, and remained unpaid or unclaimed for a period of 7 years from the date of declaration, has been transferred by the Company to the Investor Education & Protection Fund.

Reward, Recognition & Quality Systems Certification:

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.

Statutory Information:

Details required as per section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules of 1988, are provided in the annexure to this report.

Details required as per section 217(2A) of the Companies Act, 1956 read with Rule 2 of the Companies (Particulars of Employees) Rules of 1975, as amended and forming part of the Directors Report for the year ended 31st March, 2012 is given in a separate Annexure to this Report. However, in line with the provisions of Section 219(1)(b)(iv) of the said Act, post the exclusion of the information as required above, the annual report is being sent to all the members of the Company and the others entitled thereto.

Any member interested in obtaining these details may write to the Company Secretary at the Registered Office of the Company. The aforesaid Annexure is also available for inspection of Members at the Registered Office of the Company, 21 days before the Annual General Meeting and upto the date of the ensuing Annual General Meeting during business hours on working days.

The Company has not accepted any deposits, within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 made thereunder.

Corporate Social Responsibility:

The Company as a responsible corporate citizen is contributing to sustainable development by its economic activities combined with the fulfillment of its social responsibilities for the communities it operates in.

Your Company undertook various initiatives in the area of community and stakeholder welfare, environment conservation education, health and empowerment, across its operations.

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 statements" 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 also wish to place on record their deep and special appreciation for the unstinting diligence and dedication of the Company's employees.

For and on behalf of the Board

Praful A. Shah

Surat, 8th August, 2012 **Chairman & Managing Director**

ANNEXURE TO THE DIRECTORS' REPORT

Annexure 'A'

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

I. CONSERVATION OF ENERGY

- (a) The Company continued to give major emphasis for conservation of energy, and the measures taken during the previous years were continued. The efficiency of energy utilization in each manufacturing unit is monitored at the corporate level every quarter, in order to achieve effective conservation of energy. Some of the measures undertaken in this direction during the year under review were as under:
- Cooling water pumps impeller trimming to save energy loss across throttled valve.
 - Division of compressed air pressure loop in PFY as per the user end requirement, to save on losses in reducing pressure from higher value to lower value.
 - Clubbing of similar pressure requirement for optimum loading at single generation station and avoiding unload running at multiple generating station at PFY.
 - Power saving in compressed air system through better and more effective utilization.
 - Replacement of existing old dryer with energy efficient new air dryer.
 - Optimisation of capacity of water pump, cooling tower, control air compressor.
 - Rain harvesting measures.
 - Periodic energy audits.
 - Reduction of maximum demand by even distribution of daily load and through increased efficiency of plants.
- (b) Additional investments and proposals, if any, being implemented by the Company for reduction of consumption of energy
- Reduction of use of spin finish chemical without quality compromise.
 - Trial for direct transfer of bobbins without using packing material.
 - Replacement of 36W TL fittings with LED lights for longer life and reduced energy consumption.
- (c) Impact of the above measures for reduction of energy consumption and consequent impact on cost of production of goods:
- Lower energy consumption with consequent reduction in the cost of production.
 - Customers' satisfaction and new business opportunities because of competitive costs and better quality.
- (d) Total energy consumption and energy consumption per unit of production as per prescribed Form-A given hereunder.

Research & 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:

- BSY, Mother yarn and Mono split yarns are successfully developed
- Special cross section yarns with more glitter and high bending rigidity for crochet yarn application is developed successfully.
- Various products in coloured yarns were developed.
- Numerous new textured, air textured yarn, draw warped yarns, lycra yarns on DTY machines etc. 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.

ANNEXURE TO THE DIRECTORS' REPORT

Annexure 'A' (Contd.)

3. Future plan of action:
- Development of new products and processes.
 - Upgradation of new variants of existing products.
 - Energy optimization for process plants.
 - Further improvement in the Quality of Products and Processes.
 - Adoption of technology for coal base power generation.
 - Purchase of power from grid under open access regulations.
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.
 - Capital Expenses Nil
 - Recurring expenses Nil
 - Total Nil
 - Total R & D expenditure as a % of total turnover Nil

(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, 2012	Year ended 31st March, 2011
A POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased Unit in Lacs	135.10	62.50
Total amount ₹ in Lacs.	1023.55	634.57
Rate / Unit (₹)	7.58	10.15
b. Own Generation		
i. Through Generator HFO/LDO/HSD Based		
Units in Lacs	288.50	556.80
Unit per Ltr. of Diesel /HFO/LDO/HSD	4.43	4.47
Consumption Cost/Unit (₹)	8.27	6.22
ii. Through Generator Gas Base		
Units in Lacs	1852.19	2254.38
Unit per SCM of Gas Consumption	3.72	3.78
Cost/Unit (₹)	6.25	4.68
iii. Through Generator Thermal base		
Units in Lacs	931.40	47.25
Unit per SCM of Gas Consumption	0.97	1.42
Cost/Unit (₹)	3.71	2.66
2 Coal/Lignite for Generation of Steam		
Usage in Boilers and Thermopack, Quality used "C" Grade		
Quantity (M.T.)	57548.74	33967.32
Total Cost ₹ in Lacs	2358.36	1234.92
Average rate ₹/M.T.	4098.02	3635.61
3. Furnace Oil		
Quantity (K.Lts.)	NIL	NIL
Total Amount	NIL	NIL
Average rate ₹/Lts.	NIL	NIL

Form for disclosure of particulars with respect to conservation of energy (Contd.)

	Year ended 31st March, 2012	Year ended 31st March, 2011
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	0.31	0.30
- Finished Fabrics	0.36	0.34
- Warp Draw Yarn	1.54	1.49
Furnace Oil	NIL	NIL
Jolwa Division		
Electricity (Unit)		
Product:		
- PFY	1.11	0.91
- Chips	0.15	0.17
Furnace Oil	NIL	NIL
Coal / Lignite	NIL	NIL

II TECHNOLOGY ABSORPTION:**Technology Absorption, Adaptation & Innovation**

- (i) Efforts in brief, made towards technology absorption, adaptation & innovation
 - PTA conveying system modified to achieve high bulk container unloading rate
 - Coal heaters commissioned.
- (ii) Benefits derived as a result of above efforts
 - Cost reduction leading to improvement in capacity utilisation and new markets opening up.
- (iii) Future Plan of Action
 - Adoption of technology for coal base power generation.
 - Recycling of condensate water from HVACs to reduce water consumption
- (iv) In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished:
 - (a) Technology imported : Nil
 - (b) Year of import : Not Applicable
 - (c) Has the technology been fully absorbed? : Not Applicable
 - (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action : Not Applicable

III FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:
The Company continues to focus on enhancing its ability for value addition through technology upgradation – for existing and new customers in varied business sectors. The Company was successful in exporting Polyester Chips, POY, DTY, FDY to various countries. During the year your Company achieved export sale FOB value of ₹ 385.16 crores.
2. Total foreign exchange used and earned is contained in Note 28.4 and Note 30 in notes on financial statements.

CORPORATE GOVERNANCE REPORT

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

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of Governance

Your Company is continuously working towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate governance, viz. integrity, equity, transparency, fairness, disclosures, accountability and commitment to values.

2. Board of Directors

(a) Composition of the Board:

The Board consists of optimal combination of Executive Directors and Non-Executive Directors, and is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges. The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who

operates under the supervision and control of the Board.

As on 31st March, 2012 the Board comprises of twelve directors including five Wholetime Directors. The Board has seven Non-Executive Directors including a Nominee of LIC of India. The Non-Executive Directors are having diverse backgrounds with considerable professional proficiency, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as member of the Board.

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

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

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

Name	Category	No. of Board Meeting attended	Whether attended last AGM held on 20.09.2011	No. of other Directorship(s) **	No. of Membership(s)/ Chairmanship(s) of Board Committees in other Companies#	Shareholding
Shri Praful A. Shah	Executive Chairman	6	No	7	—	2789190
Shri Alok P. Shah	Executive	5	Yes	7	—	754671
Smt. Shilpa P. Shah *	Executive	4	No	2	—	554325
Shri Sanjay S. Shah	Executive	4	Yes	2	—	824660
Shri Suhail P. Shah	Executive	5	Yes	7	—	496685
Shri Rajen P. Shah	Non-Executive	5	Yes	1	—	959198
Shri J. P. Shah	Non-Executive Independent	—	No	—	—	6595
Shri Yatish Parekh	Non-Executive Independent	5	Yes	1	—	0
Shri A. N. Jariwala	Non-Executive Independent	5	Yes	1	—	100
Shri Sunil S. Sheth	Non-Executive Independent	6	Yes	—	—	0
Shri Madanlal Lankapati	Non-Executive Independent	—	No	—	—	150
Shri Anjan Mukherjee	Nominee (LIC of India)	5	No	—	—	0

* Resigned as Member of the Board of Directors of the Company with effect from 1st May, 2012.

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

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

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

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

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

(c) Meetings of the Board.

During the financial year 2011-12 the Board of Directors met six times on 3rd May, 2011, 27th July, 2011, 10th August, 2011, 28th October, 2011, 13th December, 2011, 11th February, 2012. The gap between any two Board Meetings did not exceed four months.

(d) Board Meeting Procedures

The agenda papers containing all the information relevant for discussions at the meeting are sent to the directors in advance so that each director has enough time for a meaningful discussion at the Board Meetings. Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the Listing Agreement. The required information as enumerated in Annexure I A to Clause 49 of the Listing Agreement are regularly made available to Board of Directors for discussion and consideration at Board Meetings.

Code of Conduct

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

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:

The Committee met 5 times during the year on 3rd May, 2011, 27th July, 2011, 10th August, 2011, 28th October, 2011, 9th February, 2012.

Composition and Attendance:

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

Name of Director	Status	No. of meetings attended
Shri Arunchandra N. Jariwala	Chairman	5
Shri Yatish C. Parekh	Member	5
Shri Rajen P. Shah	Member	4

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

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

Internal Audit:

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

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

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

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

During the financial year 2011-12, 29 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 217 received during the year 2011-12 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 Shri A. N. Jariwala, Shri Yatish Parekh and Shri 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.

The Committee met 2 times during the year on 27th July, 2011 and 13th December, 2011. All the members of the Committee were present at the meeting.

Remuneration Policy:

Managing Director and Executive Directors

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

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

Payment of remuneration to the Chairman & Mg. Director, Joint Mg. Director and Executive Directors is governed by the respective agreements executed between them and the Company and are governed by Board and shareholders' resolutions. The remuneration structure comprises of Salary, commission, perquisites and allowances and retirement benefits.

Non Executive Directors

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

Details of remuneration paid/payable to Directors for the year ended 31st March, 2012

(Amount in ₹)

Name of Director	Salary & Perquisites	Sitting fees	Commission (for the financial year 2010-11) paid in 2011-12
Shri Praful A. Shah	2,68,22,000	Nil	5,50,00,000
Shri Alok P. Shah	2,30,89,000	Nil	2,00,00,000
Smt. Shilpa P. Shah	18,83,433	Nil	Nil
Shri Suhail P. Shah	1,59,47,000	Nil	2,00,00,000
Shri Sanjay S. Shah	23,20,560	Nil	Nil
Shri Rajen P. Shah	Nil	1,11,000	Nil
Shri J. P. Shah	Nil	Nil	Nil
Shri Yatish Parekh	Nil	1,16,000	Nil
Shri A.N. Jariwala	Nil	1,17,000	Nil
Shri Sunil S. Sheth	Nil	65,000	Nil
Shri Madanlal Lankapati	Nil	Nil	Nil
Shri Anjan Mukherjee	Nil	50,000	Nil
Total	7,00,61,993	4,59,000	

d) Other Committees of Directors**Management Committee of the Board**

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

During year, the Committee held 4 meetings on 13th April, 2011, 15th September, 2011, 23rd November, 2011 and 29th March, 2012. 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, 2012, the Company has no such material non-listed subsidiary.

5. Disclosures**Related Party Transactions**

During the financial year 2011-12 there were no materially significant transactions entered into between the Company and its promoters, directors or the management or relatives etc. that may have potential conflict with the interests of the Company at large. Your Company places all the relevant details as applicable before the Audit Committee.

Disclosure of accounting treatment in preparation of Financial Statement

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

CEO/CFO Certification

The Managing Director and the Joint Managing Director have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2012.

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

The last three Annual General Meetings of the Company were held at Registered Office at Sahara Gate, Surat 395010 as under:

Financial Year	Date	Time
2008-09	30/09/2009	11.00 a.m.
2009-10	31/08/2010	11.00 a.m.
2010-11	20/09/2011	11.00 a.m.

No Special Resolution was passed in any of the aforesaid Annual General Meetings.

8. Approval of Members through Postal Ballot:

(A) The Company received approval of the members through postal ballot process for notice dated 3rd May, 2011, Special Resolution for alteration in object clause of the Memorandum of Association of the Company under Section 17 of the Companies Act and commencement of new business from the other objects of the

Memorandum of Association of the Company under Section 149(2A) of the Companies Act, 1956. The Shareholders also approved Ordinary Resolution under Section 293(1)(a) for creation of charge / mortgage and under Section 293(1)(d) for increase in borrowing limits. All the aforesaid Resolutions were approved by the shareholders with requisite majority on 25th June, 2011. Shri Kunjal Dalal, Practicing Company Secretary, was appointed as the Scrutinizer for conducting the Postal Ballot process. The details of the voting pattern are as under:

Particulars	Resolution No.1	Resolution No.2	Resolution No.3	Resolution No.4
Valid Votes in favour of the Resolution	20156925	20151777	20148548	20147095
Valid Votes against the Resolution	19091	21455	23836	25747
Percentage of the valid votes in favour of the resolution to the total valid votes cast	99.91	99.89	99.88	99.87
Number of invalid postal ballot forms received.	8	8	8	8

- (B) The Company received approval of the members through postal ballot process for notice dated 13th December, 2011 by Special Resolution for alteration in Articles of Association under Section 31 of the Companies Act, 1956, revisions in the terms of appointment of Shri Praful A. Shah, Chairman & Managing Director, Shri Alok P. Shah, Joint Managing Director, Shri Suhail P. Shah, Executive Director and re-appointment of Shri Suhail P. Shah for a period 3 years w.e.f. 1st December, 2012.

All the aforesaid Resolutions were approved by the shareholders with requisite majority on 25th January, 2012. Shri Kunjal Dalal, Practicing Company Secretary, was appointed as the Scrutinizer for conducting the Postal Ballot process. The details of the voting pattern are as under:

Result of Special Resolution No.1:

Alteration in the Articles of Association of the Company, pursuant to the provisions of Section 31 of the Companies Act, 1956.

Particulars	No. of vote cast	% of total Votes cast
For	21997412	99.77
Against	9087	0.04
Invalid	42516	0.19

Result of Special Resolution No.2:

Revision in the terms of appointment of Shri Praful A. Shah, Chairman & Managing Director.

Particulars	No. of vote cast	% of total Votes cast
For	21988746	99.73
Against	47276	0.21
Invalid	13003	0.06

Result of Special Resolution No.3:

Revision in the terms of appointment of Shri Alok P. Shah, Joint Managing Director.

Particulars	No. of vote cast	% of total Votes cast
For	21986727	99.72
Against	48468	0.22
Invalid	13815	0.06

Result of Special Resolution No.4:

Revision in the terms of appointment of Shri Suhail P. Shah, Executive Director.

Particulars	No. of vote cast	% of total Votes cast
For	21988807	99.73
Against	46675	0.21
Invalid	13583	0.06

Result of Special Resolution No.5:

Reappointment of Shri Suhail P. Shah as Executive Director for a period of 3 years with effect from 1st December, 2012.

Particulars	No. of vote cast	% of total Votes cast
For	21988750	99.73
Against	16672	0.07
Invalid	43643	0.20

9. Means of Communication

- (a) The Quarterly results are submitted to the Stock Exchanges in accordance with the Listing Agreement and published in widely circulated newspapers Economic Times, Financial Express, Business Standard, Mumbai edition and Indian Express, Baroda edition and Gujarat Samachar and Sandesh, Surat edition. The financial results are displayed on Company's web-site www.gardenvareli.com.

- (b) 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.sebiedifar.nic.in / Corporate Filing and Dissemination System (CFDS) portal, www.corpfiling.co.in
- (c) Management Discussion & Analysis forms part of the Annual Report.

10. General Shareholders' Information

Annual General Meeting:

Date and Time : Wednesday, 26th September, 2012 at 11:00 a.m.

Venue : Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395010

Financial year : April to March

Book Closure Date : Friday, 21st September, 2012 to Wednesday, 26th September, 2012 (both days inclusive)

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

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

The Company has paid the Annual Listing fee for the year 2012-13.

As on 31st March, 2012, there were 77536 shareholders of the Company.

Stock Code:

The Ahmedabad Stock Exchange Limited (Physical Segment)	18350
The Bombay Stock Exchange Limited (Physical Segment)	155
The Bombay Stock Exchange Limited (Demat Segment)	500155
National Stock Exchange of India Limited	GARDENSILK(EQ)

Demat ISIN in NSDL and CDSL for Equity Shares INE526A01016.

Corporate Identity Number (CIN): L17111GJ1979PLC003463

Market Price Data:

(in ₹)

Month	Bombay Stock Exchange		National Stock Exchange	
	High	Low	High	Low
April, 2011	123.35	94.75	123.95	95.00
May, 2011	111.00	90.50	111.00	90.20
June, 2011	117.50	86.05	106.70	86.10
July, 2011	102.75	90.00	103.00	85.10
August, 2011	95.70	67.40	96.00	67.85
September, 2011	80.80	70.45	84.80	69.15
October, 2011	79.90	68.00	80.20	68.00
November, 2011	74.00	57.00	83.80	57.00
December, 2011	63.00	50.50	63.00	51.00
January, 2012	66.70	51.15	66.50	51.25
February, 2012	72.70	57.05	72.55	57.40
March, 2012	62.00	53.75	62.95	53.50

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.

Category of Shareholders as on 31st March, 2012:

Category	Shareholding	
	No. of shares	%
Promoters	21910771	57.22
Mutual Funds & UTI.	13800	0.04
Banks, Financial Institutions & Insurance Companies.	9450	0.02
FIs	1360	0.00
Foreign Financial Institutions	6805	0.02
Private Bodies Corporate.	2228976	5.82
NRIs	3897871	10.18
Indian Public	10201211	26.65
Others:		
Clearing Members	19696	0.05
Trust	620	0.00
Total	38290560	100.00

Distribution of shareholding as on 31st March, 2012:

Sr. No.	Range of Holding	No. of Share-holders	% to Share-holders	No. of Shares	% to Capital
1	Upto 500	75814	97.78	4187038	10.93
2	501 – 1000	930	1.20	763951	2.00
3	1001 – 2000	384	0.50	584621	1.53
4	2001 – 3000	122	0.16	308335	0.81
5	3001 – 4000	46	0.06	164483	0.43
6	4001 – 5000	51	0.07	240914	0.63
7	5001 - 10000	89	0.10	690893	1.80
8	10001 and above	100	0.13	31350325	81.87
	Total	77536	100.00	38290560	100.00

Dematerialisation of shares and Liquidity:

The status of Dematerialisation as on 31st March, 2012 is as under:

Segment	No. of Shares	%	No. of holders	%
Physical	1935836	5.05	48814	62.96
Electronic form with NSDL	32889949	85.90	22568	29.11
Electronic form with CDSL	3464775	9.05	6154	7.93
Total	38290560	100.00	77536	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.

Nomination:

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in case of death of the registered shareholder(s). Nomination facility in respect of shares held in electronic form is also available with the depository participants as per the by-laws and business rules applicable to NSDL and CDSL.

National Electronic Clearing Service (NECS):

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

Locations of Manufacturing Facilities:**Vareli Complex**

Village Vareli, Taluka Palsana, Dist. Surat 394327 Gujarat
Tel.: (02622) 271241-47.

Jolwa Complex

Village Jolwa, Taluka Palsana, Dist. Surat 394305, 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, Fax : 040-23420814
Vittalrao Nagar, Madhapur, e-mail : einward.ris@karvy.com
Hyderabad – 500 081 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. sharedepartment@gardenvareli.com to enable investors to register their complaints, if any.

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

Pursuant to Section 205A(5) of the Companies Act, 1956, all unclaimed/ unpaid dividend up to the financial year ended 30th June, 1994 have been transferred to the General Revenue Account of the Central Government.

Members, who have not yet en-cashed their dividend warrant(s) for the said 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 380013.

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”) set up by the Government of India.

Accordingly, the dividend which had remained unpaid / unclaimed from the financial year ended 30th June, 1995 to 30th June, 2004 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
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
2010-11	20.09.2011	19.09.2018

Members are requested to note that pursuant to Section 205(C) of the Act, no claim shall lie against the Company or the aforesaid Fund in respect of any amount of dividend remaining unclaimed / unpaid for a period of seven years from the dates they became first due for payment. Any person / member who has not claimed dividend in respect of the financial year ended 30th June, 2005 or any year thereafter is requested to approach the Company / Registrar and Share Transfer Agents of the Company for claiming the same.

Secretarial Audit for Capital Reconciliation:

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

B. 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 400013 Telephone: 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. Telephone: 91-22-22723333 Facsimile : 91-22-22723199 E-mail : investors@cdslindia.com Website : www.cdslindia.com
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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. For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
 3. Shareholders are requested to keep record of their specimen signature before lodgement of shares with the Company to obviate possibility of difference in signature at a later date.
 4. Investor Correspondence/queries/information:
Shareholders / Beneficial Owners are requested to quote their Folio No. / DP and Client ID Nos., as the case may be, in all correspondence with the Company. All correspondence regarding shares of the Company should be addressed either to the Share Department of the Company at its Registered Office at Sahara Gate, Surat 395010 or to the Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company.
 5. Shareholders can lodge their investors complaint on E-Mail ID: sharedepartment@gardenvareli.com.
 6. Members/Proxies/Representatives are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
 7. Members who hold shares in 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.
 8. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
 9. In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

To the Board of Directors of Garden Silk Mills Limited

Dear Sirs,

Sub: CEO / CFO Certificate

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

We have reviewed the financial statements, read with the cash flow statement of Garden Silk Mills Limited for the year ended March 31, 2012 and that to the best of our knowledge and belief, we state that:

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

Yours sincerely,

Surat, 8th August, 2012

Alok P. Shah
Joint Managing Director

Praful A. Shah
Managing Director

Declaration

Declaration by the Managing Director Under Clause 49 I (D) of the Listing Agreement regarding adherence to the Code of Conduct

In accordance with the Clause 49 sub-clause of the listing Agreement with the Stock Exchanges, I further confirm that all the directors and senior management personnel of the Company have affirmed compliance to their respect Code of conduct, as applicable to them for the year ended 31st March, 2012.

For Garden Silk Mills Limited

Surat, 8th August, 2012

Praful A. Shah
Managing Director

Auditors Certificate on Compliance of Conditions of Corporate Governance

To the Members of Garden Silk Mills Limited

We have examined the compliance of conditions of corporate governance by Garden Silk Mills Limited for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the stock exchanges.

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

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

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

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

For NATVARLAL VEPARI & CO.

Chartered Accountants

Firm Registration No. 123626W

R. N. VEPARI

Partner

Membership No.6728

Surat, 8th August, 2012

AUDITORS' REPORT

TO THE MEMBERS OF

GARDEN SILK MILLS LIMITED,

1. We have audited the attached Balance Sheet of **GARDEN SILK MILLS LIMITED** (the "Company") as at 31st March, 2012 and also the Statement of Profit and Loss 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of the written representations received from the directors, as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 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 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, 2012;
 - (ii) in the case of the statement of profit and loss, of the loss 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.,

Chartered Accountants

Firm Registration Number: 123626W

R. N. Vepari

Partner

Surat, 8th August, 2012

Membership No.6728

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (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.
- ii. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of 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 is maintaining proper records of inventory. Discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.
- iii. (a) The Company has granted a secured 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 ₹ 2900.00 Lacs. There was no balance outstanding as at 31st March, 2012.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan is not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest, wherever applicable, has been regular
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly the provisions of clause (iii)(e), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the Company and hence not commented upon.
- iv. 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 the internal control system of the Company.
- v. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the Register maintained under the said section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contract or arrangement and exceeding the value of Rupees five lacs entered into during the financial year, in respect of any party, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. According to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of Section 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.
- vii. In our opinion and on the basis of the internal audit reports broadly reviewed by us, the Company has an internal audit system, commensurate with the size and nature of its business.

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- viii. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- ix. (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, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investors education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of central excise and Sales Tax on account of disputes, are as follows:

Name of the statute	Nature of 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	—
Central Excise Act, 1944	Excise Duty including penalty	1,43,12,740	2005-06	CESTAT, Ahmedabad	—
Central Excise Act, 1944	Excise Duty including penalty	87,29,774	2009-11	The Commissioner (Appeals), Surat	—
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

- x. The Company has no accumulated losses as at 31st March, 2012. The Company has incurred cash losses in the financial year ended on that date. The Company has not incurred any cash losses in the immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given to us, read with Note No. 4.1(d) to the financial statements, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution and banks. The Company does not have any borrowing by way of debenture.
- xii. 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.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. 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.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. Based on the information and explanations given to us by the management, term loans availed by the Company during the year were applied for the purpose for which the loans were obtained, however, amounts remained temporarily invested, pending utilisation of the funds for the intended use.

- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money through a public issue during the year.
- xxi. 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.,

Chartered Accountants

Firm Registration Number: 123626W

R. N. Vepari

Partner

Surat, 8th August, 2012

Membership No.6728

Balance Sheet as at 31st March, 2012

	Note	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	3829.06	3829.06
Reserves and Surplus	3	45297.54	53185.49
		49126.60	57014.55
Non-Current Liabilities			
Long-term Borrowings	4	94993.24	82899.69
Deferred Tax Liability (net)	5	8747.90	12665.20
Other Long-term Liabilities	6	732.84	606.81
Long-term Provisions	7	462.33	267.32
		104936.31	96439.02
Current Liabilities			
Short-term Borrowings	8	31237.86	31438.80
Trade Payables	9	33649.76	31819.38
Other Current Liabilities	10	10072.98	17811.74
Short-term Provisions	11	1673.01	2964.40
		76633.61	84034.32
TOTAL		230696.52	237487.89
ASSETS			
Non-Current Assets			
Fixed Assets :			
- Tangible Assets	12(A)	131925.10	99089.46
- Intangible Assets	12(B)	259.07	248.49
- Capital Work-in-Progress	12(C)	7329.45	27521.33
		139513.62	126859.28
Non-current Investments	13	1354.03	1354.03
Long-term Loans and Advances	14	9505.34	8705.05
		150372.99	136918.36
Current Assets			
Current Investments	15	0.00	3254.54
Inventories	16	48874.33	64109.26
Trade Receivables	17	14281.58	15954.32
Cash and Bank Balances	18	3616.71	2112.09
Short-term Loans and Advances	19	10991.71	13839.26
Other Current Assets	20	2559.20	1300.06
		80323.53	100569.53
TOTAL		230696.52	237487.89

The accompanying notes are an integral part of these financial statements.

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Chartered Accountants
Firm Registration No. 123626W

R. N. VEPARI

Partner
Membership No.6728
Surat, 8th August, 2012

For and on behalf of the Board

PRAFUL A. SHAH

ALOK P. SHAH

SUNIL SHETH

KAMLESH B. VYAS

Chairman & Managing Director
Joint Managing Director
Director
Company Secretary
Surat, 8th August, 2012

Chairman & Managing Director
Joint Managing Director
Director
Company Secretary

Statement of Profit and Loss for the year ended 31st March, 2012

	Note	2011-12	(₹ in Lacs) 2010-11
Income:			
Revenue from Operations	21	350649.45	340047.99
Other Income	22	2122.86	690.93
Total Revenue		352772.31	340738.92
Expenses			
Cost of Materials Consumed	23	272645.98	264008.53
Purchases of Stock-in-Trade	24	2459.07	1378.51
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	25	4034.93	(8832.33)
Employee Benefits Expense	26	8441.76	7297.40
Finance Costs	27	15395.43	9007.30
Depreciation and Amortisation Expense	12	8614.49	7651.63
Other Expenses	28	52985.90	48139.34
Total Expenses		364577.56	328650.38
Profit/(Loss) Before Tax		(11805.25)	12088.54
Tax Expense:			
Current Tax		0.00	2395.55
Deferred Tax		(3917.30)	906.43
Profit/(Loss) After Tax		(7887.95)	8786.56
Earnings Per Equity Share	29		
(Face Value of ₹ 10 per Equity Share)			
Basic and Diluted (₹)		(20.60)	22.95

The accompanying notes are an integral part of these financial statements.

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Chartered Accountants
Firm Registration No. 123626W

R. N. VEPARI

Partner
Membership No.6728
Surat, 8th August, 2012

For and on behalf of the Board

PRAFUL A. SHAH

ALOK P. SHAH

SUNIL SHETH

KAMLESH B. VYAS

Chairman & Managing Director
Joint Managing Director
Director
Company Secretary

Surat, 8th August, 2012

Cash Flow Statement for the year ended 31st March, 2012

	Year Ended 31st March, 2012	Year Ended 31st March, 2011
(₹ in Lacs)		
A. Cash Flow from Operating Activities:		
Profit/(Loss) before Tax	(11805.25)	12088.54
Add/(Deduct):		
Depreciation and Amortisation Expense	8614.49	7651.63
Finance Costs	15395.43	9007.30
Interest Income	(201.68)	(113.82)
Net gain on sale of current investments	(646.74)	(403.53)
Dividend Income	(1.33)	(2.97)
Net surplus on disposal of fixed assets	(703.65)	268.80
Provision for diminution in value of investment	0.00	9.44
Gain on cancellation of forward exchange contract	(322.23)	0.00
Share of Profit/Loss in Partnership firm	0.00	9.98
Miscellaneous Expenditure written off	0.00	6.75
	22134.29	16433.58
Operating Profit before Working Capital Changes	10329.04	28522.12
Add/(Deduct):		
(Increase) / decrease in Trade and Other Receivables	1038.67	(1363.79)
(Increase) / decrease in Inventories	15234.93	(27573.06)
(Decrease) / Increase in Trade and Other Payable	1823.48	9709.28
	18097.08	(19227.57)
Cash Generated from Operations	28426.12	9294.55
Add:		
Direct Taxes (Paid) / Refund.	(538.28)	(2378.35)
Net Cash Flow from Operating Activities	27887.84	6916.20
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(21375.09)	(26355.68)
Sale of Fixed Assets	2260.10	251.40
Purchase of Investments	(27487.26)	(21240.76)
Sale of Investments	31388.54	24687.24
Dividend Income	1.33	2.97
Loan to other Companies / Firms.	2579.62	(1477.28)
Net Cash from/(used in) Investing Activities	(12632.76)	(24132.11)
C. Cash Flow from Financing Activities:		
Proceeds from Long Term Borrowings	22919.58	31957.85
Repayment of Long Term Borrowings	(20314.96)	(9629.71)
Repayment of Short Term Borrowings	(200.94)	4691.94
Interest & Other Finance Charges Paid	(15675.33)	(10369.00)
Gain on Cancellation of forward exchange Contract	322.23	0.00
Dividend paid	(689.23)	(689.23)
Tax on dividend paid	(111.81)	(114.48)
Net Cash from / (used in) Financing Activities	(13750.46)	15847.37
Net Increase / (Decrease) in Cash and Cash Equivalents	1504.62	(1368.54)
Cash and Cash Equivalents at the beginning of the year	2112.09	3480.63
Cash and Cash Equivalents at the end of the year	3616.71	2112.09

Note:

Previous year's figures have been reclassified to conform to the current year's presentation.

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Chartered Accountants
Firm Registration No. 123626W

R. N. VEPARI

Partner
Membership No.6728
Surat, 8th August, 2012

For and on behalf of the Board

PRAFUL A. SHAH

ALOK P. SHAH

SUNIL SHETH

KAMLESH B. VYAS

Chairman & Managing Director

Joint Managing Director

Director

Company Secretary

Surat, 8th August, 2012

Notes to the Financial Statements for the year ended 31st March, 2012

Note 1 : Significant Accounting Policies

1.1 Basis of Preparation of Financial Statements

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

1.2 Fixed Assets:

Tangible Assets

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

Intangible Assets

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

1.3 Capital Work-in-Progress

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

1.4 Impairment of Assets

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

1.5 Investments

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

1.6 Inventories

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

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

1.7 Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the rates of exchange in force at the time transactions are affected.

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

Difference between forward rate and the exchange rate at the inception of a forward contract is recognized as income or expense 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 recognised in the Profit and Loss account.

Notes to the Financial Statements for the year ended 31st March, 2012

1.8 Depreciation and Amortisation

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

1.9 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) on dispatch of goods to customers and gain/loss on corresponding hedge contracts. Sales also include sale of scrap, waste, rejects, empty containers etc. Dividend income is 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.

1.10 Expenses

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

1.11 CENVAT:

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

1.12 Excise Duty and VAT

Excise Duty has been accounted on the basis of both payments made in respect of 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. Excise duty related to the difference between Closing Stock & Opening Stock is recognised separately in the Profit & Loss Account. Sales Tax / VAT paid is charged to the Profit and Loss account.

1.13 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 provided in accordance with the Accounting Standard (AS)15 "Employee Benefits" issued by the Institute of Chartered Accountants of India (ICAI).

1.14 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.

1.15 Inter-divisional Transfers

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

1.16 Borrowing Cost

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

1.17 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.

Notes to the Financial Statements for the year ended 31st March, 2012

(₹ in Lacs)

Note 2 : Share Capital	As at 31st March, 2012	As at 31st March, 2011
Authorised		
6,00,00,000 (6,00,00,000) Equity Shares of ₹ 10/- each	6000.00	6000.00
Issued, Subscribed and Paid up		
3,82,90,560 (3,82,90,560) Equity Shares of ₹ 10/- each fully paid up	3829.06	3829.06
Total	3829.06	3829.06

(A) Details of Shareholders holding more than 5% of the aggregate Shares in the Company

	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	% of holding	No. of Shares	% of holding
Introscope Properties Pvt. Ltd.	7231996	18.89	0	0.00
Shri Praful A. Shah (Indl.)	2789190	7.28	2789190	7.28
Tissue Textiles (India) Pvt. Ltd.	2700800	7.05	2700800	7.05
Prabhat Silk Mills Ltd.	2492816	6.51	0	0.00
Pashah Textiles Ltd.	0	0.00	2208647	5.77
Amichand Textiles Ltd.	0	0.00	2953184	7.71

(B) The rights attached to equity shares of the Company:

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10 each. The holder of equity shares are entitled to one vote pre share. The dividend as and when declared is subject to the approval of the shareholders at the Annual General Meeting.

	As at 31st March, 2012	As at 31st March, 2011
Note 3 : Reserves and Surplus		
Securities Premium Reserve		
Balance at the beginning of the year	24198.24	24198.24
Add: Received during the year	0.00	0.00
Balance at the end of the year	24198.24	24198.24
General Reserve		
Balance at the beginning of the year	3632.63	2957.63
Add: Transfer from Statement of Profit and Loss	0.00	675.00
Balance at the end of the year	3632.63	3632.63
Surplus in Statement of Profit and Loss		
Balance at the beginning of the year	25354.62	18044.10
Add/Less: Profit/(Loss) for the year	(7887.95)	8786.56
Less: Appropriation		
Proposed Dividend	0.00	689.23
Tax on Dividend	0.00	111.81
Transferred to General Reserve	0.00	675.00
Balance at the end of the year	17466.67	25354.62
Total	45297.54	53185.49

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	(₹ in Lacs)			
	As at 31st March, 2012		As at 31st March, 2011	
	Non Current	Current	Non Current	Current
Note 4 : Long Term Borrowings				
Secured				
Term Loans from banks				
Ruppee Loans	79652.22	217.14	64142.38	12638.91
Foreign Currency Loans	12003.12	5520.51	15437.72	1332.18
Ruppee Term Loans from financial institutions	2187.50	0.00	2093.75	937.50
	<u>93842.84</u>	<u>5737.65</u>	<u>81673.85</u>	<u>14908.59</u>
Unsecured				
Term Loans from foreign banks	1150.40	246.93	1225.84	564.92
	<u>1150.40</u>	<u>246.93</u>	<u>1225.84</u>	<u>564.92</u>
Total	<u>94993.24</u>	<u>5984.58</u>	<u>82899.69</u>	<u>15473.51</u>

4.1 Note on Secured Long Term Borrowings:

- a) Term Loans from Banks and Financial Institutions are secured by first mortgage on pari passu basis on all immovable properties (except those specifically excluded by lenders, of Rupee Term Loans as per Note (b) below), both present and future and first charge by way of hypothecation of all movables (except book debts) both present and future subject to prior charges created/to be created in favour of Bankers for working capital borrowings.
- b) Of the Rupee Term Loans from banks:
 - i) Loans from Bank of India to the extent of ₹ 250.00 Lacs (Previous year ₹ 500.38 Lacs) are secured by hypothecation of specific machinery of Fully Drawn Yarn (FDY) Project at Jolwa.
 - ii) Loans from Bank of India to the extent of ₹ 1101.11 Lacs (Previous year ₹ 1763.73 Lacs) are secured by hypothecation of specific Building and machinery of Texturising plant and Draw Twisting plant at Jolwa.
 - iii) Term loans from ICICI Bank, Kotak Mahindra Prime Limited and Axis Bank Ltd aggregating to ₹ 162.59 Lacs (Previous year ₹ 210.63 Lacs) under vehicle finance scheme are secured by an exclusive charge by way of hypothecation of specific vehicles purchased under the arrangements.
 - iv) Housing Loan of ₹ 775.58 Lacs (Previous year ₹ 831.89 Lacs) from ICICI Bank is secured by hypothecation of residential flat at Mumbai.
 - v) Loans from Corporation Bank to the extent of ₹ 3639.99 Lacs (Previous Year ₹ 3639.99 Lacs) are secured by hypothecation of movable fixed assets of Specific Continuous Polymerisation Project at Jolwa.
 - vi) Loan from Union Bank of India to the extent of ₹ 5233.63 Lacs (Previous Year ₹ 4720.22 Lacs) is secured by hypothecation of specific machinery of Coal Based Thermal Power Project at Jolwa.
- c) Of the Foreign Currency Loans from banks, Loans to the extent of ₹ 1216.88 Lacs (Previous year ₹ 1820.33 Lacs) from Landesbank Baden-Wuerttemberg, are secured by hypothecation of specific imported machinery of Direct Spinning Project at Jolwa.
- d) During the year, the Company has entered into an arrangement with lenders to realign its principal debt repayment schedule and has secured the consent of lenders to spread its term loan repayment over a period of 8 years, after a moratorium of 2 years.

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

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

(₹ in Lacs)

	As on 31/03/12 Rate of Interest ranges between	Maturity Profile			
		1-2 years	2-3 years	3-4 years	Beyond 4 years
1 Secured Term Loans					
Rupee Loans	8% - 13.25%	316.89	4828.47	9036.66	65470.20
Foreign Currency Loans	5.73% - 8.55%	3650.47	3042.03	3042.03	2268.59
Rupee Term Loans from financial institutions	8.25% - 11%	0.00	109.38	218.75	1859.37
		3967.36	7979.88	12297.44	69598.16
2 Unsecured Term Loans					
Term Loans- from foreign banks	3.70% - 5.70%	153.39	153.39	153.39	690.23
		153.39	153.39	153.39	690.23
Total		4120.75	8133.27	12450.83	70288.39

(₹ in Lacs)

As at
31st March, 2012As at
31st March, 2011**Note 5 : Deferred Tax Liability (net)****(a) Deferred Tax Liability on account of :**

Difference between book value and tax written Down Value of Fixed Assets	16134.27	12870.58
Total	16134.27	12870.58

(b) Deferred Tax Asset on account of :

Disallowances under the Income Tax Act, 1961	135.19	0.00
Provision for Diminution in Value of Investments	67.66	168.19
Carried forward tax losses	7183.52	37.19
Total	7386.37	205.38
Deferred Tax Liability (Net)	8747.90	12665.20
Current year (Credit)/ Charge	(3917.30)	906.43

(₹ in Lacs)

As at
31st March, 2012As at
31st March, 2011**Note 6 : Other Long-term Liabilities**

Trade Deposits	732.84	606.81
Total	732.84	606.81

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 7 : Long-term Provisions		
Provision for Employee Benefits (Refer Note 26.2)	462.33	267.32
Total	462.33	267.32

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 8 : Short-term Borrowings		
Secured		
Loan repayable on demand		
- Cash Credit Facilities (Refer Note 8.1)	25499.30	24650.08
Others		
- Buyers Credit (Refer Note 8.2)	5110.91	2373.13
Unsecured		
Buyers Credit (Refer Note 8.2)	623.63	1611.57
Commercial Paper	0.00	2500.00
Inter Corporate Deposits	4.02	304.02
Total	31237.86	31438.80

8.1 Cash Credit facilities are part of Working Capital facilities availed from Consortium of Banks and are secured by hypothecation by way of first *pari passu* charge on all its current assets and by way of second *pari passu* charge on immovable and all movable properties (excluding current assets) of the Company. Rate of Interest on Cash Credit facilities ranged between 10.75% to 11.00%

8.2 Buyers' Credit is secured by Letter Of Comfort (LOC) / Undertaking (LOU) which is a part of Working Capital facilities issued by the banks. Rate of Interest on Buyers' Credit facility is ranging between 145-330 bps above Libor.

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 9 : Trade Payables		
Acceptances	24978.01	21201.72
Due to Micro, Small and Medium Enterprises	100.93	76.41
Others including creditors for expenses	8570.82	10541.25
Total	33649.76	31819.38

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

Principal amount due and remaining unpaid	0.00	0.00
Interest due on above and the unpaid interest	0.00	0.00
Interest paid	0.00	0.00
Payment made beyond the appointed day during the year	0.00	0.00
Interest due and payable for the period of delay	0.00	0.00
Interest accrued and remaining unpaid	0.00	0.00
Amount of further interest remaining due and payable in succeeding years	0.00	0.00

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 10 : Other Current Liabilities		
Current Maturities of Long term debt (Refer Note 4)	5984.58	15473.51
Interest Accrued and Due on Borrowings	1393.87	0.00
Interest Accrued but not Due on Borrowings	721.02	526.69
Unclaimed Dividends	84.10	82.22
Other Payables		
Creditors for Capital Expenditure	1074.04	1341.57
Payable to related parties towards purchase of fixed assets	30.00	0.00
Security Deposit	4.58	2.37
Statutory Dues - TDS and VAT	775.84	372.56
Other Advances	4.95	12.82
Total	10072.98	17811.74

Note 11 : Short-term Provisions

Provision for Employee Benefits	47.38	706.93
Proposed Dividend	0.00	689.23
Tax on Proposed Dividend	0.00	111.81
Other Provisions (Refer Note 11.1)	1625.63	1456.43
Total	1673.01	2964.40

11.1 The Company had recognised liability based on substantial degree of estimation for excise duty payable on clearance of goods lying in stock as on 31st March, 2011 of ₹ 1456.43 Lacs as per the estimated pattern of dispatches. On the analogy, provision for such liability, works out to be ₹ 1625.63 Lacs as on 31st March, 2012. Resultantly, differential provision of ₹ 167.00 Lacs has been recognised in the Profit and Loss Account.

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

Note 12 : Fixed Assets

Particulars	Gross Block			Depreciation/Amortisation				Net Block		
	As at 01/04/2011	Additions	Deductions/ Adjustments	As at 31/03/2012	01/04/2011	For the Year	Deductions/ Adjustments	Upto 31/03/2012	As at 31/03/2012	As at 31/03/2011
1	2	3	4	5	6	7	8	9	10	11
(A) <u>Tangible Assets:</u>										
Freehold Land	2435.63	2962.96	0.00	5398.59	0.00	0.00	0.00	0.00	5398.59	2435.63
Building	27397.89	6420.51	810.92	33007.48	7319.07	1151.50	109.53	8361.04	24646.44	20078.82
Plant & Machinery	127054.43	33218.40	1420.31	158852.52	51846.69	7184.12	613.83	58416.98	100435.54	75207.74
Furniture, Fixtures & Equipments	1022.55	268.16	55.63	1235.08	498.36	92.99	22.12	569.23	665.85	524.19
Office Equipments	447.98	19.17	4.22	462.93	196.14	18.60	1.31	213.43	249.50	251.84
Vehicles	996.63	37.48	31.84	1002.27	405.39	87.38	19.68	473.09	529.18	591.24
Total Tangible Assets	159355.11	42926.68	2322.92	199958.87	60265.65	8534.59	766.47	68033.77	131925.10	99089.46
(B) <u>Intangible Assets:</u>										
Software	484.53	90.48	0.00	575.01	236.04	79.90	0.00	315.94	259.07	248.49
Total Intangible Assets	484.53	90.48	0.00	575.01	236.04	79.90	0.00	315.94	259.07	248.49
Total	159839.64	43017.16	2322.92	200533.88	60501.69	8614.49	766.47	68349.71	132184.17	99337.95
Total Previous Year	150364.12	12752.92	3277.40	159839.64	55607.26	765.63	2757.20	60501.69	7329.45	27521.33
(C) Capital Work-in-Progress									139513.62	126859.28
Total										

Notes:

- Buildings include ₹ 40.59 Lacs (Previous Year ₹ 40.59 Lacs) being cost of shares relating to ownership flat in a Co-Operative Society.
- Factory Building and Plant & Machineries include borrowing costs capitalised during the year aggregating to ₹ 2047.28 Lacs (Previous Year ₹ 1488.80 Lacs).
- Plant & Machineries include foreign currency fluctuation capitalised during the year aggregating to ₹ 637.63 Lacs (Previous Year ₹ Nil) in accordance with para 46A of Accounting Standards 11 relating to 'The effects of changes in Foreign Exchange Rates'.

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 13 : Non-current Investments		
Long Term Investments (At Cost)		
Other Investments		
In Equity Shares of Associate Company -		
Quoted, fully paid up		
14500000 (14500000) Equity Shares of Surat Textile Mills Ltd. of ₹ 1 each	1282.92	1282.92
In Equity Shares (Unquoted, Fully paid-up)		
270(270) Equity Shares of the Surat Art Silk Cloth Producers' Co-operative Society Ltd of ₹ 10 each	0.03	0.03
75 (75) Equity Shares of Rayon Mills Commercial Corporation Ltd. of ₹ 100 each	0.08	0.08
108 (108) Equity Shares of New Piece Goods Bazaar Co. Ltd. of ₹ 100 each	1.57	1.57
1000 (1000) Equity Shares of Sheriff Textile Ltd. of ₹ 10 each	0.10	0.10
50000 (50000) Equity Shares of Amitabh Bachchan Corporation Ltd. of ₹ 10 each	40.00	40.00
4943832 (4943832) Equity Share of Salora Shinsung Textile Co Ltd, of ₹ 10 each	549.17	549.17
100 (100) Equity Shares of Electrex India Ltd of ₹ 10 each	0.02	0.02
206667 (206667) Equity Share of Icent Ltd, of ₹ 10 each	62.00	62.00
450 (450) Equity Shares of Majestic Land Developers Pvt. Ltd. of ₹ 100 each	29.21	29.21
In Government Securities-Unquoted		
6 Years National Savings Certificate (Deposited with Sales Tax Authorities)	0.10	0.10
	1965.20	1965.20
Less : Provision for diminution in value of investments	611.17	611.17
Total	1354.03	1354.03
Aggregate Value of Unquoted Investments	71.11	71.11
Aggregate Value of Quoted Investments	1282.92	1282.92
Aggregate Market Value of Quoted Investments	208.80	377.00
Notes:-		
The break up of provision for diminution in value of investments is as under:		
i) Equity Shares of Salora Shinsung Textile Co. Ltd.	549.17	549.17
ii) Equity Shares of Icent Ltd.	62.00	62.00
Total	611.17	611.17
	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 14 : Long-term Loans and Advances		
(Unsecured and Considered Good)		
Capital Advances	7618.15	6282.70
Capital Advances to related parties (Refer Note 31)	54.32	792.69
Security Deposits	359.06	633.85
Advance Income Tax (Net of Provision for Tax)	622.34	84.06
Employee Advances	113.16	107.81
Other Loans and Advances	738.31	803.94
Total	9505.34	8705.05

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 15 : Current Investments		
Mutual Funds		
Nil (5045.341) Units of DSP Blackrock Liquidity Fund Instl. Plan-growth of ₹ 1000 each.	0.00	69.51
Nil (4000000) Units of DSP Blackrock FMP-3m Series 27- growth of ₹ 10 each.	0.00	400.00
Nil (5300000) Units of DSP Blackrock FMP-3m Series 33-growth of ₹ 10 each.	0.00	530.00
Nil (3000000) Units of Kotak FMP Series 43-growth of ₹ 10 each.	0.00	300.00
Nil (4970228.332) Units of Prudential ICICI Long Term Floating Rate Plan C - Growth of ₹ 10 each.	0.00	500.00
Nil (4854323) Units of Prudential ICICI Interval Fund II Quarterly Interval Plan F - Institutional Cumulative of ₹ 10 each.	0.00	520.00
Nil (3050259.675) Units of Reliance Fixed Horizon Fund - XVII Series 1-growth Plan of ₹ 10 each.	0.00	305.03
Nil (4295356.924) Units of TATA Floater Fund growth of ₹ 10 each.	0.00	630.00
Total	0.00	3254.54

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 16 : Inventories		
Raw Materials	10176.49	15881.16
Raw Materials in Transit	7100.15	13975.36
Stock-in-Process	615.72	689.66
Finished Goods	20386.25	23154.19
Stores, Spares and Chemicals	6044.05	4989.21
Stores, Spares, and Chemicals in Transit	443.20	287.36
Stock-in-Trade (Art & Artifacts)	3630.11	4653.96
Stock-in-Trade (Property under development)	478.36	478.36
Total	48874.33	64109.26

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	As at 31st March, 2012	(₹ in Lacs) As at 31st March, 2011
Note 17 : Trade Receivables		
(Unsecured and Considered Good)		
Outstanding for a period exceeding six months from the date they are due for payment	898.69	908.88
Others	13382.89	15045.44
Total	14281.58	15954.32
		(₹ in Lacs)
	As at 31st March, 2012	As at 31st March, 2011
Note 18 : Cash and Bank Balances		
Cash and Cash Equivalents:		
Bank Balances in :		
- Current Accounts	748.24	418.48
- Deposit Accounts (with maturity less than 12 months)	422.55	318.31
Margin Money Account	1,958.04	896.30
Cash on hand	43.18	36.82
Other Bank Balances:		
Earmarked balances with Banks in Unpaid Dividend Account	84.10	82.22
Deposit Accounts (with maturity more than 12 months)	360.60	359.96
Total	3,616.71	2,112.09
		(₹ in Lacs)
	As at 31st March, 2012	As at 31st March, 2011
Note 19 : Short-term Loans and Advances		
(Unsecured and Considered Good)		
Soft Loan to Associate Company	0.00	2900.00
Loans to employees	122.04	88.44
Advance to Suppliers	1296.65	1938.37
Security Deposits	864.66	22.58
Advance Recoverable in cash or in kind or for value to be received	2481.53	2090.05
Balance with Customs, Central Excise Authorities etc.	6226.83	6799.82
Total	10991.71	13839.26
		(₹ in Lacs)
	As at 31st March, 2012	As at 31st March, 2011
Note 20 : Other Current Assets		
Interest Subsidy and interest Receivable	361.86	285.53
Export Incentives Receivable	1832.62	1012.05
Insurance Claim Receivable	364.72	2.48
Total	2559.20	1300.06

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	2011-12	(₹ in Lacs) 2010-11
Note 21 : Revenue from Operations		
Sale of Products	376354.78	366704.64
Job Charges Income	0.00	36.75
	376354.78	366741.39
Less: Excise Duty	25705.33	26693.40
Total	350649.45	340047.99
Particulars of Sale of Products		
Chips	177096.12	201837.74
Yarn (Includes POY & Processed yarn)	174983.87	141716.85
Fabrics	18929.77	18852.41
Art and Artifacts	962.56	0.00
P.T.A.	119.76	782.22
M.E.G.	174.86	915.26
Spin Fin Oil	113.76	86.79
Others	3974.08	2513.37
	376354.78	366704.64
Note 22 : Other Income		
Net gain on sales of current Investment	646.74	403.53
Net surplus on disposal of Fixed Assets	703.65	0.00
Gain on Cancellation of forward exchange contract	322.23	0.00
Interest Income	201.68	113.82
Rent Income	85.71	85.71
Credit Balances Written off	144.44	27.59
Bad Debts Recovery	0.00	19.00
Dividend Income	1.33	2.97
Miscellaneous Income	17.08	38.31
Total	2122.86	690.93

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	2011-12		2010-11	
	(₹ in Lacs)			
Note 23 : Cost of Materials Consumed				
Raw Materials				
Imported	23.42%	63841.35	21.22%	56011.44
Indigenous	76.58%	208804.63	78.78%	207997.09
	<u>100.00%</u>	<u>272645.98</u>	<u>100.00%</u>	<u>264008.53</u>
23.1 Particulars of materials consumed				
P.T.A.		188746.47		183441.19
M.E.G.		70231.50		61851.22
Polyester Chips		2120.81		5315.03
Yarn		8395.87		10259.08
Cloth		3151.33		3142.01
Total		<u>272645.98</u>		<u>264008.53</u>
(₹ in Lacs)				
	2011-12		2010-11	
Note 24 : Purchases of Stock-in-trade				
Fabrics		1550.88		1132.71
Yarn		908.19		233.79
Art and Artifacts		0.00		12.01
Total		<u>2459.07</u>		<u>1378.51</u>
(₹ in Lacs)				
	2011-12		2010-11	
Note 25 : Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade				
Opening Stock				
Work-in-Progress		27808.15		18481.66
Finished Goods and Stock-in-trade		689.66		685.51
		<u>28497.81</u>		<u>19167.17</u>
Closing Stock				
Work-in-Progress		24016.36		27808.15
Finished Goods and Stock-in-trade		615.72		689.66
		<u>24632.08</u>		<u>28497.81</u>
Add: Variation in Excise duty on opening and closing stock of finished goods		169.20		498.31
Total		<u><u>4034.93</u></u>		<u><u>(8832.33)</u></u>

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	(₹ in Lacs)	
	2011-12	2010-11
Note 26 : Employee Benefits Expense		
Salaries and Wages	7434.75	6416.05
Contribution to Provident and Other Funds	660.93	545.44
Gratuity	234.74	233.37
Staff Welfare Expenses	111.34	102.54
Total	8441.76	7297.40

26.1 In view of the inadequacy of profits during the year 2011-12, the remuneration paid to Managing / Wholetime Directors is subject to the approval of Central Government as required in accordance with the provisions of Schedule XIII of the Companies Act, 1956. The Company has already filed the necessary Application with the Central Government seeking their approval for payment of remuneration to Managing / Wholetime Directors for the year 2011-12.

26.2 Employee Benefits as per AS 15:

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

Gratuity :

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

Leave Encashment:

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

	(₹ in Lacs)			
	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2011-12	2010-11	2011-12	2010-11
A. Amounts recognised in Balance Sheet:				
i. Present Value of Defined Benefit Obligation				
- Wholly Funded	1797.21	1577.49	0.00	0.00
- Wholly Unfunded	26.33	(11.81)	485.96	558.24
Less: Fair Value of Plan Assets	1799.80	1305.97	0.00	0.00
Amount recognised in Balance Sheet as Liability or (Asset)	23.74	259.71	485.96	558.24
ii. Amount Reflected in Balance Sheet - Liability	23.74	259.71	485.96	558.24
B. Expenses recognised in statement of Profit and Loss:				
Current Service Cost	111.89	93.22	197.19	168.00
Interest Cost	127.00	101.54	46.06	37.46
Expected return on Plan assets	(139.07)	(117.10)	0.00	0.00
Actuarial (Gain)/Loss	134.92	155.71	169.86	55.00
Net Cost	234.74	233.37	413.11	260.46

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

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

(₹ in Lacs)

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2011-12	2010-11	2011-12	2010-11
Opening value of present value of defined benefit obligation	1539.34	1269.19	558.24	468.17
Add :Current Service Cost	111.89	93.22	197.19	168.00
Add: Interest Cost	127.00	101.54	46.06	37.46
Add: Contributions made	0.00	130.25	0.00	0.00
Add : Actuarial Losses / (Gains)	101.09	0.00	169.86	55.00
	1879.32	1594.20	971.35	728.63
Less : Benefits paid	82.11	54.86	485.39	170.39
Closing value of present value of defined benefit obligation	1797.21	1539.34	485.96	558.24

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

(₹ in Lacs)

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2011-12	2010-11	2011-12	2010-11
Discount Rate (p.a.)	8.50%	8.25%	8.50%	8.25%
Expected Rate of Return on Assets (p.a.)	8.50%	8.50%		
Mortality	1994-96 LIC	1994-96 LIC	1994-96 LIC	1994-96 LIC

(₹ in Lacs)

Note 27 : Finance Costs

	2011-12	2010-11
Interest Expenses	15073.68	11067.89
Other Financial Charges	2054.59	706.28
Foreign Exchange Loss/(Gain)	1147.54	(320.16)
	18275.81	11454.01
Less : Interest capitalized	2047.28	1488.80
Less : Interest & other financial income	833.10	957.91
Total	15395.43	9007.30

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	(₹ in Lacs)	
	2011-12	2010-11
Note 28 : Other Expenses		
Manufacturing expenses		
Consumption of Stores, Spares and Chemicals	11079.31	9363.48
Power and Fuel	24627.27	20373.45
Packing Charges	5756.96	5409.85
Conversion and Processing Charges	680.43	794.26
Repairs to Machinery	803.01	779.13
Repairs to Buildings	87.60	179.67
Repairs-others	195.92	85.19
Lease Rent	46.64	70.54
Selling and Distribution Expenses		
Commission and Discount	2153.92	3290.42
Freight, Octroi, Carting, Loading Unloading etc.	2308.77	2952.80
Advertisement	472.14	615.99
Other Selling and Distribution Expenses	402.43	364.72
Establishment Expenses		
General Charges	3797.18	2956.57
Insurance	255.50	184.35
Rent	199.29	172.11
Rates and Taxes	102.54	98.72
Auditors' Remuneration	15.93	15.50
Provision for diminution in value of investments	0.00	9.44
Debit Balances Written off	1.06	147.60
Loss on sale of Fixed Assets	0.00	268.80
Miscellaneous Expenditure written off	0.00	6.75
Total	52985.90	48139.34

28.1 Value of Stores, Chemicals and Component Consumed

	2011-12		2010-11	
	%	₹ in Lacs	%	₹ in Lacs
Imported	50.08	5548.14	48.40	4531.94
Indigenous	49.92	5531.17	51.60	4831.54
	100.00	11079.31	100.00	9363.48

28.2 Value of Imports on CIF basis in respect of

	(₹ in Lacs)	
	2011-12	2010-11
Raw Materials	59855.85	58339.36
Stores, Spare parts, Components & Chemicals	5019.87	4183.06
Capital goods	2398.97	6011.64

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	2011-12	2010-11
(₹ in Lacs)		
28.3 Payment to Auditors as :		
(a) Auditor:		
Statutory Audit Fees	12.40	12.15
Tax Audit Fees	1.80	2.15
(b) Certification Fees	0.40	0.00
(c) Cost Audit Fees	1.33	1.20
	2011-12	2010-11
		(₹ in Lacs)

28.4 Expenditure in Foreign Currency

Technical know-how and Consultancy Fees	0.00	54.16
Interest Expenses	999.68	652.07
Travelling Expenses	56.41	93.72
Overhauling & Maintenance Charges	95.65	108.44
Other Matters	164.58	105.66

28.5 Foreign Currency Exposure

The Company uses plain forward contracts for hedging purpose except for foreign currency Loans / ECB which are covered by full currency & 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:

Particulars	Foreign Currency Denomination	2011-12		2010-11	
		Foreign Currency Amount in Lacs	Indian Rupees Equivalent in Lacs	Foreign Currency Amount in Lacs	Indian Rupees Equivalent in Lacs
a. Hedge					
Debtors	USD	68.16	3290.72	37.49	1742.58
	EUR	10.05	650.57	0.00	0.00
Acceptances	USD	108.10	5745.59	67.19	3031.31
	EUR	1.30	85.86	0.00	0.00
	JPY	91.80	57.41	0.00	0.00
Loan Taken	USD	534.24	24655.51	352.31	15120.88
b. Unhedge					
Debtors	USD	0.00	0.00	0.00	0.00
Creditors	USD	1.15	58.53	0.26	11.71
	CHF	0.02	0.92	0.06	2.72
	GBP	0.00	0.00	0.02	1.54
Acceptances	USD	92.40	4700.84	109.13	4866.72
	JPY	774.80	480.08	1,093.41	588.50
	EUR	2.65	58.53	3.14	198.74
Loan Taken	USD	0.00	0.00	166.49	7424.49

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

	2011-12	(₹ in Lacs) 2010-11
Note 29 : Earnings per share (EPS)		
i) Net Profit/(Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lacs)	(7887.95)	8786.56
ii) Weighted Average number of equity share used as denominator for calculating EPS	38290560	38290560
iii) Basic and Diluted Earnings per share (₹)	(20.60)	22.95
iv) Face Value per equity share (₹)	10.00	10.00
	2011-12	(₹ in Lacs) 2010-11
Note 30 : Earnings in Foreign Exchange		
FOB Value of Exports	38516.04	31523.54

Note 31 : Related Party Disclosures

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

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

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

Notes to the Financial Statements for the year ended 31st March, 2012 (Contd.)

(ii) Transactions during the year with related parties:

(₹ in Lacs)

Nature of Transactions	Associate Company	Key management Personnel	Others	Total
Sales	3455.68 (6217.72)			3455.68 (6217.72)
Rent Income	90.00 (90.00)			90.00 (90.00)
Electric Power & Utility Charges	1893.21 (2102.30)			1893.21 (2102.30)
Secured Loan Interest Received	239.85 (362.50)			239.85 (362.50)
Purchases	9458.41 (22403.47)			9458.41 (22403.47)
Rent Paid	46.64 (70.54)			46.64 (70.54)
Business Center user expenses			104.94 (112.13)	104.94 (112.13)
Sale of Car	1.35 (0.00)			1.35 (0.00)
Purchase of Land & Building	2977.70 (0.00)			2977.70 (0.00)
Furniture Purchase			0.00 (27.22)	0.00 (27.22)
Remuneration		677.28 (1209.55)		677.28 (1209.55)
Professional Consultancy Fee			1.25 (1.40)	1.25 (1.40)
Interest expenses			18.48 (36.48)	18.48 (36.48)
Sale of Furnished Flat		1425.00 (0.00)		1425.00 (0.00)
Soft Loan Received back	2900.00 (0.00)			2900.00 (0.00)
Purchase of Land		547.51 (0.00)	255.18 (0.00)	802.69 (0.00)
Advance for Land			34.32 (0.00)	34.32 (0.00)
ICD Repaid			300.00 (0.42)	300.00 (0.42)
Deposit Received Back			0.00 (30.00)	0.00 (30.00)
Payments Under Current Account.	15060.28 (26984.69)			15060.28 (26984.69)
Receipt under Current Account	12672.02 (11139.01)			12672.02 (11139.01)

(ii) Transactions during the year with related parties:

Nature of Transactions	Associate Company	Key management Personnel	Others	Total
Balance at the beginning of the year				
Payables		959.06	0.48	959.54
ICD Received			304.02	304.02
Advance for Land		528.26	264.43	792.69
Current Account: Debit Balance	1471.31			1471.31
Balance at the end of the year				
Payables		523.90 (959.06)	0.09 (0.48)	523.99 (959.54)
Land Purchase Payable		19.25 (0.00)	10.75 (0.00)	30.00 (0.00)
Land Advance		0.00 (528.26)	54.32 (264.43)	54.32 (792.69)
ICD Received			4.02 (304.02)	4.02 (304.02)
Current Account: Debit Balance	34.61 (147.31)			34.61 (147.31)

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

Note 32 : Contingent Liabilities and Commitments**1 Contingent Liabilities**

- Disputed liabilities for Excise Duty not acknowledged as debts ₹ 11818.33 Lacs (Previous Year ₹ 11587.90 Lacs).
- Disputed liabilities for Gujarat Sales Tax not acknowledged as debts ₹ 70.51 Lacs (Previous Year ₹ 70.51 Lacs).
- Customs duty on Capital Goods and Raw Materials imported under Advance License /EPCG Scheme, against which export obligation is to be fulfilled is ₹ 3083.07 Lacs (Previous year ₹ 2443.25 Lacs).
- Counter-guarantees to Banks against guarantees issued to third parties ₹ 61.75 Lacs (Previous year ₹ 61.75 Lacs)
- Foreign bills Discounted with Banks ₹ 10250.56 (Previous Year ₹ Nil)

2 Commitments

Estimated amount of contracts pending on Capital Account and not provided for ₹ 2912.98 Lacs (Previous Year ₹ 6678.80 Lacs).

Note 33 :

The Company has not made any remittance 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.

Note 34 :

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

Note 35 :

The financial statements for the year ended 31st March, 2011 were prepared as per the then applicable, erstwhile Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared as per the Revised Schedule VI. This has significantly impacted the disclosure and presentation made in the financial statements. Accordingly, the previous year figures have also been reclassified to conform to current year's classification. The adoption of Revised Schedule VI for the previous year figures does not impact recognition and measurement principles followed in preparation of the financial statements.

Signature to Notes 1 to 35

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Chartered Accountants
Firm Registration No. 123626W

R. N. VEPARI

Partner
Membership No.6728
Surat, 8th August, 2012

For and on behalf of the Board

PRAFUL A. SHAH

ALOK P. SHAH

SUNIL SHETH

KAMLESH B. VYAS

Chairman & Managing Director

Joint Managing Director

Director

Company Secretary

Surat, 8th August, 2012

GARDEN SILK MILLS LIMITED

Registered Office Garden Mills Complex, Sahara Gale, Sural 395010
Phone (0261)231151312311197-9812311615 Fax 0261-23110291502

Date: 8th August, 2012

Sub.: Green Initiative

Dear Shareholder,

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

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

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

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

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

Soliciting your co-operation and continued patronage.

Thanking you,

For Garden Silk Mills Limited

Sd/-

Kamlesh B. Vyas

Company Secretary

Registration of Email id with the Company

The Company Secretary,
Garden Silk Mills Limited,
Garden Mills Complex, Sahara Gate,
Surat 395010.

Dear Sir,

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

E-mail id: _____

Folio No./DP ID and Client ID:

Name of Registered Holder:

Signature(s) of the Shareholder:

GARDEN SILK MILLS LIMITED

Regd. Office : Sahara Gate, Surat 395 010.

Annual General Meeting — 26th September, 2012 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 **33RD ANNUAL GENERAL MEETING** of the Company.
 to be held on Wednesday, the 26th September, 2012 at 11:00 a.m. and at any adjournment thereof.

Signature

Affix ₹ 0.15 Revenue Stamp

Signed this day of September, 2012.

* 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 — 26th September, 2012 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 **33RD ANNUAL GENERAL MEETING** of the Company at Garden Mills Complex, Sahara Gate, Surat 395010 at 11:00 a.m. on Wednesday, the 26th day of September, 2012.

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