

**27TH ANNUAL REPORT
2010-11**

G C I L

Gujarat Craft Industries Limited

GUJARAT CRAFT INDUSTRIES LIMITED**27TH ANNUAL REPORT 2010-11**

| | | |
|--|--|--|
| BOARD OF DIRECTORS | : Shri Ashok Chhajer Shri Binod Chhajer Shri Kashyap R. Mehta Shri Alpesh R. Tripathi | Chairman & Managing Director Director Director Director |
| AUDITORS | : M/s. Kantilal Patel & Co., (a member firm of Polaris International, USA) Chartered Accountants Ahmedabad. | |
| BANKERS | : State Bank of India | |
| REGISTERED OFFICE & WORKS | : Plot No.431, Santej-Vadsar Road, Village : Santej, Taluka : Kalol - 382 721. Dist. : Gandhinagar | |
| OFFICE | : 35, Omkar House, Near Swastik Cross Roads, C. G. Road, Navrangpura, Ahmedabad - 380 009. | |
| REGISTRAR AND SHARE TRANSFER AGENTS | : M/s. Link Intime (India) Private Limited 211, Sudarshan Complex, Nr. Mithakhali Under Bridge, Navrangpura, Ahmedabad – 380 009. ahmedabad@linkintime.co.in | |

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Dear Members,

As you know, the Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies through electronic mode, vide its Circular Nos. 17/2011 & 18/2011 dated 21st April, 2011 and 29th April, 2011, respectively.

Your Company proposes to deliver electronically various communication/documents such as Notice of General Meeting, Annual Reports, Postal Ballot documents and such other necessary communication/ documents from time to time to the Members, who have provided their email address to their Depository Participant (DP). Members holding shares in physical form and who are desirous of receiving the communication/documents in electronic form, are required to inform their email address to the Registrar and Transfer Agent of the Company.

Email addresses as registered in your respective DP accounts in the records of the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) which will be periodically downloaded, will be deemed to be your registered email address for serving the necessary communication/documents. Thus, the necessary communication would be sent in electronic form to the registered email address. Members, who wish to inform any updations/changes of their email address, are requested to promptly update the same with their DP/the Registrar and Transfer Agent of the Company, as the case may be, from time to time.

As a member of the Company, you will be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of the requisition from you.

We request you to support this initiative and opt for the electronic mode of communication by submitting your email address to your DP or to the Company, as the case may be, in the interest of the environment.



Save Environment Save U'r self

GO GREEN !

NOTICE

NOTICE is hereby given that the **TWENTYSEVENTH ANNUAL GENERAL MEETING** of the Members of **GUJARAT CRAFT INDUSTRIES LIMITED** will be held as scheduled below:

Date : 24th September, 2011
Day : Saturday
Time : 12.00 Noon
Place : At the Registered Office of the Company at:
Plot No.431, Santej-Vadsar Road,
Village : Santej, Taluka : Kalol-382 721 Dist : Gandhinagar

to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March, 2011 and the Balance Sheet as on that date along with the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Shri Kashyap R. Mehta, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage or charge by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situated, present and future, and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of The State Bank of India (the Bank) to secure Term Loan of Rs. 1267 Lacs (Total of all advance limits) lent and advanced/agreed to be lent/advanced to the Company by the Bank together with interest thereon at the agreed rate, compound interest, additional interest, liquidated damages, costs, charges, expenses and other monies payable by the Company to the Bank under the Loan Agreements entered into/to be entered into by the Company in respect of the said Term Loan."

"RESOLVED FURTHER THAT the Board of Director of the Company be and is hereby authorised to finalise with the Bank the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

Registered Office:

Plot No. 431, Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382 721.
Dist:Gandhinagar.
Date : 30th May, 2011.

By Order of the Board,

Ashok Chhajer
Chairman & Managing Director

NOTES:

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at Item No. 4 set out in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF.A PROXY NEED NOT BE A MEMBER. THE INSTRUMENTS APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. Pursuant to Section 154 of the Companies Act, 1956, Register of Members and Share Transfer Book of the Company will remain closed from Monday, the 19th September, 2011 to Saturday, the 24th September, 2011 (both days inclusive).
4. Members intending to require information about accounts at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting.
5. Members are requested to:
 - a) Intimate, if shares are held in the same name or in the same order and names, but in more than one account to enable the company to club the said accounts into one account.
 - b) Notify immediately the change in their registered address, if any, to the Company.
6. The Equity Shares of the Company are now available for dematerialisation, as the Company has entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Those shareholders who wish to hold shares in electronic form may approach their Depository Participant. The ISIN No. of the Equity Shares is INE372D01019.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, following Explanatory Statement sets out all material facts relating to the Special Business mentioned at Item No. 4 of the accompanying notice dated 30th May, 2011 and should be taken as forming part of the notice.

In respect of Item No. 4 :

State Bank of India (the Bank) has renewed/enhanced Term Loan and Working Capital facilities of Rs. 1267 Lacs. The facilities are to be secured by hypothecation / pledge of entire goods, movables and other assets and further secured by deposit of title deeds of the existing immovable properties of the Company with intent to create a security in favour of the Bank.

Section 293(1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of such public in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the Bank may be regarded as, disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copy of Loan Agreement, Deed of Hypothecation, correspondence of the Company with the Bank and copies of the relevant documents/correspondence between the Bank and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors is in any way concerned or interested in the aforesaid resolution.

Your Directors recommend the Resolutions.

Registered Office:

Plot No. 431, Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382 721.
Dist:Gandhinagar.
Date : 30th May, 2011.

By Order of the Board,

Ashok Chhajer
Chairman & Managing Director

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the TWENTYSEVENTH Annual Report together with the Audited statement of accounts for the Financial Year 2010-11 ended on 31st March, 2011.

1. FINANCIAL RESULTS:

| | (Rs. in lacs) | |
|---|----------------|----------------|
| | <u>2010-11</u> | <u>2009-10</u> |
| Operating Profit (Before Interest & Depreciation) | 312.44 | 201.51 |
| Less : Financial Expenses | 148.00 | 109.53 |
| Profit before Depreciation | 164.44 | 91.98 |
| Less : Depreciation | 69.90 | 51.77 |
| Profit before tax | 94.54 | 40.21 |
| Less : Provision for current Tax | - | 8.71 |
| Deferred Tax Liability | 31.45 | 1.38 |
| Income Tax of Earlier Years | - | 0.02 |
| Profit after tax | 63.09 | 30.10 |
| Add: Balance Brought Forward from Previous year | 224.75 | 194.65 |
| Balance carried to Balance Sheet | <u>287.84</u> | <u>224.75</u> |

2. DIVIDEND:

With a view to conserve the resources for the working capital requirement of the Company, the Board of Directors have not recommended dividend for the year under review.

3. REVIEW OF OPERATIONS:

The Production of PP/HDPE-Fabrics/Sacks/ Tarpaulin was 3,799 M. T. during the year under review against 2,825 M. T. during 2009-10. The Gross Sales during the year under review was Rs. 4111 lacs compared to Rs. 2816 lacs during 2009-10.

The Operating Profit (Before Interest and Depreciation) was Rs. 312.44 lacs during the year under review compared to Rs. 201.51 lacs during 2009-10 showing an increase of 55%. The Profit before Tax for the year under review was Rs. 94.54 lacs against Rs. 40.21 lacs during 2009-10. The Net Profit of the Company stood at Rs. 63.09 lacs compared to Rs. 30.10 lacs for the year 2009-10 showing an increase of 110%.

The Company was able to export material worth Rs. 797.59 lacs during the year under review compared to Rs. 530.30 lacs during 2009-10. The management is of the firm opinion that during the current year, the export market will improve and in turn, the exports of the Company will increase to a greater extent.

The installed capacity of PP/HDPE-Fabrics/Sacks/Tarpaulin was increased from 3000 M. T. per annum to 4500 M. T. per annum.

4. RECOGNITION AS EXPORT HOUSE:

The Director General of Foreign Trade, on the basis of Export performance of the Company, has accorded / recognised the Company as Export House.

5. FINANCE:

The Company is enjoying Financial Assistance in the form of term loans and working capital facilities of Rs. 1267 lacs from State Bank of India, Ahmedabad.

6. DIRECTORS:

One of your Directors viz. Shri Kashyap R. Mehta, retires by rotation in terms of Articles 153 and 154 of the Articles of Association of the Company. He, however, being eligible offers himself for reappointment.

7. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at 31st March, 2011 being end of the Financial Year 2010-11 and of the profit of the Company for the year;
- (iii) that the Directors have taken proper and sufficient care for 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;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

8. DEMATERIALISATION OF EQUITY SHARES:

The Company has entered into agreements with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Shareholders have an option to dematerialise their shares with either of the depositories. The ISIN No. allotted to the Equity Shares of the Company is INE372D01019.

9. LISTING:

The Equity Shares of the Company are listed on Ahmedabad, Mumbai and Chennai Stock Exchanges and the Company is generally regular in payment of Annual Listing Fees to all these Stock Exchanges.

10. CORPORATE GOVERNANCE:

The Report on Corporate Governance as per Clause 49 of the Listing Agreement is annexed.

11. GENERAL:**11.1 INSURANCE:**

The Company's properties including Building, Plants and Machineries, Stock, Stores etc. continued to be adequately insured against risks such as fire, riots, strikes etc.

11.2 AUDITORS:

The present Auditors of the Company M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad will retire at the ensuing Annual General meeting. They have submitted their eligibility for reappointment under section 224(1-B) of the Companies Act, 1956. The Members are advised to appoint Auditors at the ensuing Annual General Meeting.

The remarks of Auditors in paragraph 4 (vi) of their Report relating to non provision of doubtful debts is explained in note 2(I) of Schedule 18 to the accounts.

11.3 PARTICULARS OF EMPLOYEES:

There is no employee drawing remuneration, which requires disclosures under the Companies (Particulars of Employees) Rules, 1975.

11.4 DEPOSITS:

The Company has not accepted any Deposits from general public or from Shareholders during the year under review.

12. PERSONNEL:

Industrial relations continued to remain cordial and peaceful during the year under review.

13. COMPLIANCE CERTIFICATE UNDER THE COMPANIES ACT, 1956:

Your Company has obtained Compliance Certificate as required under the Proviso to Section 383A of the Companies Act, 1956 from M/s. Mehta Hurkat & Associates, Company Secretaries, Ahmedabad which is attached to the Directors' Report.

14. PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988, IS AS PER ANNEXURE -I ANNEXED HEREWITH.

15. ACKNOWLEDGMENT:

Your Directors express their sincere gratitude for the assistance and co-operation extended by Financial Institutions, Banks, Government Authorities, Shareholders, Suppliers and Customers.

Your Directors also wish to place on record their appreciation of the contribution made by the employees at their levels towards achievements of the Company's goals.

for and on behalf of the Board,

Place : Ahmedabad.

Date : 30th May, 2011.

Ashok Chhajer

Chairman & Managing Director

ANNEXURE - I

A. CONSERVATION OF ENERGY :

- a) Energy consumption measures taken, Additional Proposals and its impact.
The Company has installed Power factor panels so as to reduce overall power consumption.
- b) Total Energy consumption and Energy Consumption per unit of production as per Form A prescribed in the Rules is as under:

Disclosure of particulars with respect to Conservation of Energy:

A. Power and fuel Consumption

| | Current Year 2010-11 | Previous Year 2009-10 |
|---|---------------------------------|----------------------------------|
| 1. Electricity | | |
| a) Purchased | | |
| Unit | 3396686 | 2635140 |
| Total amount (Rs. in Lacs) | 191.93 | 147.56 |
| Rate/Unit Rs. | 5.65 | 5.60 |
| b) Own generation | | |
| Through Diesel Generator | | |
| Unit | Nil | Nil |
| Total Amount (Rs. in Lacs) | Nil | Nil |
| Rate/Unit Rs. | Nil | Nil |
| c) Own generation | | |
| Through Gas | | |
| Unit | Nil | Nil |
| Total Amount (Rs. in Lacs) | Nil | Nil |
| Rate/Unit Rs. | Nil | Nil |
| 2. Coal | N.A. | N.A. |
| 3. Furnace Oil | N.A. | N.A. |
| 4. LSHS (Rs. in Lacs) | Nil | Nil |
| B. Consumption per Unit of Production of HDPE / PP / Fabrics/Sacks (K.G.) | 1.118 | 1.072 |

B. TECHNOLOGY ABSORPTION :

- a) The Company has not carried any Research & Development activities during the year under Report.
- b) Activities relating to Exports, initiatives taken.
The Company exported material worth Rs. 797.59 Lacs during the year under review. The visits of Directors/ officers to the prospective customers in the foreign countries are being planned to have face-to-face discussions and quick decision relating to exports.
- c) Total Foreign Exchange earned and used.
The Company has earned Foreign Exchange of Rs. 797.59 Lacs during the year under review by way of export and has spent Rs.389.09 lacs for purchase of raw materials and Rs.0.46 lacs for foreign travelling.

for and on behalf of the Board,

Place : Ahmedabad.

Date : 30th May, 2011.

Ashok Chhajer

Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION:

Corporate Governance is important to build confidence and trust which leads to strong and stable partnership with the Investors and all other Stakeholders. The detailed Report on implementation of Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange/s is set out below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and ability. The Company has implemented the mandatory requirements of the 'Code of Governance' as mentioned in Clause 49 of the Listing Agreement. The Compliance Report of the Company vis-a-vis the Stock Exchange Listing Agreement is presented below.

2. BOARD OF DIRECTORS:

a) Composition and Category of Directors:

| Name of Directors | Category of Directorship | No. of other Directorships * | Committee (1) Membership/ (2) Chairmanship in other companies | No. of Board Meetings attended | Attendance at the AGM. held on 25-09-2010 Yes(Y)/No(N) |
|--|-------------------------------|------------------------------|---|--------------------------------|--|
| Ashok Chhajer Chairman & Managing Director | Promoter- Executive | 4 | Member:1 | 4 | Y |
| Binod Chhajer | Promoter- Non- Executive | 1 | — | 4 | Y |
| Kashyap R. Mehta | Independent Non- executive | 3 | Chairman:4 Member:1 | 4 | Y |
| Alpesh R. Tripathi | Independent Non- executive | — | — | 4 | N |

* Private companies excluded.

b) Details of the Directors seeking Appointment/Reappointment in forthcoming Annual General Meeting:

| | |
|--|--|
| Name of Director | Kashyap R. Mehta |
| Date of Birth | 07-03-1960 |
| Date of Appointment | 23-09-1999 |
| Expertise in specific functional areas | Corporate Laws & Finance |
| List of Public Limited Companies in which Directorships held | 1. Prism Finance Ltd. 2. Typhoon Financial Services Ltd. 3. Som Shiva Impex Ltd. |
| Chairman/Member of the Committees of the Board of Directors of the Company | Audit Committee, Remuneration Committee and Shareholders Grievance Committee |
| Chairman/Member of the Committees of Directors of other companies. | 1. Prism Finance Ltd. 2. Typhoon Financial Services Ltd. |

c) Board Procedures:

The Board of Directors meets once a quarter to review the performance and Financial Results. A detailed Agenda File is sent to all the Directors well in time of the Board Meetings. The Chairman/ Managing Director briefs the Directors at every Board Meeting, overall performance of the Company. All major decisions/approvals are taken at the Meeting of the Board of Directors such as policy formation, business plans, budgets, investment opportunities, Statutory Compliance etc. The meeting of the Board of Directors were held on 29-05-2010, 13-08-2010, 13-11-2010 and 14-02-2011.

3. AUDIT COMMITTEE:

The Audit Committee consists of the following Directors:

| Name of the Directors | Expertise | Functions of the Committee | Attendance |
|-----------------------|---|--|---|
| Alpesh R. Tripathi | All members are Non-executive. Chairman is independent Director and majority are independent. One member has thorough financial and accounting knowledge. | The functions of the Audit Committee are as per Company Law and Listing Agreement with Stock Exchange(s), which include approving and implementing the audit procedures, review of financial reporting system, internal control procedures and risk management policies. | All the members were present at the meeting held on: 29-05-2010, 13-08-2010, 13-11-2010 & 14-02-2011. |
| Binod Chhajer | | | |
| Kashyap R. Mehta | | | |
| | | | |

4. REMUNERATION COMMITTEE:

The Board Committee is vested with the responsibilities to function as per SEBI Guidelines and recommends to the Board Compensation Package for the Managing Director. It also reviews from time to time the overall Compensation structure and related policies with a view to attract, motivate and retain employees.

The Committee comprises the following Directors as members:

1. Alpesh R. Tripathi, Chairman - Non-executive Independent
2. Binod Chhajer, Member - Non-executive
3. Kashyap R. Mehta, Member - Non-executive Independent

All the members attended the meetings held on 13-08-2010 and 14-02-2011.

Details of remuneration paid:

1. The Company paid Managerial Remuneration of Rs. 2.74 lacs to Managing Director during the year 2010-11.
2. No Sitting Fees, Commission or Stock Option has been offered to the Directors.

5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE:

The Board has constituted a Shareholders/Investors' Grievances Committee for the purpose of effective redressal of the complaints of the shareholders such as Dematerialisation, Share Transfer, Non-receipt of Balance Sheet, Dividend Warrants etc.

Shri Binod Chhajer, Director and Shri Kashyap R. Mehta, Director are the Members of the Committee.

The Company has not received any complaints during the year. There was no valid request for transfer of shares pending as on 31st March, 2011.

Shri Ashok Chhajer, Managing Director is the Compliance Officer for the above purpose.

6. GENERAL BODY MEETINGS:

Details of last three Annual General Meetings of the Company are given below:

| Financial Year | Date | Time | Venue |
|----------------|------------|-------------|---|
| 2007-2008 | 30-09-2008 | 12.00 Noon. | Plot No.431, Santej-Vadsar Road, Village: Santej, Taluka : Kalol-382 721, Dist : Gandhinagar. |
| 2008-2009 | 29-09-2009 | 12.00 Noon. | |
| 2009-2010 | 25-09-2010 | 12.00 Noon. | |

Pursuant to the provisions of Section 192 A of the Companies Act, 1956, there was no matter required to be dealt by the Company to be passed through postal ballot.

7. DISCLOSURES:

- a) The Company has not entered into any transaction of material nature with the Promoters, the Directors or the Management that may have any potential conflict with the interest of the Company. The Company has no subsidiary.
- b) There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchange/s or SEBI or any other authorities, on any matters related to Capital Market during the last three years.

8. MEANS OF COMMUNICATIONS:

- a) In compliance with the requirements of the Listing Agreement, the Company regularly intimates Unaudited/ Audited Financial Results to the Stock Exchange/s immediately after they are taken on record by the Board of Directors. These Financial Results are normally published in 'Western Times' (English and Gujarati). Results are not displayed on Website and are not sent individually to the Shareholders.
- b) During the year ended on 31st March, 2011 no presentations were made to Institutional Investors or analyst or any other enterprise.
- c) Management Discussion and Analysis form part of the Annual Report.

9. SHAREHOLDERS' INFORMATION:

- a) Registered Office : Plot No.431, Santej-Vadsar Road,
Village: Santej,
Taluka : Kalol-382 721,
Dist : Gandhinagar.
- b) Annual General Meeting : Day : Saturday
Date : 24th September, 2011
Time : 12.00 Noon.
Venue: Plot No. 431,
Santej - Vadsar Road,
Village: Santej,
Taluka : Kalol - 382 721,
Dist : Gandhinagar.
- c) Financial Calendar :
1st Quarter Results : 1st / 2nd week - August, 2011.
Half-yearly Results : 1st / 2nd week - November, 2011.
3rd Quarter Results : 1st / 2nd week - February, 2012.
Audited yearly Results : End - May, 2012.
- d) Book Closure Dates : From : Monday,
the 19th September, 2011
To : Saturday,
the 24th September, 2011.
(Both days inclusive).
- e) Dividend Payment Date : The Company has not declared Dividend
- f) Listing of Shares on : 1. Ahmedabad Stock Exchange Limited,
Stock Exchanges : Kamdhenu Complex, 1st Floor,
Opp. Sahajanand College, Panjara Pole,
Ambawadi, Ahmedabad - 380 015.
2. Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai - 400 001.
3. Chennai Stock Exchange Limited,
'Exchange Building'
Post Box No.183
11, Second Line Beach,
Chennai-600 001.

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| | | | |
|------------------------|---|-----------------------|-------------|
| g) Stock Exchange Code | : | <u>Stock Exchange</u> | <u>Code</u> |
| | | ASE | 20214 |
| | | BSE | 526965 |
| | | CSE | — |

h) Registrar and Share Transfer Agents. :

In terms of SEBI Circular No. D&CC/FITTC/CIR-15/2003 dated 27th December, 2002 read with Circular No. D&CC/FITTC/CIR-18/2003 dated 12th February, 2003, on appointment of common agency for share registry work, the Company has appointed the below mentioned agency as Registrars and Share Transfer Agents (RTA) for both Physical and Demat Segment of Equity Shares of the Company:

M/s. Link Intime (India) Private Limited,
211, Sudarshan Complex, Nr. Mithakhali Under Bridge, Navrangpura, Ahmedabad – 380 009.

Tele. No. :(079) 2646 5179 Fax No. :(079) 2646 5179
e-mail Address:ahmedabad@linkintime.co.in

i) ISIN : INE372D01019

j) Share Transfer System :

The transfer of shares in physical form is processed and completed by M/s. Link Intime (India) Private Limited. within a period of 25 days from the date of receipt thereof.

k) Stock Price Data : The shares of the Company were traded on The Stock Exchange - Mumbai.

The information on stock price data are as under:

| Month | BSE | | |
|-----------------|------------|-----------|---------------------|
| | High (Rs.) | Low (Rs.) | Shares Traded (No.) |
| April, 2010 | 10.24 | 6.85 | 12,608 |
| May, 2010 | 10.49 | 8.55 | 3,094 |
| June, 2010 | 10.35 | 8.15 | 6,558 |
| July, 2010 | 9.20 | 6.03 | 4,815 |
| August, 2010 | 9.30 | 7.31 | 12,772 |
| September, 2010 | 9.40 | 7.74 | 14,000 |
| October, 2010 | 10.84 | 7.85 | 16,901 |
| November, 2010 | 8.88 | 6.85 | 11,280 |
| December, 2010 | 6.94 | 6.28 | 4,699 |
| January, 2011 | 10.23 | 6.35 | 8,250 |
| February, 2011 | 9.48 | 6.98 | 5,332 |
| March, 2011 | 9.53 | 6.58 | 4,279 |

l) Distribution of Shareholding as on 31st March, 2011:

| No. of Equity Shares held | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|---------------------------|---------------------|-------------------|--------------------|-------------------|
| Up to 500 | 5028 | 95.23 | 661852 | 21.25 |
| 501 to 1000 | 124 | 2.35 | 100818 | 3.24 |
| 1001 to 2000 | 66 | 1.25 | 95803 | 3.08 |
| 2001 to 3000 | 25 | 0.47 | 63190 | 2.03 |
| 3001 to 4000 | 10 | 0.19 | 36491 | 1.17 |
| 4001 to 5000 | 4 | 0.08 | 18271 | 0.59 |
| 5001 to 10000 | 9 | 0.17 | 68459 | 2.20 |
| 10001 to Above | 14 | 0.26 | 2068416 | 66.44 |
| Grand Total | 5280 | 100.00 | 3113300 | 100.00 |

m) Category of Shareholders as on 31st March, 2011:

| Category | No. of Shares held | % of Shareholding |
|------------------------------|--------------------|-------------------|
| Promoters | 18,31,400 | 58.83 |
| Financial Institutions/Banks | — | — |
| Clearing Members | 23,330 | 0.07 |
| Bodies Corporate | 67,270 | 0.22 |
| NRIs | 16,000 | 0.05 |
| Publics | 1,27,12,400 | 40.83 |
| Grand Total | 31,13,300 | 100.00 |

n) Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity: The Company has not issued any GDRs/ ADRs.

o) Dematerialisation of : The Company has entered into Shares Agreement with NSDL / CDSL for Dematerialisation of Shares.
As on 31st March, 2011, a total of 23,04,600 Shares of the Company which form 74.02% of the Share Capital of Company stands dematerialised.

10. PLANT LOCATIONS:

The Company's Plant is situated at:
Plot No. 431, Santej - Vadsar Road, Village: Santej,
Taluka : Kalol - 382 721, Dist : Gandhinagar.

11. ADDRESS FOR CORRESPONDENCE:

For both Physical and Electronic Form:
M/s. Link Intime (India) Private Limited.
211, Sudarshan Complex, Nr. Mithakhali Under Bridge,
Navrangpura, Ahmedabad – 380 009.

Tele. No. :(079) 2646 5179
Fax No. :(079) 2646 5179
e-mail Address:ahmedabad@linkintime.co.in

For any assistance regarding correspondence dematerialisation of shares, share transfers, transactions, change of address, non-receipt of dividend or any other query, relating to shares:

Registered Office : Plot No. 431,
Santej - Vadsar Road, Village: Santej,
Taluka : Kalol - 382 721, Dist : Gandhinagar.

Telephone Nos.:(02764) 28 66 73, (02764) 28 61 21
Fax No. :(02764) 28 66 74

Compliance Officer : Shri Ashok Chhajer, Managing Director

for and on behalf of the Board,

Place : Ahmedabad.
Date : 30th May, 2011.

Ashok Chhajer
Chairman & Managing Director

CERTIFICATE

To
The Members of
Gujarat Craft Industries Limited,

We have examined the compliance of conditions of Corporate Governance by M/s. Gujarat Craft Industries Limited, for the year ended on 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India. We have conducted over review on the basis of relevant records and documents maintained by the Company for the year ended 31st March, 2011 and furnished to us for the purpose of the review and the information and explanation given to us by the Company during the course of review.

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

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 materials respects with the conditions of Corporate Governance as stipulated in the above-mentioned listing agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances is pending for period exceeding one month against the Company as per the records maintained by the Company.

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

For Mehta Hurkat & Associates,
Company Secretaries

Place : Ahmedabad
Date : 30th May, 2011

Manoj R. Hurkat
Partner
COP 2574

MANAGEMENT DISCUSSION AND ANALYSIS**a. Industry Structure and Developments:**

The industry is dependent on performance of core sectors like agriculture, fertilizer, cement and exports. The policy changes in infrastructure and good monsoon during the year will lead towards the brighter future of the Company.

b. Opportunities and Threats:

The HDPE/PP Woven Sacks/Bags industry as a whole will be benefited by 40 % relaxation of Jute Mandatory and Packaging Order which will be enable Food Corporation of India and other agencies to pack 40 % of food grains in HDPE/PP Bags. In view of prediction of good monsoon, the demand for packing fertilizer will increase to a large extent. HDPE/PP Bags sector is the biggest sector in India for packaging. The Company has successfully initiated its efforts for increasing exports and has set a target of exporting 50 % of its production.

c. Segmentwise Performance:

The Company is operating only in one segment. The production/ turnover/performance of the Company have been disclosed in the Directors' Report under the Head 'Production, Sales and Working Results'.

d. Recent Trend and Future Outlook:

The recent trend is quite favourable for the industry in view of good monsoon as the Company has sizable presence in fertilizer sector. The opening up of food grains sector will enable the Woven Sacks industry to see better times again.

e. Risks and Concerns:

The industry is plagued by intense competition due to major petrochemical manufacturers making available cheap raw material abundantly.

f. Internal Control Systems and their Adequacy:

The Company has adequate systems of Internal Controls commensurate with its size and operations to ensure orderly and efficient conduct of business. These controls ensure safeguarding of assets, reduction and detection of fraud and error, adequacy and completeness of the accounting records and timely preparation of reliable financial information.

g. Financial Performance with respect to Operational Performance:

The financial performance of the Company for the year 2010-11 is described in the Directors' Report under the head 'Review of Operations'.

h. Material Developments in Human Resources and Industrial Relations Front:

The Company has continued to give special attention to Human Resources/Industrial Relations development. Industrial relations remained cordial throughout the year and there was no incidence of strike, lock-out etc.

i. Cautionary Statement:

Statement in this Management Discussion and Analysis Report, describing the Company's objectives, estimates and expectations may constitute 'Forward Looking Statements' within the meaning of applicable laws or regulations. Actual results might differ materially from those either expressed or implied.

for and on behalf of the Board,

Place : Ahmedabad.
Date : 30th May, 2011

Ashok Chhajer
Chairman & Managing Director

**FORM [SEE RULE 3]
Compliance Certificate**

To,
The Members,
Gujarat Craft Industries Limited,
Plot No. 431, Santej – Vadsar Road,
Village: Santej, Taluka: Kalol – 382 721.
Dist.: Gandhinagar

We have examined the registers, records, books and papers of Gujarat Craft Industries Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this Certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company is Public Limited Company with its equity shares listed on Ahmedabad Stock Exchange Limited, Bombay Stock Exchange Limited & Chennai Stock Exchange Limited.
4. The Board of Directors duly met four times on 29th May, 2010, 13th August, 2010, 13th November, 2010 and 14th February, 2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed. The Company has not passed any circular resolution during the year.
5. The Company closed its Register of Members from Wednesday, the 8th September, 2010 to Saturday, 25th September, 2010 and necessary compliance of section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on 31st March, 2010 was held on 25th September, 2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. The Company has not held Extraordinary General Meeting of the Company during the financial year.
8. The Company has not advanced loan to its directors and/or persons or firms or Companies referred in the Section 295 of the Act.
9. The Company has not entered into any contract with related parties requiring approval of the Central Government within the provisions of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act during the year under review, the Company has not obtained any approvals from the Board of Directors, members or the Central Government as the case may be.
12. The Company has not issued duplicate share certificates during the financial year.
13. The Company has:
 - a. not delivered any Share Certificates as there were no allotment and delivered share certificates during stipulated time in connection with lodgement of transfer of Share during the financial year under review.
 - b. not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - c. not posted any warrants to any members of the company as no dividend was declared during the financial year.
 - d. not transferred the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures, and the interest accrued thereon which have remained unclaimed

or unpaid for a period of 7 (seven) years to Investor Education and Protection Fund as there were no such amounts.

e. duly complied with the requirements of Section 217 of the Act.

14. The Board of Directors of the Company is duly constituted and there was no appointment of directors, additional director or director to fill casual vacancy during the financial year.
15. The Company has not made any appointment/reappointment of Executive Director/Managing Director/ Whole time Director during the year.
16. The Company has not appointed any sole-selling agent during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any preference shares/debentures and hence there is no question of redemption of the same.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not accepted or invited any deposit including unsecured loans falling within the purview of Section 58A of the Companies Act, 1956 during the year and hence no comments are offered for the same.
24. The Company has not borrowed during the period under review any money from Directors, members or public, hence no comments are offered for the same. The Company has not invited any deposit during the year under review.
25. During the year the Company has not made any loans or made investment or given guarantee or provided securities to other body corporate.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's Registered Office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of Memorandum with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. There has not been any prosecution initiated against or show cause notices received by the Company for alleged offences under the Act and there was no fines and penalties or any other punishment imposed on the Company in such cases.
32. The Company has not received any amount as security from its employees during the year under certification and hence the question of deposit of the same as per provisions of Section 417(1) of the Act does not arise.
33. The company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

For MEHTA HURKAT & ASSOCIATES
COMPANY SECRETARIES

Place : Ahmedabad
Date : 30th May, 2011

MANOJ R. HURKAT
PARTNER
COP No. : 2574

Annexure - A

LIST OF REGISTERS AS MAINTAINED BY THE COMPANY:

1. Register of charges under section 143
2. Register of members under Section 150
3. Index of Members under section 151
4. Minutes book of General Meeting under section 193
5. Minutes book of Board meeting under section 193
6. Minutes books of Committee meetings under section 193
7. Books of Accounts under section 209
8. Register of contracts under section 301
9. Register of general notice of directors under section 301(3)
10. Register of Directors etc. under section 303
11. Register of Directors' shareholding under section 307
12. Register of Intercorporate Loans etc. under section 372A
13. Register of renewed and duplicate certificates under Rules 7 of the Companies (Issue of Share Certificates) Rules, 1960

Annexure – B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during/relating to the financial year ending on 31st March, 2011

A. REGISTRAR OF COMPANIES, GUJARAT:

| Sr. No. | Form No. | Under section | Purpose | Date of filing | Whether filed within time ? |
|---------|-----------------------------|---------------|--|----------------|-----------------------------|
| 1. | Balance Sheet (23AC+23ACA) | 220 | Balance Sheet as on 31 st March, 2010 with all annexure and attachments | 28-09-2010 | Yes |
| 2. | Compliance Certificate (66) | 383A | Compliance Certificate for the financial year ended 31 st March, 2010 | 28-09-2010 | Yes |
| 3. | Form 23 | 192 | Registration of Resolution with ROC in connection with resolution passed in general meeting held on 25 th September, 2010 | 28-09-2010 | Yes |
| 4. | Annual Return (20B) | 159 | Annual Return made up to 25 th September, 2010 | 20-10-2010 | Yes |

B. REGIONAL DIRECTOR, CENTRAL GOVERNMENT OR OTHER AUTHORITIES

| |
|-----|
| NIL |
|-----|

For MEHTA HURKAT & ASSOCIATES
COMPANY SECRETARIES

Place : Ahmedabad
Date : 30th May, 2011

MANOJ R. HURKAT
PARTNER
COP No. : 2574

AUDITORS' REPORT

To,
The Members of
Gujarat Craft Industries Limited,
Ahmedabad

1. We have audited the attached balance sheet of **Gujarat Craft Industries Limited** as at **March 31, 2011**, the profit & loss account and also 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 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 [Auditors' Report] Order, 2003 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 :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - (ii) 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 the books.
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet, profit & loss account and cash flow statement dealt with by this report comply with accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of the written representations received from directors, as on 31st March 2011, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, on the said date.
 - (vi) 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 subject to non-provision of doubtful debts of Rs.24.05 Lacs, (refer note 2(l) of schedule 18) and its consequential effects on profit and loss statement and reserves, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2011;
 - (b) in the case of the profit & loss account, of the 'Profit' of the company for the year ended on that date;
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **KANTILAL PATEL & Co.**
Chartered Accountants
Firm Registration No. 104744W

Place : Ahmedabad
Date : 30th May, 2011

[Gopal S. Baldi]
Partner
Membership No.: 125930

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR AUDITORS' REPORT TO THE MEMBERS OF GUJARAT CRAFT INDUSTRIES LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2011.

- (i) Fixed Assets register is under compilation. We are informed by the management that they have verified the fixed assets during the year. However, in absence of proper fixed assets register material discrepancies if any, could not be noticed between physical verification and book records. Hence, the fixed assets as appearing in books of account are carried in financial statements.

The company has not disposed off substantial part of fixed assets during the year.

- (ii) (a) As explained to us, the inventory have been physically verified during the year by the management. In respect of inventory lying with third parties, inventory has been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of inventory and the discrepancies noticed on such physical verification between physical stocks and book records were not material and have been adequately dealt with in the books of account.
- (iii) (a) The company has not granted loans to any company and hence paragraphs 4(iii) (a), (b), (c), and (d) of Company (Auditors' Report) Order, 2003 are not applicable to the company. The company has taken unsecured, interest free demand loans, from companies listed in the register maintained under section 301 of the Act. The number of companies from whom loans taken during the year is Nine. The maximum amount involved during the year was Rs. 495.64 lakhs and the year-end balance of loans taken from such companies is Rs. 472.86 lakhs.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans taken by the company, are prima facie not prejudicial to the interest of the company. The principal amount is paid by the company when demanded.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act during the year.
- (vi) According to the information and explanations given to us, the company has not accepted any deposits from the public falling within the purview of section 58A of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the company has an internal audit system commensurate with the size of the company and the nature of its business.
- (viii) To the best of our knowledge and as informed, the Central Government has not prescribed under section 209 [1][d] of the Companies Act, 1956, maintenance of cost records for the products manufactured by the company.
- (ix) (a) The company is generally regular in depositing undisputed provident fund, investor education & protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, wherever applicable, have been generally regularly deposited with the appropriate authorities, except Income Tax under the Income Tax Act 1961.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amount in respect of aforesaid statutory dues were outstanding for Income tax amounting to Rs. 7.81 Lakhs as at 31st March, 2011 for a period of more than six months from the date they become payable.
- (c) According to the information and explanations given to us, as at the balance sheet date there were no dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of dispute.
- (x) The company has no accumulated losses and has not incurred any cash losses during the current financial year or for immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks. The company has not obtained any borrowings from financial institutions or by way of debentures.
- (xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to information and explanation given to us, the company has not given guarantee for loans taken by others from banks or financial institutions.
- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans raised during the year were prima facie been used for the purpose for which they were raised.
- (xv) 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.
- (xvi) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xvii) The company has not issued any debentures during the year.
- (xviii) The company has not raised any money by way of public issue during the year.
- (xix) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.
- (xx) In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such that clause;
 - 4(xiii) provisions of any special statute applicable to chit fund,
 - 4(xiv) dealing or trading in shares, securities, debentures and other investments of Company (Auditors' Report) Order, 2003 are not applicable to the company.

For **KANTILAL PATEL & Co.**
Chartered Accountants
Firm Registration No. 104744W

Place : Ahmedabad
Date : May 30, 2011

[Gopal S. Baldi]
Partner
Membership No.: 125930

BALANCE SHEET AS AT 31ST MARCH, 2011

| Particulars | Sche- dule | (Rs. in '000) | As at 31-03-2011 (Rs. in '000) | As at 31-03-2010 (Rs. in '000) |
|--|---------------|---------------|--------------------------------------|--------------------------------------|
| SOURCES OF FUNDS: | | | | |
| 1) SHARE HOLDERS' FUNDS: | | | | |
| Share Capital | 1 | 31133 | | 31133 |
| Reserves & Surplus | 2 | 29214 | | 22905 |
| | | | 60347 | 54038 |
| 2) LOAN FUNDS : | | | | |
| Secured Loans | 3 | 90809 | | 65531 |
| Unsecured Loans | 4 | 53545 | | 51954 |
| | | | 144354 | 117485 |
| 3) DEFERRED TAX LIABILITY (NET) | | | 9926 | 6781 |
| TOTAL | | | 214627 | 178304 |
| APPLICATION OF FUNDS: | | | | |
| 1) FIXED ASSETS : | | | | |
| Gross Block | 6 | 159572 | | 111563 |
| Less: Depreciation | | 52111 | | 45121 |
| Net Block | | 107461 | | 66442 |
| Capital-Work-in-Progress (including Capital Advances) | | 4844 | | 9192 |
| | | | 112305 | 75634 |
| 2) INVESTMENTS | | | | |
| 3) CURRENT ASSETS, LOANS & ADVANCES : | | | | |
| Inventories | 7 | 75726 | | 80894 |
| Sundry Debtors | 8 | 65042 | | 43766 |
| Cash and Bank Balances | 9 | 2487 | | 1744 |
| Loans and Advances | 10 | 16453 | | 12534 |
| Interest Accrued on Bank Fixed Deposit | | 23 | | 43 |
| Sub Total (A) | | 159731 | | 138981 |
| 4) LESS:CURRENT LIABILITIES & PROVISIONS | | | | |
| Current Liabilities | 11 | 55361 | | 35200 |
| Provisions | 12 | 2048 | | 1111 |
| Sub Total (B) | | 57409 | | 36311 |
| Net Current Assets (A-B) | | | 102322 | 102670 |
| TOTAL | | | 214627 | 178304 |
| Significant Accounting Policies & Notes to the Financial Statements | 18 | | | |

This is the Balance Sheet referred to in
our report of even date

For Kantilal Patel & Co.
Chartered Accountants

Gopal S. Baldi
Partner

Place : Ahmedabad
Date : 30th May, 2011

For and on behalf of the Board

Ashok Chhajer Managing Director

Kashyap Mehta Director

Place : Ahmedabad
Date : 30th May, 2011



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| Particulars | Schedule | Current Year (Rs. in '000) | Previous Year (Rs. in '000) |
|---|----------|-------------------------------|--------------------------------|
| INCOME: | | | |
| Sales (Gross) | 13 | 411073 | 281614 |
| Less : Excise on Sales | | 21161 | 17056 |
| Net Turnover | | 389912 | 264558 |
| Other Income | 14 | 187 | 197 |
| TOTAL | | 390099 | 264755 |
| EXPENDITURE: | | | |
| Materials | 15 | 312135 | 205410 |
| Manufacturing & Other Expenses | 16 | 46720 | 39194 |
| Financial Expenses | 17 | 14800 | 10953 |
| Depreciation | 6 | 6990 | 5177 |
| TOTAL | | 380645 | 260734 |
| Profit Before Income Tax | | 9454 | 4021 |
| Provision For Taxation: | | | |
| Current Tax | | 1753 | 871 |
| Less : Mat Credit | | (1753) | - |
| Deferred Tax Charges / (Credit) | | 3145 | 138 |
| Income tax of earlier year | | - | 2 |
| Profit For The Year After Tax | | 6309 | 3010 |
| Last Year's Balance Brought Forward | | 22475 | 19465 |
| Balance Carried to Balance Sheet | | 28784 | 22475 |
| Basic & Diluted Earnings Per Share of RS. 10/- Each (Refer Note No. 2(f) of Schedule No. 18) | | 2.03 | 0.97 |
| Significant Accounting Policies & Notes to the Financial Statements | 18 | | |

This is the Profit & Loss Account referred
to in our report of even date

For Kantilal Patel & Co.
Chartered Accountants

Gopal S. Baldi
Partner

Place : Ahmedabad
Date : 30th May, 2011

For and on behalf of the Board

Ashok Chhajer Managing Director

Kashyap Mehta Director

Place : Ahmedabad
Date : 30th May, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

| | Year Ended 31-03-2011 (Rs. in '000) | Year Ended 31-03-2010 (Rs. in '000) |
|---|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax & Extra Ordinary Item . | 9454 | 4021 |
| Adjustment for : | | |
| - Depreciation | 6990 | 5177 |
| - Interest / dividend / others | (187) | (197) |
| - Loss on sale of Fixed Assets | - | 199 |
| - Financial Expenses | 14800 | 10953 |
| - Provision of Employee Benefit | 35 | 41 |
| | <u>21638</u> | <u>16173</u> |
| | 31092 | 20194 |
| Operating Profit before Working Capital Changes | | |
| Adjustment for : | | |
| - Trade & other Receivable | (19523) | (14287) |
| - Loans and Advances | (3919) | 2436 |
| - Inventories | 5168 | (6112) |
| - Trade payable | 20161 | 9131 |
| - Income Tax Paid | (851) | (510) |
| | <u>1036</u> | <u>(9342)</u> |
| NET CASH FROM OPERATING ACTIVITIES | 32128 | 10852 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of Fixed Assets | (43661) | (11810) |
| Sale of Fixed Assets | — | 706 |
| Interest / dividend / others | 207 | 154 |
| | <u>(43454)</u> | <u>(10950)</u> |
| C. CASH FLOW FROM FINANCIAL ACTIVITIES : | | |
| Proceeds from borrowings | 39988 | 19027 |
| Repayment of borrowings | (13443) | (8738) |
| Financial Expenses | (14476) | (11007) |
| Net Cash Generated/(Used) on financial Activities | 12069 | (718) |
| Net Increase / (Decrease) in Cash & Cash Equivalents (A + B - C) | <u>743</u> | <u>(816)</u> |
| Cash & Cash Equivalents as at 01.04.2010 | 1744 | 2560 |
| Cash & Cash Equivalents as at 31.03.2011 (refer schedule 9) | 2487 | 1744 |

Note:

- Cash Flow statement is prepared as per indirect method as stated in AS 3, issued by Institute of Chartered Accountants of India.

This is the Cash Flow Statement referred to in our report of even date.

For Kantilal Patel & Co.
Chartered Accountants

Gopal S. Baldi
Partner

For and on behalf of the Board

Ashok Chhajer Managing Director

Kashyap Mehta Director

Place : Ahmedabad
Date : 30th May, 2011

Place : Ahmedabad
Date : 30th May, 2011

SCHEDULES FORMING PART OF THE ACCOUNTS

| | As at 31-03-2011 (Rs. In '000) | As at 31-03-2010 (Rs. In '000) |
|--|--------------------------------------|--------------------------------------|
| SCHEDULE - 1 : SHARE CAPITAL | | |
| AUTHORISED : | | |
| 50,00,000 Equity Shares of Rs.10/- each (Previous Year 50,00,000 Equity Shares of Rs.10/- each) | <u>50000</u> | <u>50000</u> |
| ISSUED, SUBSCRIBED & PAID UP : | | |
| 31,13,300 Shares (previous year 31,13,300) of Rs.10/- each fully paid up. | <u>31133</u> | <u>31133</u> |
| | <u>31133</u> | <u>31133</u> |
| SCHEDULE - 2 : RESERVES & SURPLUS | | |
| GENERAL RESERVE : | | |
| Opening Balance | 430 | 430 |
| PROFIT & LOSS ACCOUNT | <u>28784</u> | <u>22475</u> |
| | <u>29214</u> | <u>22905</u> |
| SCHEDULE - 3 : SECURED LOANS | | |
| CASH CREDIT/PACKING CREDIT/S.L.C. FROM STATE BANK OF INDIA | 55191 | 50826 |
| Hypothecation of entire current assets of the company and hypothecation of existing Plant & Machineries, Electric installation, Building & Proposed machineries & Building. (Guaranteed by Managing Director) | | |
| W.C.D. LOAN FROM STATE BANK OF INDIA | - | 4500 |
| Hypothecation of entire current assets of the company and hypothecation of existing Plant & Machineries, Electric installation, Building & Proposed machineries & Building. ADD: Interest Accrued & Due | - | 40 |
| (Principal repayable within One year Rs. 4500) | <u>-</u> | <u>4540</u> |
| TERM LOAN FROM STATE BANK OF INDIA | 34423 | 8562 |
| Hypothecation of entire current assets of the company and hypothecation of existing Plant & Machineries, Electric installation, Building & Proposed machineries & Building. ADD: Interest Accrued & Due | 446 | 82 |
| (Principal repayable within One year Rs. 8794 P.Y. Rs. 8604) | <u>446</u> | <u>82</u> |
| | 34869 | 8644 |
| LOAN FROM FINANCE COMPANY | | |
| Against hypothecation of vehicle | <u>749</u> | <u>1521</u> |
| | <u>90809</u> | <u>65531</u> |

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| | As at 31-03-2011 (Rs. In '000) | As at 31-03-2010 (Rs. In '000) |
|---------------------------------------|---|---|
| SCHEDULE - 4 : UNSECURED LOANS | | |
| Corporate Loans | 53545 | 51954 |
| | 53545 | 51954 |

SCHEDULE - 5 : Deferred Tax Liability (Net)

| | | |
|--|--------------|------|
| Deferred Tax Liability | | |
| Difference between Book and Income Tax WDV | 10524 | 6905 |
| Deferred Tax Assets | | |
| Expenditure under section 43 B of Income Tax Act, 1961 | 134 | 124 |
| Unabsorbed Depreciation | 464 | - |
| Deferred Tax Liability (Net) | 9926 | 6781 |

SCHEDULE - 6 : FIXED ASSETS

(Rs. In '000)

| Description | GROSS BLOCK (At Cost) | | | | DEPRECIATION | | | | NET BLOCK | |
|----------------------------------|-----------------------|--------------|-------------|---------------------------|-------------------|-------------|-----------|---------------------------|------------------|-------------------|
| | As at 1-4-10 | Addition | Deduction | Total As at 31-3-11 | As at 01-04-10 | Addition | Deduction | Total As at 31-3-11 | As at 31-3-11 | As at 31-03-10 |
| Land (Free Hold) | 2285 | — | — | 2285 | — | — | — | — | 2285 | 2285 |
| Factory Building | 32604 | 8221 | — | 40825 | 6791 | 1228 | — | 8019 | 32806 | 25813 |
| Plant & Machinery | 67114 | 36735 | — | 103849 | 35370 | 4865 | — | 40235 | 63614 | 31744 |
| Electrical Equipments | 3677 | 2127 | — | 5804 | 1912 | 321 | — | 2233 | 3571 | 1765 |
| Office Equipments | 1188 | 906 | — | 2094 | 124 | 111 | — | 235 | 1859 | 1064 |
| Computers | 256 | 20 | — | 276 | 150 | 44 | — | 194 | 82 | 106 |
| Furniture & Fixtures | 402 | — | — | 402 | 110 | 25 | — | 135 | 267 | 292 |
| Vehicles | 4037 | — | — | 4037 | 664 | 396 | — | 1060 | 2977 | 3373 |
| TOTAL | 111563 | 48009 | — | 159572 | 45121 | 6990 | — | 52111 | 107461 | 66442 |
| Previous Year | 104112 | 8721 | 1,270 | 111563 | 40834 | 5177 | 890 | 45121 | 66442 | 63278 |
| Capital Work-in- Progress | | | | | | | | | | |
| Plant & Machinery | 1,093 | 432 | 1,093 | 432 | — | — | — | — | 432 | 1093 |
| Electric Equipment | 59 | — | 59 | — | — | — | — | — | — | 59 |
| Building under Construction | 2784 | 3160 | 2784 | 3160 | — | — | — | — | 3160 | 2784 |
| Capital Advance | 5,256 | 1252 | 5,256 | 1252 | — | — | — | — | 1252 | 5256 |
| Total Capital Work-in- Progress | 9192 | 4844 | 9192 | 4844 | — | — | — | — | 4844 | 9192 |
| Previous Year | 6629 | 9184 | 6,621 | 9192 | — | — | — | — | 9192 | 6,629 |

| | As at 31-03-2011 (Rs. In '000) | As at 31-03-2010 (Rs. In '000) |
|--|--------------------------------------|--------------------------------------|
| SCHEDULE - 7 : INVENTORIES | | |
| (As taken valued and certified by Management) | | |
| Raw Materials (Including Rs. 2782/- in Transit P.Y. Rs. 2521/-) | 15698 | 11307 |
| Semi Finished Goods | 38677 | 50625 |
| Finished Goods | 19832 | 17695 |
| Waste | 332 | 315 |
| Stores & Spares | 1187 | 952 |
| | 75726 | 80894 |
| SCHEDULE - 8 : SUNDRY DEBTORS | | |
| (Unsecured, Considered Good except stated otherwise) | | |
| Debts outstanding for a period exceeding Six months: | | |
| - Considered Good | 6265 | 5547 |
| - Doubtful | 1353 | 777 |
| | 7618 | 6324 |
| Other Debts | 57424 | 37442 |
| | 65042 | 43766 |
| SCHEDULE - 9 : CASH & BANK BALANCES | | |
| CASH ON HAND | 311 | 354 |
| BALANCES WITH SCHEDULED BANK | | |
| - In Current Accounts | 91 | 121 |
| - Fixed Deposits (Pledged with Bank Rs. 2080/-, P.Y. 1264/- towards margin money) | 2085 | 1269 |
| | 2487 | 1744 |
| SCHEDULE - 10 : LOANS & ADVANCES | | |
| (Unsecured, Considered Good) | | |
| Advance Recoverable in cash or kind or for value to be received | 11037 | 6308 |
| Tender & Sundry Deposits | 3663 | 6226 |
| MAT Credit Entitlement | 1753 | - |
| | 16453 | 12534 |
| SCHEDULE - 11 : CURRENT LIABILITIES | | |
| Sundry Creditors (Ref. Note 2(k)) | 43092 | 25547 |
| Advance received from customers | 10129 | 7519 |
| Other Liabilities | 2140 | 2134 |
| | 55361 | 35200 |
| SCHEDULE - 12 : PROVISIONS | | |
| Income Tax (Net off advance tax) | 1735 | 833 |
| Employee Benefits | 313 | 278 |
| | 2048 | 1111 |

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| | Year Ended 31-03-2011 (Rs. In '000) | Year Ended 31-03-2010 (Rs. In '000) |
|---|--|---|
| SCHEDULE - 13 : SALES (GROSS) | | |
| Sales | 406140 | 278556 |
| Waste Sales | 4933 | 3058 |
| | 411073 | 281614 |
| SCHEDULE - 14 : OTHER INCOME | | |
| Interest (T.D.S. Rs. 18/-, P.Y. Rs. 35/-) | 187 | 197 |
| | 187 | 197 |
| SCHEDULE - 15 : MATERIALS | | |
| Opening Stock | | |
| Semi Finished Goods | 50625 | 47819 |
| Finished goods | 17695 | 13663 |
| Less : Excise duty | 1652 | 1040 |
| | 16043 | 12623 |
| Waste | 314 | 131 |
| | 66982 | 60573 |
| Raw Material Consumed | 302142 | 211796 |
| Purchase of Goods | - | 23 |
| | 369124 | 272392 |
| Less: Closing Stock | | |
| Semi Finished Goods | 38677 | 50625 |
| Finished goods | 19832 | 17695 |
| Less : Excise duty | 1852 | 1652 |
| | 17980 | 16043 |
| Waste | 332 | 314 |
| | 56989 | 66982 |
| | 312135 | 205410 |

| | Year Ended 31-03-2011 (Rs. In '000) (Rs. In '000) | | Year Ended 31-03-2010 (Rs. In '000) (Rs. In '000) | |
|---|---|--------------|---|--------------|
| SCHEDULE - 16 : MANUFACTURING & OTHER EXPENSES | | | | |
| Labour & Process charges | | 3218 | | 6156 |
| Stores & Spares Consumed | | 6710 | | 4395 |
| Power & fuel | | 19193 | | 14756 |
| REPAIRS & MAINTENANCE : | | | | |
| - Plant & machinery | | 403 | | 328 |
| - Building | | 26 | | 24 |
| - Other | | 259 | | 236 |
| | | 688 | | 588 |
| Freight Outward | | 10137 | | 4337 |
| PAYMENT TO & PROVISION FOR EMPLOYEES: | | | | |
| - Salary, Wages, Allowances, gratuity & Bonus | | 2766 | | 2649 |
| - Provident Fund | | 140 | | 137 |
| - Staff Welfare | | 108 | | 143 |
| | | 3014 | | 2929 |
| Professional Charges | | 505 | | 453 |
| AUDITORS' REMUNERATION : | | | | |
| - Audit Fees | | 75 | | 75 |
| - For Tax Audit | | 30 | | 30 |
| - For Certification | | 18 | | 17 |
| | | 123 | | 122 |
| Telephone & Postage Expenses | | 373 | | 370 |
| Insurance | | 401 | | 314 |
| VAT expenses | | 22 | | 145 |
| Advertising Expenses | | 22 | | 56 |
| Vehicle Running Expenses | | 701 | | 694 |
| Travelling Expenses | | 533 | | 661 |
| Miscellaneous Expenses | | 1529 | | 1715 |
| Loss on sale of vehicles | | - | | 199 |
| Loss (Gain) on Foreign exchange rate fluctuation | | (449) | | 390 |
| Sundry Debit/Credit Balance Written off (net) | | - | | 914 |
| | | 46720 | | 39194 |
| SCHEDULE - 17 : FINANCIAL EXPENSES | | | | |
| Interest on Fixed Loan | | 3015 | | 1552 |
| Interest on Cash-Credit | | 6534 | | 5489 |
| Others | | 3970 | | 3153 |
| Bank Charges | | 1281 | | 759 |
| | | 14800 | | 10953 |

SCHEDULE-18 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES :

a) ACCOUNTING CONVENTION:

The Financial statements have been prepared in accordance with the accounting principals generally accepted in India (Indian GAAP) and comply with the companies (Accounting Standards) Rules,2006 issued by the Central Government and relevant provisions of Companies Act, 1956 and are based on the historical cost Convention.

b) USE OF ESTIMATES

Preparation of financial statements in conformity with the generally accepted accounting principles require Management to make estimates and assumptions that affect the reported amounts of the financial Statements and accompanying notes. Difference between the actual result and estimates, are recognized in the period in which the results are known/materialized.

c) FIXED ASSETS, DEPRECIATION AND EXPENDITURE DURING CONSTRUCTION PERIOD:

i) Fixed Assets are stated at cost of acquisition and installation, net of CENVAT, VAT less accumulated Depreciation. Borrowing costs incurred during the period of construction/ Acquisitions of assets are added to the cost of Fixed Assets. Major expenses on modification/ alterations increasing efficiency/capacity of the plant are also capitalized.

ii) Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV of the Companies Act,1956,(as amended).

iii) Impairment of Assets :

At each balance sheet date, the carrying amount of assets are assessed whether there is any indication of impairment. If estimated recoverable amount is found less than its carrying amount, impairment loss is recognized and assets are written down to their recoverable amount.

d) EMPLOYEE BENEFITS :

(a) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc, and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

(b) Post-Employment Benefits :

(i) Defined Contribution Plans :

State Governed Provident Fund scheme and employees state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognized during the period in which the employees renders the related services.

(ii) Defined Benefit Plans:

The employee' s gratuity fund scheme and compensated absences is company's defined benefit plans.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefits entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government Securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the profit and loss account.

Gains or losses on the curtailment or settlement of any defined benefits plans are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

(c) Long term employee benefits :

The obligation for long term employee benefits such as long term compensated absences, is recognized in the same manner as in case of defined benefit plans as mentioned in b) ii) above.

e) INVENTORIES :

Stocks of Stores and spares, raw materials (including stock-in-transit) are valued at lower of cost or net realizable value and for this purpose cost is determined on First-in-First out basis.

Semi-finished goods and Finished goods are valued at lower of cost or net realizable value and for this purpose cost is determined on absorption costing basis.

Waste is valued at net realizable value.

f) REVENUE RECOGNITION

i) Revenue is recognized when it is earned and no significant uncertainty exist as to its realization or collection.

ii) Revenue from sales of goods is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks & rewards of ownership are transferred to the customers and no effective ownership is retained.

iii) Gross sales are inclusive of excise duty and net of trade discounts and VAT. The excise duty recovered is presented as reduction from gross turnover.

g) BORROWING COSTS:

Borrowing costs, whether specific or general utilized for acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets till the activities necessary for its intended use or sale are complete. All other borrowing costs are charged to profit and loss statement of the year in which incurred.

h) FOREIGN CURRENCY TRANSCATIONS :

(i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

(ii) Monetary items denominated in foreign currency at the year end are translated at the exchange rates prevailing at the balance sheet date.

(iii) Premium or discount arising at the inception of the forward exchange contract is amortized as income or expense over the period of the contract. Any profit or loss arising in renewal or cancellation of forward exchange contracts are recognized as income or expenses during the year.

(iv) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

(v) Losses in respect of all outstanding derivative contracts at the balance sheet date is provided by marking them to market.

i) TAXES ON INCOME AND EXPENSES :

- i) Current tax is determined as the amount of tax payable in respect of taxable income for the year.
- ii) Deferred tax is recognized on difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date to reassess realisation.
- iii) MAT credit is recognised as an assets only when there is convincing evidence that the company will pay normal income tax within the specified period. The assets shall be reviewed at each balance sheet date.

j) PROVOISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSTES :

Provisions are recognized when the company has present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

Contingent liabilities are disclosed by way of notes to financial statements.

Contingent Assets are neither recognized nor disclosed in the financial statements.

Provisions, contingent Liabilities and contingent assets are reviewed at each balance sheet date.

k) CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE :

All contingencies and events occurring after the Balance Sheet date which have a material effect on the financial position of the Company are considered for preparing the financial statements.

2. NOTES TO FINANCIAL STATEMENTS:**a) ESTIMATED CONTRACTS :**

Estimated amount of contracts remaining to be executed on Capital Account (net of advances) not provided for Rs.26854/- (P.Y.32540/).

| | As at 31-03-2011 (Rs.in'000) | As at 31-03-2010 (Rs.in'000) |
|---|---|---|
| b) CONTINGENT LIABILITIES NOT PROVIDED FOR : | | |
| i) Differential amount of Custom/Excise Duty in respect of machinery imported under EPCG Scheme. Note: Future Cash outflows respect of above will depend if company is unable to fulfill export obligations of Rs. Nil (P.Y. Rs. 4440 within next Six Years) | - | 634 |
| ii) Bank Guarantee given by bank on behalf of the company | 1750 | 3043 |
| c) MANAGING DIRECTOR'S REMUNERATION : | 2010-11 (Rs.in'000) | 2009-10 (Rs.in'000) |
| i) Remuneration | 240 | 240 |
| ii) Perquisites | 34 | 34 |
| | <u>274</u> | <u>274</u> |

d) Employee Benefits :**(i) Defined Contribution plans :**

Amount of Rs. 140 (P.Y. Rs. 137) is recognized as expenses and included in "Payment to and Provision for Employees" (Schedule '16') in the Profit and Loss Account.

(ii) Defined Benefit Plans :

Gratuity & Leave Encashment : (unfunded).

- (a) The changes in present value of defined benefit obligation representing reconciliation of opening and closing balance thereof as follows :

(Rs. in '000)

| Particulars | Gratuity Plan | | Leave Encashment | |
|---|---------------|----------|------------------|----------|
| | 31.03.11 | 31.03.10 | 31.03.11 | 31.03.10 |
| Opening defined benefit obligation as at 01.04.2010 | 241 | 205 | 37 | 32 |
| Service Cost | 47 | 40 | 41 | 17 |
| Interest Cost | 19 | 16 | 3 | 3 |
| Actuarial Losses (Gains) | (36) | 12 | (26) | (10) |
| Losses (Gains) on curtailments | - | - | - | - |
| Liabilities extinguished on settlements | - | - | - | - |
| Benefits Paid | (3) | (32) | (10) | (5) |
| Closing defined benefit obligation as at 31.03.2011 | 268 | 241 | 45 | 37 |

- (b) The amounts recognized in Profit and Loss Account are as follows :

| Particulars | Gratuity Plan | | Leave Encashment | |
|---|---------------|----------|------------------|----------|
| | 31.03.11 | 31.03.10 | 31.03.11 | 31.03.10 |
| 1. Current Service Cost | 47 | 40 | 41 | 17 |
| 2. Interest Cost | 19 | 16 | 3 | 3 |
| 3. Expected return on plan assets | - | - | - | - |
| 4. Net Actuarial Losses (Gain) recognised in year | (36) | 12 | (26) | (10) |
| 5. Past service cost | - | - | - | - |
| 6. Losses (gains) on curtailments and settlement | - | - | - | - |
| Total included in Payment to and Provision for Employee | 30 | 68 | 18 | 10 |
| Employee (Ref. Sch. '16') | | | | |
| Actual return on plan assets | - | - | - | - |

- (c) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

| Particulars | Gratuity Plan | | Leave Encashment | |
|---------------------------------|---------------|----------|------------------|----------|
| | 31.03.11 | 31.03.10 | 31.03.11 | 31.03.10 |
| Discount Rate | 8.25% | 8% | 8.25% | 8% |
| Expected return on plan assets | 8.25% | 8% | 8.25% | 8% |
| Annual increase in salary costs | 6% | 6% | 6% | 6% |

The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, Promotion and other relevant factors, such as supply and demand in the employment market.

(d) Amount pertaining to defined benefit plans are as follows :

| Particulars | Gratuity Plan | | Leave Encashment | |
|--|---------------|----------|------------------|----------|
| | 31.03.11 | 31.03.10 | 31.03.11 | 31.03.10 |
| Defined benefit obligation | 268 | 241 | 45 | 37 |
| Plan Assets | - | - | - | - |
| Surplus (deficit) | 268 | 241 | 45 | 37 |
| Experience adjustments of plan liabilities | - | - | - | - |
| Experience adjustments of plan Assets | - | - | - | - |

Notes :

The Company provides retirement benefit in the form of Provident Fund/Gratuity and Leave Encashment Provident Fund contributions made to "Government Administrated Provident Fund" are treated as defined contribution plan since the company has no further obligations beyond its monthly contributions. Grauity and Leave encashment are treated as defined benefit plan and remain unfunded.

e) RESEARCH AND DEVELOPMENT EXPENSES:

Amount of expenditure incurred on Research and Development is Rs. NIL (P.Y.Rs.NIL)

f) EARNINGS PER SHARE :

- i) The amount used as the numerator in calculating basic and diluted earning per share is the net profit for the year disclosed in the profit and loss account.
- ii) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 3113300 (P.Y. 3113300).

g) In accordance with AS 9, "Revenue Recognition", excise duty on Sales amounting to Rs.21161 (P.Y. Rs. 17056) has been deducted from Sales in profit and loss account. Whereas, net difference in excise duty on inventory of Finished goods of Rs.200 (P.Y. - Rs. 612) is shown under materials.

h) RELATED PARTY DISCLOSURES: (As identified by Management)

i) Key Management Personnel :

Ashok Chhajer
Kashyap R. Mehta
Binod Chhajer

ii) Transactions carried out with related parties referred to in (i) above.

| | 2010-2011 (Rs.in'000) | 2009-2010 (Rs.in'000) |
|-----------------------|--------------------------|--------------------------|
| Expenses: | | |
| Remuneration | 274 | 274 |
| Director Sitting Fees | - | - |
| Professional fees | 51 | 51 |

i) SEGMENT INFORMATION :

Based on the guiding principle given in Accounting Standard-17 on Segment Reporting, the Company's primary business is manufacturing of P.E.Tarpaulin,HD/PP Woven Sacks, Fabrics which have similar risks and returns, Accordingly there are no separate reportable segment as far as primary segment is concerned.

The operation of the Company are in India and all assets and liabilities are located in India. An Analysis of sales by geographical market is given below.

| Name of the Country | 2010-2011 (Rs.in'000) | 2009-2010 (Rs.in'000) |
|---------------------|--------------------------|--------------------------|
| India | 225990 | 217164 |
| Middle East | 70119 | 31396 |
| African | 85544 | 25237 |
| Europe | 19809 | 0 |
| Others | 9611 | 7817 |
| | <u>411073</u> | <u>281614</u> |

j) **DERIVATIVE INSTRUMENTS:**

Foreign currency exposure that are not hedged by derivative instruments as on 31st March, 2011 US \$ NIL Equivalent to Rs.NIL (P.Y. \$ NIL Equivalent to Rs. NIL)

- k) Based on the information available with the company there are no suppliers who are registered under the Micro, Small and Medium Enterprises Development Act,2006 as at 31st March, 2011.

Hence, the disclosure relating to amounts unpaid as at the year end to gather interest paid / payable under this Act have not been given.This is relied upon by the auditors.

- l) Sundry debtors include Rs. 2405/- (P.Y.Rs.1497) which are outstanding more than six months and considered as doubtful. However,no provision has been made there against as company has filed suits for recovery of the amounts.
- m) Sundry debtors and creditors are subject to confirmations.
- n) The additional information pursuant to the provisions of Paragraphs 3 and 4 of Part-II of the Schedule VI to the Companies Act,1956.

(I) **CAPACITY & PRODUCTION :**

| CAPACITY INSTALLED : | Unit | Current Year | Previous Year |
|---------------------------------|------|--------------|---------------|
| PP/HDPE-FABRICS/SACKS/TARPAULIN | M.T. | 4500 | 3000 |
| PRODUCTION : | | | |
| PP/HDPE-FABRICS/SACKS/TARPAULIN | M.T. | 3799 | 2825 |

- 1) The installed capacity is as certified by the management.
- 2) Includes Nil (10 Mt.) done for outsiders and Nil (424 Mt.) converted from outsiders.

(II) **TURNOVER :**

| | UNIT | QUANTITY | (Rs.in'000) | QUANTITY | (Rs.in'000) |
|-----------|------|----------|---------------|----------|---------------|
| FABRICS | M.T. | 424 | 41113 | 364 | 35999 |
| SACKS | M.T. | 1640 | 159356 | 1471 | 136989 |
| TARPAULIN | M.T. | 1731 | 205671 | 978 | 105391 |
| OTHERS | — | — | 4933 | | 3235 |
| | | | <u>411073</u> | | <u>281614</u> |

(III) CONSUMPTION OF RAW MATERIALS :

| | | Current Year | | Previous Year | |
|----------|------|--------------|---------------|---------------|---------------|
| | UNIT | QUANTITY | (Rs.in'000) | QUANTITY | (Rs.in'000) |
| FABRICS | M.T. | 402 | 30945 | 432 | 32357 |
| GRANULES | M.T. | 4054 | 265543 | 2745 | 175849 |
| OTHERS | — | — | 5654 | — | 3590 |
| | | | <u>302142</u> | | <u>211796</u> |

(IV) PURCHASES OF GOODS :

| | | | | | |
|------|------|---|----------|---|-----------|
| YARN | M.T. | — | — | 1 | 23 |
| | | | <u>—</u> | | <u>23</u> |

(V) STOCKS OF FINISHED GOODS :

| | | OPENING STOCK | | CLOSING STOCK | |
|-----------|------|---------------|-------------|---------------|-------------|
| | Unit | Qty. | (Rs.in'000) | Qty. | (Rs.in'000) |
| SACKS | NOS | 164066 | 2307 | 634950 | 8404 |
| | | (320872) | (4341) | (164066) | (2307) |
| TARPAULIN | NOS | 19789 | 15388 | 18337 | 11428 |
| | | (11798) | (9322) | (19789) | (15388) |

Note: Figure in bracket relate to Previous Year.

(VI) VALUE OF IMPORTS ON CIF BASIS DURING THE FINANCIAL YEAR IN RESPECT OF

| | | Current Year | | Previous Year | |
|---------------|------|--------------|-------------|---------------|-------------|
| | UNIT | QUANTITY | (Rs.in'000) | QUANTITY | (Rs.in'000) |
| Raw Materials | M.T. | 677 | 45265 | 493 | 27813 |

(VII) VALUE OF RAW MATERIALS CONSUMED :

| | Current Year | | Previous Year | |
|---------------|---------------|---------------|---------------|---------------|
| | (Rs.in'000) | % of total | (Rs.in'000) | % of total |
| a) Imported | 49114 | 16.26 | 30604 | 14.45 |
| b) Indigenous | 253028 | 83.74 | 181192 | 85.55 |
| | <u>302142</u> | <u>100.00</u> | <u>211796</u> | <u>100.00</u> |

(VIII) VALUE OF STORES & SPARE PARTS CONSUMED :

| | Current Year | | Previous Year | |
|---------------|--------------|---------------|---------------|---------------|
| | (Rs.in'000) | % of total | (Rs.in'000) | % of total |
| a) Imported | 82 | 1.22 | — | — |
| b) Indigenous | 6628 | 98.78 | 4395 | 100.00 |
| | <u>6710</u> | <u>100.00</u> | <u>4395</u> | <u>100.00</u> |

(IX) EXPENDITURE IN FOREIGN CURRENCY :

| | 2010-11 | 2009-10 |
|--------------------|---------|---------|
| a) Traveling | 46 | 169 |
| b) Raw Materials | 38909 | 22301 |
| c) Machines/Stores | — | 82 |

(X) EARNINGS IN FOREIGN CURRENCY

| | | |
|--|-------|-------|
| By way of export of goods on FOB value | 79759 | 53030 |
|--|-------|-------|

o) (i) Previous year figures have been restated wherever necessary to make them comparable with the current year's figures.

(ii) All the figures are in rupees thousands, unless stated otherwise.

p) ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No.L29199GJ1984PLC007130 State Code 04
Balance Sheet Date : 31-03-2011

II. Capital Raised during the year (Amount in Rs. '000)

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | NIL | Right Issue | NIL |
| Bonus Issue | NIL | Private Placement | NIL |

III. Position of Mobilisation and deployment of funds (Amount in Rs.'000)

| | | | |
|------------------------------|--------|-----------------------------|--------|
| Total Liabilities | 214627 | Total Assets | 214627 |
| Source of Funds | | Application of Funds | |
| Paid-up Capital | 31133 | Net Fixed Asset | 112305 |
| Reserves and Surplus | 29214 | Investments | — |
| Secured Loans | 90809 | Net Current Assets | 102322 |
| Unsecured Loans | 53545 | Misc. Expenditure | — |
| Deferred Tax Liability (Net) | 9926 | | |

IV. Performance of the Company (Amount in Rs.'000)

| | | | |
|---------------------------------|--------|-------------------|--------|
| Turnover including other income | 390099 | Total Expenditure | 380645 |
| Profit before Tax | 9454 | Profit after Tax | 6309 |
| Earnings per share in Rs. | 2.03 | Dividend Rate (%) | — |

V. Generic Names of three principal products/services of Company

| <u>ITEM CODE NO.</u> | <u>PRODUCT DESCRIPTION</u> |
|----------------------|------------------------------|
| 1. 392010.01 | HDPE/PP WOVEN FABRICS/SHEETS |
| 2. 392010.01 | HDPE/PP WOVEN SACKS |
| 3. 392010.01 | TARPAULIN |

SIGNATURES TO SCHEDULE 1 TO 18

As per our report of even date attached

For Kantilal Patel & Co.

Chartered Accountants

Gopal S. Baldi

Partner

Place : Ahmedabad
Date : 30th May, 2011

For and on behalf of the Board

Ashok Chhajer

Managing Director

Kashyap Mehta

Director

Place : Ahmedabad
Date : 30th May, 2011

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GUJARAT CRAFT INDUSTRIES LIMITED

Registered Office:

Plot No. 431, Santej-Vadsar Road, Village:Santej, Taluka:Kalol-382 721, Dist:Gandhinagar.

27th Annual General Meeting
Saturday, the 24th September, 2011 at 12.00 Noon

ATTENDANCE SLIP

Place : At the Registered Office of the Company at:
Plot No. 431, Santej-Vadsar Road,
Village:Santej,
Taluka:Kalol-382 721,
Dist:Gandhinagar.

Signature of Member/ Proxy attending the meeting _____

Notes:

1. This meeting is only for members. Please, therefore, do not bring person in the meeting who is not a member.
2. Please bring this attendance slip duly signed and hand it over to the representative of the Company at the entrance of the meeting place.

GUJARAT CRAFT INDUSTRIES LIMITED

Registered Office:

Plot No. 431, Santej-Vadsar Road, Village:Santej, Taluka:Kalol-382 721, Dist:Gandhinagar.

FORM OF PROXY

I/We _____

of _____ in the district of _____

being member/s of the above named Company hereby appoint _____

of _____ in the district of _____

or failing him _____

of _____ in the district of _____

as my/our Proxy to attend and vote for me/us on my/our behalf at the 27th Annual General Meeting of the Company, to be held on Saturday, the 24th September, 2011 and/or at any adjournment thereof.

Signed the _____ day of _____ 2011.

Signature

Affix
Signature
Revenue
Stamp

N.B. : This Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.

Book - Post

To

If undelivered, please return to

GUJARAT CRAFT INDUSTRIES LIMITED

REGISTERED OFFICE:

Plot No. 431, Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382 721,
Dist:Gandhinagar.

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