

**28TH ANNUAL REPORT
2011-12**

G C I L

Gujarat Craft Industries Limited

GUJARAT CRAFT INDUSTRIES LIMITED**28TH ANNUAL REPORT 2011-12**

BOARD OF DIRECTORS	: Mr. Ashok Chhajer Mr. Rishab Chhajer Mr. Binod Chhajer Mr. Kashyap R. Mehta Mr. Anilkumar Bhandari Mr. Alpesh R. Tripathi	Chairman & Managing Director Joint Managing Director 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. District : Gandhinagar	
OFFICE	: 35, Omkar House, Near Swastik Cross Roads, C. G. Road, Navrangpura, Ahmedabad - 380 009.	
REGISTRAR AND SHARETRANSFER AGENTS	: M/s. Link Intime (India) Private Limited Unit No. 303, 3 rd floor Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers plaza II, Off. C. G. Road, Ahmedabad 380 009	

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NOTICE

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

Date : 27th September, 2012
Day : Thursday
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, 2012 and the Balance Sheet as on that date along with the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Mr. Alpesh R. Tripathi, 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 approval of the members be and is hereby accorded under provisions of Section 198, 269, 309, 314, 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, to the revision of the terms of remuneration of Mr. Ashok Chhajer, Managing Director as per details given below for his remaining terms i.e. from 1st October, 2011 to 30th September, 2014 (as approved by the 'Remuneration Committee') and as set out in the draft revised terms of remuneration submitted to this meeting duly initialled by the Chairman for identification and that remuneration to be paid by way of Salary and Perquisites shall not exceeds the amount as set out in the accompanying explanatory statement which is permissible under Part II of Schedule XIII of the Companies Act, 1956 and as may be decided by the Board of Directors of the Company from time to time."
5. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to Section 256 of Companies Act, 1956, Mr. Anilkumar Bhandari, be and is hereby appointed as Director of the Company, liable to retire by rotation."
6. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 314, 316 read with Para (A) of Section II of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its approval to the appointment of Mr. Rishab A. Chhajer as Joint Managing Director of the Company, not liable to retire by rotation, for a period of five years from 13th February, 2012 to 12th February, 2017 set out in the draft agreement of appointment submitted to this meeting duly initialled by the Chairman for identification and that he be paid remuneration by way of Salary and Perquisites not exceeding the amount thereof as set out in the accompanying explanatory statement which is permissible under Para (A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company from time to time."
"RESOLVED FURTHER THAT the extent and scope of Salary and Perquisites as specified in the Explanatory Statement be altered, enhanced, widened or varied by the Board of Directors in accordance with the relevant provisions of the Companies Act, 1956 for the payment of managerial remuneration in force during the tenure of the Managing Director without the matter being referred to the Company in General Meeting again."

7. 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 State Bank of India (the Bank) to secure financial assistance in the form of working capital facilities / term loan of Rs. 1659 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 Agreements entered into/to be entered into by the Company in respect of the said financial assistance.”

“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 : 16th July, 2012

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 Nos. 4 to 7 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 Saturday, the 8th September, 2012 to Thursday, the 27th September, 2012 (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 Nos. 4 to 6 of the accompanying notice dated 16th July, 2012 and should be taken as forming part of the notice.

In respect of Item No. 4 :

Members may recall that in the 25th Annual General Meeting held on 29th September, 2009, Mr. Ashok Chhajer was appointed as Managing Directors of the Company for a period of five years from 1st October, 2009. The Board of Directors, on the recommendation on Remuneration Committee, have decided to increase the remuneration of Mr. Ashok Chhajer as Managing Director for his remaining term i.e. from 1st October, 2011 to 30th September, 2014.

The major terms of the remuneration of Managing Director are as under:

I. REMUNERATION:

A. SALARY:

The Managing Director shall be entitled to salary of Rs. 1,00,000/- per month.

B. PERQUISITES:

1. House rent allowance @ 10 % of salary.
 2. Contribution to Provident Fund, Superannuation Fund and Annuity Fund to the extent these either singly or together are not taxable under the Income-tax Act, 1961.
 3. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 4. Encashment of leave at the end of the tenure.
 5. Reimbursement of Medical expenses for himself and family.
 6. Free use of Company's car for Company's business and free telephone facility at residence.
 7. Leave Travel Concession for himself and family once in a year as per rules of Company.
- II. The Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.

Mr. Ashok Chhajer is concerned or interested in the business since it relates to increase of his Manager remuneration. Mr. Rishab Chhajer is also concerned or interested as Mr. Ashok Chhajer is his relative. No other Director of the Company is deemed to be interested or concerned with the business.

Your Directors recommend the Resolutions.

In respect of Item No. 5:

The Board of Directors of the Company in their meeting held on 13th February, 2012 appointed Mr. Anilkumar Bhandari as Director of the Company. As per the Articles of Association of the Company and section 260 of the Companies Act, 1956, he will hold the office upto the date of this General Meeting.

As required under the provisions of Section 257 of the Companies Act, 1956, notice has been received from some of the members signifying their intention to propose him as candidate for office of the Director.

Mr. Anilkumar Bhandari is concerned or interested in the said business, since it relates to his appointment as Director of the Company. Except him, none of the Directors is in any way concerned or interested in the said business.

In respect of Item No. 6:

The Board of Directors, on the recommendation on Remuneration Committee, in the Meeting of the Board of Directors held on 13th February, 2012 appointed Mr. Rishab A. Chhajer as Joint Managing Director for a period of five years from 13th February, 2012 to 12th February, 2017.

The following are the major terms and conditions of his appointment:

I. PERIOD:

The term of the Joint Managing Director shall be for a period of five years from 13th February, 2012 to 12th February, 2017.

II. REMUNERATION:

A. SALARY:

The Joint Managing Director shall be entitled to salary of Rs. 50,000/- per month.

B. PERQUISITES:

1. House rent allowance @ 10 % of salary.
2. Contribution to Provident Fund, Superannuation Fund and Annuity Fund to the extent these either singly or together are not taxable under the Income-tax Act, 1961.
3. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
4. Encashment of leave at the end of the tenure.
5. Reimbursement of Medical expenses for himself and family.
6. Free use of Company's car for Company's business and free telephone facility at residence.
7. Leave Travel Concession for himself and family once in a year as per rules of Company.

III. The Joint Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.

IV. The Joint Managing Director shall not, so long as he functions as such, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.

V. DUTIES:

Subject to the superintendence, direction and control of the Board of Directors of the Company, the Joint Managing Director Shall be entrusted with substantial powers of management and also such other duties and responsibilities as may be entrusted to him by the Board of Directors from time to time. The headquarter of the Joint Managing Director shall be at Ahmedabad or at such place as the Board of Directors may decided from time to time.

VI. TERMINATION:

The Joint Managing Director may be removed from his office for gross negligence, breach of duty or trust if the Company in its General Meeting to that effect passes a special Resolution. The Managing Director may resign from his office by giving 90 days' notice to the Company.

VII. COMPENSATION:

In the event of termination of office of Joint Managing Director takes place before the expiration of tenure thereof, Joint Managing Director Shall be entitled to receive compensation from the Company for loss of office to the extent and subject to limitation as provided under section 318 of the Companies Act, 1956.

The terms and conditions mentioned in the above explanatory statement may be treated as abstract of the terms of proposed contract under Section 302 of the Companies Act, 1956.

The remuneration mentioned above be paid to Mr. Rishab A. Chhajer even in the years of losses or inadequacy of profits as minimum remuneration defined under Section 198 of the Companies Act, 1956.

Resolution of the Board of Directors appointing Mr. Rishab A. Chhajer as Joint Managing Director and Draft agreements of appointment 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.

Mr. Rishab A. Chhajer is concerned or interested in the business since it relates to his appointment as Joint Managing Director of the Company. Mr. Ashok Chhajer is also concerned or interested as Mr. Rishab A. Chhajer is his relative. No other Director of the Company is deemed to be interested or concerned with the business.

In respect of Item No. 7:

State Bank of India (the Bank) has renewed/enhanced Term Loan and Working Capital facilities of Rs. 1659 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 Agreements, Deed of Hypothecation, Mortgage Deed 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 : 16th July, 2012

By Order of the Board,

Ashok Chhajer
Chairman & Managing Director

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the TWENTYEIGHTH Annual Report together with the Audited statement of accounts for the Financial Year 2011- 12 ended on 31st March, 2012.

1. FINANCIAL RESULTS:

	(Rs. in lacs)	
	<u>2011-12</u>	<u>2010-11</u>
Operating Profit (Before Interest & Depreciation)	361.18	312.44
Less : Financial Expenses	169.34	148.00
Profit before Depreciation	191.84	164.44
Less : Depreciation	93.75	69.90
Profit before tax	98.09	94.54
Less : Provision for current Tax (after MAT credit)	4.49	-
Deferred Tax Liability	26.57	31.45
Income Tax of Earlier Years	0.24	-
Profit after tax	66.79	63.09
Add: Balance Brought Forward from Previous year	287.84	224.75
Balance carried to Balance Sheet	354.63	287.84

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 5,075 M.T. during the year under review against 3,799 M.T. during 2010-11. The Gross Sales during the year under review was Rs. 5458 lacs compared to Rs. 4111 lacs during 2010-11.

The Operating Profit (Before Interest and Depreciation) was Rs.361.18 lacs during the year under review compared to Rs.312.44 lacs during 2010-11 showing an increase of 15.60%. The Profit before Tax for the year under review was Rs.98.09 lacs against Rs.94.54 lacs during 2010-11. The Net Profit of the Company stood at Rs.66.79 lacs compared to Rs.63.09 lacs for the year 2010-11 showing an increase of 5.86%.

The company was able to export material worth Rs.2134 lacs during the year under review compared to Rs. 798 lacs during 2010-11. 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 4500M.T. per annum to 5750 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. 1659 lacs from State Bank of India, Ahmedabad.

6. DIRECTORS:

6.1 One of your Directors viz. Mr. Alpesh R. Tripathi, 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.

6.2 The Board of Directors, in their meeting held on 13th February, 2012 have appointed Mr. Anilkumar Bhandari as Director of the Company. Your approval is sought as per the notice of the 28th Annual General Meeting.

6.3. The Board of Directors, in their meeting held on 13th February, 2012 have appointed Mr. Rishab A. Chhajer as Joint Managing Director of the Company. Your approval is sought as per the notice of the 28th Annual General Meeting.

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, 2012 being end of the Financial Year 2011-12 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 32 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. Pinakin Shah & Co, 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 : 16th July, 2012.

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 2011-12	Previous Year 2010-11
1. Electricity		
a) Purchased		
Unit	3926314	3396686
Total amount (Rs. in Lacs)	250.24	191.93
Rate/Unit Rs.	6.37	5.65
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/Fabrics/Sacks (K.G.)	1.292	1.118

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. 2133.61 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. 2133.61 Lacs during the year under review by way of export and has spent Rs.7.31 lacs for commission and for foreign travelling.

for and on behalf of the Board,

Place : Ahmedabad.
Date : 16th July, 2012.

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 24-09-2011 Yes(Y)/No(N)
Ashok Chhajer Chairman & Managing Director	Promoter-Executive	4	Member:1	7	Y
Rishab Chhajer	Promoter-Executive	—	—	1	N
Binod Chhajer	Promoter-Non-Executive	—	—	7	Y
Kashyap R. Mehta	Independent Non-executive	3	Chairman:4 Member:1	7	Y
Anilkumar Bhandari	Independent Non-executive	3	—	1	N
Alpesh R. Tripathi	Independent Non-executive	—	—	7	N

* Private companies excluded.

Appointed w.e.f. 13th February, 2012

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

Name of Director	Alpesh R. Tripathi	Anilkumar Bhandari	Rishab A. Chhajer
Date of Birth	03-07-1970	24-02-1968	14-10-1989
Date of Appointment	01-04-2001	13-02-2012	13-02-2012
Expertise in specific functional areas	Finance & Administration	Finance & Corporate laws	Industrial Engineering and Business Administration
List of Public Limited Companies in which Directorships held	-	1. edesk Services Ltd. 2. Indo Credit Capital Ltd. 3. National Hotels Ltd.	- - -
Chairman/Member of the Committees of the Board of Directors of the Company	Audit Committee and Remuneration Committee	-	-
Chairman/Member of the Committees of Directors of other companies.	-	-	-

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 11-04-2011, 30-05-2011, 12-08-2011, 03-09-2011, 01-10-2011, 14-11-2011, and 13-02-2012.

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 is 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: 30-05-2011, 12-08-2011, 14-11-2011 & 13-02-2012.
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. Mr. Alpesh R. Tripathi, Chairman - Non-executive Independent
2. Mr. Binod Chhajer, Member - Non-executive
3. Mr. Kashyap R. Mehta, Member - Non-executive Independent

All the members attended the meetings held on 01-10-2011 and 13-02-2012.

Details of remuneration paid:

1. The Company paid Managerial Remuneration of Rs. 7.24 lacs to Managing Director/ Joint Managing Director during the year 2011-12.
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.

Mr. Binod Chhajer, Director and Mr. 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, 2012.

Mr. 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
2008-2009	29-09-2009	12.00 Noon.	Plot No.431, Santej-Vadsar Road, Village: Santej, Taluka : Kalol-382 721, Dist : Gandhinagar.
2009-2010	25-09-2010	12.00 Noon.	
2010-2011	24-09-2011	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, 2012 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 : Thursday
Date : 27th September, 2012
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, 2012.
Half-yearly Results : 1st / 2nd week - November, 2012.
3rd Quarter Results : 1st / 2nd week - February, 2013.
Audited yearly Results : End - May, 2013.
- d) Book Closure Dates : From : Saturday,
the 8th September, 2012
To : Thursday,
the 27th September, 2012.
(Both days inclusive).
- e) Dividend Payment Date : The Company has not declared Dividend

- f) Listing of Shares on Stock Exchanges : 1. Ahmedabad Stock Exchange Limited, 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.
- g) Stock Exchange Code :

Stock Exchange	Code
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,
Unit No 303 , 3rd floor Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II,
Off C. G. Road, 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, 2011	14.03	10.00	8,170
May, 2011	9.78	7.40	9,440
June, 2011	11.55	7.39	5,240
July, 2011	10.93	7.91	1,501
August, 2011	10.62	7.23	3,110
September, 2011	11.51	9.42	1,230
October, 2011	8.95	6.95	1,070
November, 2011	7.65	6.60	1,603
December, 2011	7.63	6.93	800
January, 2012	8.78	7.60	1,048
February, 2012	9.67	7.91	1,451
March, 2012	9.55	6.85	1,437

l) Distribution of Shareholding as on 31st March, 2012:

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Up to 500	4945	95.22	649572	20.86
501 to 1000	126	2.43	102342	3.29
1001 to 2000	61	1.18	88876	2.85
2001 to 3000	25	0.48	63190	2.03
3001 to 4000	9	0.17	32843	1.05
4001 to 5000	3	0.06	13300	0.43
5001 to 10000	10	0.19	73978	2.38
10001 to Above	14	0.27	2089199	67.11
Grand Total	5193	100.00	3113300	100.00

m) Category of Shareholders as on 31st March, 2012:

Category	No. of Shares held	% of Shareholding
Promoters	1833990	58.91
Financial Institutions/Banks	—	—
Bodies Corporate	6897	0.22
NRIs, Clearing Members	2000	0.07
Publics	1270413	40.80
Grand Total	3113300	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, 2012, a total of 23,12,600 Shares of the Company which form 74% 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.
Unit No 303, 3rd floor Shoppers Plaza V,
Opp. Municipal Market, Behind Shoppers Plaza II,
Off C. G. Road,, 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 : Mr. Ashok Chhajer, Managing Director

for and on behalf of the Board,

Place : Ahmedabad.
Date : 16th July, 2012.

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, 2012 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, 2012 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.

We 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 PINAKIN SHAH & CO.
Company Secretaries

Place : Ahmedabad
Date : 16th July, 2012

PINAKIN SHAH
Proprietor
COP 2932

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 enable Food Corporation of India and other agencies to pack 40 % of food grains in HDPE/PP Bags. 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 2011-12 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 : 16th July, 2012

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, 2012. 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 seven times on 11th April, 2011, 30th May, 2011, 12th August, 2011, 3rd September, 2011, 1st October, 2011, 14th November, 2011 and 13th February, 2012, 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 Monday, the 19th September, 2011 to Saturday, 24th September, 2011 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, 2011 was held on 24th September, 2011 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. Two Directors (including one Joint Managing Director) were appointed during the financial year after complying necessary provisions of the Act and there was no appointment of director to fill casual vacancy during the financial year.
 15. The Company has made appointment of Joint Managing Director during the year under report after complying necessary provisions of the Act and no other appointment /reappointment of Executive Director/Managing Director/Whole time Director during the year under review.
 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. The amount borrowed by the Company from financial institutions, banks and others, as the case may be, during the financial year ending on 31st March, 2012 were within the borrowing limits of the Company as prescribed under section 293(1) (d) of the Act.
 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.
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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 PINAKIN SHAH & CO.
Company Secretaries

Place : Ahmedabad
Date : 16th July, 2012

PINAKIN SHAH
Proprietor
COP 2932

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, 2012

A. REGISTRAR OF COMPANIES, GUJARAT:

Sr. No.	Form No.	Under section	Purpose	Date of filing	Whether filed within time ?
1.	8	135	Particulars for modification of charge for Equitable Mortgage	19-04-2011	Yes
2.	8	135	Particulars for modification of charge for Hypothecation	19-04-2011	Yes
3	23	293 (1) (a)	Resolution authorising Board to create charge on the assets of the Company	01-10-2011	Yes
4	8	135	Particulars for modification of charge for Equitable Mortgage	04-10-2011	Yes
5	8	135	Particulars for modification of charge for Hypothecation	05-10-2011	Yes
6	66	383A	Compliance Certificate for the financial year ended 31 st March, 2011	06-10-2011	Yes
7	20B	159	Annual Return made up to 24 th September, 2011	21-10-2011	Yes
8	23	269/310	Resolution in connection with revision of terms of appointment of Managing Director	25-10-2011	Yes

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Sr. No.	Form No.	Under section	Purpose	Date of filing	Whether filed within time ?
9	23AC & ACA	220	Balance Sheet as on 31 st March, 2011 with all annexure and attachments	12-12-2011	Yes
10	32	303(2)	Appointment of Director & Joint Managing Director	12-03-2012	Yes
11	25C	269(2) and schedule XIII	Return of appointment of Joint Managing Director	12-03-2012	Yes
12	23	269	Resolution appointing Joint Managing Director	12-03-2012	Yes

B. REGIONAL DIRECTOR, CENTRAL GOVERNMENT OR OTHER AUTHORITIES

NIL

For PINAKIN SHAH & CO.
Company Secretaries

Place : Ahmedabad
Date : 16th July, 2012

PINAKIN SHAH
Proprietor
COP 2932

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, 2012**, the statement of profit & loss 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet, statement of profit & loss 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 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, 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 ₹ 868 (in '000), (refer note 32) 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, 2012;
 - (b) in the case of the statement of profit & loss, 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, 2012

[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, 2012.

- (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 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 granted as well as taken unsecured, interest free demand loans, to and from companies listed in the register maintained under section 301 of the Act. The number of companies to whom loans granted during the year is one. The maximum amount involved during the year was ` 515 (in '000) and year-end balance of loans given to such companies is ` Nil. The number of companies from whom loans taken during the year is ten. The maximum amount involved during the year was ` 95,642 (in '000) and the year-end balance of loans taken from such companies is ` 68,811 (in '000).
- (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 repayable by the company as agreed in contract.
- (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) We have broadly reviewed the cost records maintained by the company pursuant to the rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that *prima facie*, the prescribed records have been made and maintained. We have not, however made a detailed examination of records with a view to determine whether they are accurate or complete.
- (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.
- (b) According to the information and explanations given to us, no undisputed amount in respect of aforesaid statutory dues were outstanding except for Income tax amounting to ₹ 410 (in '000) as at 31st March, 2012 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 : 30th May, 2012

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

BALANCE SHEET AS AT 31ST MARCH, 2012

	Notes	in ('000) 31 st March, 2012	in ('000) 31 st March, 2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	31,133	31,133
Reserves and Surplus	4	35,893	29,214
		67,026	60,347
Non-current liabilities			
Long-term borrowings	5	127,584	77,853
Deferred tax liability (net)	6	12,583	9,926
Long-term provisions	7	392	313
		140,559	88,092
Current Liabilities			
Short-term borrowings	8	73,902	55,191
Trade payables	9	61,283	43,092
Other current liabilities	10	20,042	23,579
Short-term provisions	7	1,401	1,735
		156,628	123,597
TOTAL		364,213	272,036
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	148,202	107,461
Capital work-in-progress		1,300	3,592
		149,502	111,053
Long-term loans and advances	12	14,532	7,072
Other non-current assets	13.2	3,773	2,085
		167,807	120,210
Current assets			
Inventories	14	80,247	75,726
Trade receivables	13.1	100,360	65,042
Cash and bank balances	15	576	402
Short-term loans and advances	12	3,580	7,583
Other current assets	13.2	11,643	3,073
		196,406	151,826
Total		364,213	272,036
Summary of significant accounting policies	2.1		

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

As per our report of even date attached
For Kantilal Patel & Co.

Chartered Accountants
Firm registration number: 104744W

Gopal S. Baldi

Partner
Membership no.: 125930

Place : Ahmedabad
Date : 30th May, 2012

**For and on behalf of the Board of
Directors of Gujarat Craft Industries Limited**

Ashok Chhajer Managing Director

Rishab Chhajer Joint Managing Director

Place : Ahmedabad
Date : 30th May, 2012

Statement of PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	Notes	in ('000) 31 st March, 2012	in ('000) 31 st March, 2011
Income			
Revenue from operations (gross)	16	545,762	411,072
Less: excise duty		30,486	21,161
Revenue from operations (net)		515,276	389,911
Other Income	17	3,694	636
Total revenue (I)		518,970	390,547
Expenses			
Cost of raw materials	18	411,554	302,141
Purchase of traded goods	19	1,767	-
(Increase)/ decrease in inventories of finished goods, work-in-progress	20	1,969	9,795
Employee benefits expense	21	4,676	3,014
Other expenses	22	62,886	44,353
Total (II)		482,852	359,303
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)		36,118	31,244
Depreciation and amortization expense	11	9,375	6,990
Finance costs	23	16,934	14,800
Profit before tax		9,809	9,454
Tax expenses			
Current tax		1,869	1,753
Less: MAT Credit		(1,420)	(1,753)
Tax of earlier year		24	-
Deferred tax		2,657	3,145
Total tax expenses		3,130	3,145
Profit for the year		6,679	6,309
Earnings per equity share in [nominal value of share ` 10 (31 March 2011: ` 10)]			
Basic			
Computed on the basis of total profit for the year	24	2.15	2.03
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

For Kantilal Patel & Co.

Chartered Accountants

Firm registration number: 104744W

Gopal S. Baldi

Partner

Membership no.: 125930

Place : Ahmedabad

Date : 30th May, 2012**For and on behalf of the Board of
Directors of Gujarat Craft Industries Limited****Ashok Chhajer** Managing Director**Rishab Chhajer** Joint Managing Director

Place : Ahmedabad

Date : 30th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	in ('000) 31 st March, 2012	in ('000) 31 st March, 2011
Cash flow from operating activities		
Profit before tax from continuing operations	9,809	9,454
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization on continuing operation	9,375	6,990
Provision For Employee Benefit	79	35
Interest expense	16,934	14,800
Interest income	(663)	(187)
Operating profit before working capital changes	<u>35,534</u>	<u>31,092</u>
Movements in working capital :		
Increase in trade payables	18,191	17,545
Increase/(decrease) in other current liabilities	(3,537)	2,616
(Increase) in trade receivables	(35,318)	(19,524)
Decrease/(increase) in inventories	(4,521)	5,168
Decrease / (increase) in loans and advances	(876)	2,563
Decrease / (increase) in short-term loans and advances	4,003	(6,482)
Decrease/(increase) in other current assets	(5,312)	-
(Increase) in other non-current assets	(1,688)	(816)
Cash generated from /(used in) operations	<u>6,476</u>	<u>32,161</u>
Direct taxes paid (net of refunds)	<u>(2,228)</u>	<u>(851)</u>
Net cash flow from/ (used in) operating activities (A)	<u><u>4,248</u></u>	<u><u>31,310</u></u>
Cash flows from investing activities		
Purchase of fixed assets, including intangible assets, CWIP	(56,245)	(43,660)
Interest received	663	207
Net cash flow from/(used in) investing activities (B)	<u><u>(55,582)</u></u>	<u><u>(43,453)</u></u>
Cash flows from financing activities		
Proceeds from long-term borrowings	59,009	27,452
Repayment of long-term borrowings	(9,278)	(5,272)
Proceeds from short-term borrowings	18,711	4,365
Interest paid	(16,934)	(14,476)
Net cash flow from/(used in) in financing activities (C)	<u><u>51,508</u></u>	<u><u>12,069</u></u>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	174	(74)
Cash and cash equivalents at the beginning of the year	<u>402</u>	<u>475</u>
Cash and cash equivalents at the end of the year	<u><u>576</u></u>	<u><u>401</u></u>
Components of cash and cash equivalents		
Cash on hand	96	311
With banks- on current account	<u>480</u>	<u>91</u>
Total cash and cash equivalents (note 15)	<u><u>576</u></u>	<u><u>402</u></u>

Summary of significant accounting policies 2.1

As per our report of even date attached

For Kantilal Patel & Co.

Chartered Accountants

Firm registration number: 104744W

Gopal S. Baldi

Partner

Membership no.: 125930

Place : Ahmedabad

Date : 30th May, 2012

**For and on behalf of the Board of
Directors of Gujarat Craft Industries Limited**

Ashok Chhajer Managing Director

Rishab Chhajer Joint Managing Director

Place : Ahmedabad

Date : 30th May, 2012

Notes to financial statements for the year ended 31st March 2012**1. Corporate information**

Gujarat Craft Industries Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on Bombay Stock Exchange, Chennai Stock Exchange and Ahmedabad Stock Exchange in India. The company is engaged in the manufacturing of HDPE / PP woven fabrics, sheets, sacks, PE tarpaulin. The company caters to both domestic and international markets.

2. Basis of preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles. In applying the accounting policies considerations have been given to prudence, substance over form and materiality.

2.1 Summary of significant accounting policies**a. Change in accounting policy**

Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

b. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c. Tangible fixed assets

Fixed Assets are stated at cost of acquisition and installation, net of cenvet, 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.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

d. Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher.

e. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life.

f. Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

g. Impairment of tangible and intangible assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An impairment loss is recognised in the accounts to the extent the carrying amount exceeds, the recoverable amount.

h. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Such grants are deducted in reporting the related expense. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the company receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost, it is recognized at a nominal value.

Government grants of the nature of promoters' contribution are credited to capital reserve and treated as a part of the shareholders' funds.

i. Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

j. Inventories

Raw materials and stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials and stores and spares is determined on First-in-First-out basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on First-in-First-out basis.

Waste is valued at net realizable value.

Stock in Transit is valued at cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

k. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

l. Foreign currency translation

Foreign currency transactions and balances

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

Exchange differences

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

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

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.

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

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

m. Employee benefits

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.

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.

n. Income taxes

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

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.

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 are reviewed at each balance sheet date.

o. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the number of equity shares outstanding during the period.

p. Provisions

A provision is recognized when the company has a present obligation as a result of past event, 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 of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

q. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

r. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

s. Measurement of EBITDA

As permitted by the Guidance note on the Revised Schedule VI to The Companies Act, 1956, the company has to present earning before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. In its measurement, the company does not include depreciation and amortization expense, finance cost and tax expense.

5. Long-term borrowings

	Non-current portion		Current maturities	
	31st March, 12 ` in ('000)	31 st March, 11 ` in ('000)	31st March, 12 ` in ('000)	31 st March, 11 ` in ('000)
Term loans				
Term Loan From State Bank of India (secured)	57,904	25,628	10,800	8,794
Loan from Finance Company (secured) Against hypothecation of vehicle	-	266	266	484
Other loans				
Inter Corporate Loans (unsecured)	69,680	51,959	-	-
	127,584	77,853	11,066	9,278
The above amount includes				
Secured borrowings	57,904	25,894	11,066	9,278
Unsecured borrowings	69,680	51,959	-	-
Amount disclosed under the head "other current liabilities" (note 10)	-	-	(11,066)	(9,278)
Net amount	127,584	77,853	-	-

Term loans from State Bank of India are taken during the financial year 2006-07 to 2011-12 and carries interest 14.5% to 16.75 % p.a. The loan is repayable in 72 monthly installments along with interest, from the date of loan. The loan is secured by hypothecation of entire current assets of the company and hypothecation of existing Plant & Machineries, Electric installation, Building & Proposed machineries & Building. (Also guaranteed by Managing Director)

	31st March, 2012 ` in ('000)	31 st March, 2011 ` in ('000)
6 Deferred tax Liability (net)		
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting	12,743	10,524
Gross deferred tax liability	12,743	10,524
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	160	134
Others	-	464
Gross deferred tax asset	160	598
Net deferred tax liability	12,583	9,926

7. Provisions

	Long-term		Short-term	
	31st March, 12 ` in ('000)	31 st March, 11 ` in ('000)	31st March, 12 ` in ('000)	31 st March, 11 ` in ('000)
Provision for employee benefits				
Provision for gratuity (note 25)	353	268	-	-
Provision for compensated absences	39	45	-	-
	392	313	-	-
Other provisions				
Provision for Income tax (net of advance tax)	-	-	1,401	1,735
	-	-	1,401	1,735
	392	313	1,401	1,735

	31 st March, 2012 in ('000)	31 st March, 2011 in ('000)							
8. Short-term borrowings									
From Bank:									
Cash credit / packing credit / S.L.C. (secured)	73,902	55,191							
	<u>73,902</u>	<u>55,191</u>							
The above amount includes									
Secured borrowings	73,902	55,191							
Unsecured borrowings	-	-							
Hypothecation of entire current assets of the company and hypothecation of existing Plant & Machineries, Electric installation, Building & Proposed machineries & Building. The cash credit is repayable on demand and carries interest @ 11.75% to 13.25% p.a. (Also guaranteed by Managing Director)									
9. Trade payables									
Trade payables (note 35)	61,283	43,092							
	<u>61,283</u>	<u>43,092</u>							
10. Other current liabilities									
Current maturities of long-term borrowings (Note:5)	11,066	9,277							
Statutory liabilities payable	3,303	2,140							
Advance received from customers	3,375	10,129							
Interest accrued and due on borrowings	1,290	2,033							
Payables on purchase of fixed assets	1,008	-							
	<u>20,042</u>	<u>23,579</u>							
11. Tangible assets									
		in ('000)							
	Land	Factory (Free Hold)	Plant and Building	Electrical Machinery	Office Equipments	Computers Equipments	Furniture	Vehicles & fixtures	Total
At 31st March 2011	2,285	40,825	103,848	5,804	2,094	275	403	4,038	159,572
Additions	-	18,366	30,692	712	125	53	116	52	50,116
Disposals	-	-	-	-	-	-	-	-	-
At 31st March 2012	<u>2,285</u>	<u>59,191</u>	<u>134,540</u>	<u>6,516</u>	<u>2,219</u>	<u>328</u>	<u>519</u>	<u>4,090</u>	<u>209,688</u>
Depreciation									
At 31 st March 2011	-	8,019	40,234	2,233	235	195	136	1,059	52,111
Charge for the year	-	1,600	6,708	439	157	42	31	398	9,375
Disposals	-	-	-	-	-	-	-	-	-
At 31st March 2012	<u>-</u>	<u>9,619</u>	<u>46,942</u>	<u>2,672</u>	<u>392</u>	<u>237</u>	<u>167</u>	<u>1,457</u>	<u>61,486</u>
Impairment loss									
At 31 st March 2011	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-	-
At 31st March 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Block									
At 31st March 2012	<u>2,285</u>	<u>49,572</u>	<u>87,598</u>	<u>3,844</u>	<u>1,827</u>	<u>91</u>	<u>352</u>	<u>2,633</u>	<u>148,202</u>
At 31 st March 2011	2,285	32,806	63,614	3,571	1,859	80	267	2,979	107,461

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	Non-current		Current	
	31 st March, 12 in ('000)	31 st March, 11 in ('000)	31 st March, 12 in ('000)	31 st March, 11 in ('000)
12. Loans and advances				
Capital advances				
Unsecured, considered good	6,416	1,252	-	-
(A)	6,416	1,252	-	-
Security deposit				
Unsecured, considered good	4,539	3,663	868	-
(B)	4,539	3,663	868	-
Advances recoverable in cash or kind				
Unsecured considered good	404	404	397	164
(C)	404	404	397	164
Other loans and advances				
MAT Credit entitlement	3,173	1,753	-	-
Prepaid expenses	-	-	154	133
Loans to employees	-	-	26	47
Balances with statutory / government authorities	-	-	2,135	7,239
(D)	3,173	1,753	2,315	7,419
Total (A + B + C + D)	14,532	7,072	3,580	7,583
13. Trade receivables and other assets				
13.1 Trade receivables				
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	-	-	6,551	6,265
Doubtful	-	-	868	1,353
(A)	-	-	7,419	7,618
Other receivables				
Unsecured, considered good	-	-	92,941	57,424
(B)	-	-	92,941	57,424
Total (A + B)	-	-	100,360	65,042
13.2 Other assets				
Unsecured, considered good unless stated otherwise				
Non-current bank balances (note 15)	3,773	2,085	-	-
(A)	3,773	2,085	-	-
Export benefits receivable	-	-	6,725	3,050
Interest accrued on fixed deposits	-	-	399	23
Grants/subsidy receivables	-	-	4,519	-
(B)	-	-	11,643	3,073
Total (A + B)	3,773	2,085	11,643	3,073

	31st March, 2012		31 st March, 2011	
	in ('000)		in ('000)	
14. Inventories (valued at lower of cost and net realizable value)				
Raw materials (includes in transit ` 6,117 in ('000) (31 March 2011: ` 2,782 in ('000) (note 18)		21,865		15,698
Work-in-progress (note 20)		28,653		38,677
Finished goods (note 20)		28,090		19,832
Waste		128		332
Stores and spares		1,511		1,187
		<u>80,247</u>		<u>75,726</u>
	Non-current		Current	
	31st March, 12	31st March, 11	31st March, 12	31st March, 11
	in ('000)	in ('000)	in ('000)	in ('000)
15. Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
On current accounts	-	-	96	91
Cash on hand	-	-	480	311
	<u>-</u>	<u>-</u>	<u>576</u>	<u>402</u>
Other bank balances				
Deposits with original maturity for more than 12 months	3,773	2,085	-	-
	<u>3,773</u>	<u>2,085</u>	<u>-</u>	<u>-</u>
Amount disclosed under non-current assets (note 13.2)	<u>(3,773)</u>	<u>(2,085)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>576</u>	<u>402</u>
Deposits given as security				
Fixed deposits with a carrying amount of ` 3,473 (31 March 2011: ` 1,818) are pledged with the Bank towards letter of credit and ` 300 (31 March 2011: ` 263) towards bank guarantee.				
			31st March, 2012	31 st March, 2011
			in ('000)	in ('000)
16. Revenue from operations				
Revenue from operations				
Sale of products				
Finished goods		525,314		397,466
Traded goods		1,857		-
Other operating revenue				
Scrap sales		6,354		4,933
Export benefits		12,237		8,673
Revenue from operations (gross)		<u>545,762</u>		<u>411,072</u>
Less: Excise duty #		30,486		21,161
Revenue from operations (net)		<u>515,276</u>		<u>389,911</u>
# Excise duty on sales amounting to ` 30,486 (31 March 2011: ` 21,161) has been reduced from sales in profit & loss account.				
Details of products sold				
Finished goods sold				
Fabrics		33,912		40,584
Sacks		170,598		155,455
Tarpaulin		317,400		201,428
Others		3,405		-
		<u>525,315</u>		<u>397,467</u>
Traded goods sold				
Sacks		1,857		-
		<u>1,857</u>		<u>-</u>
		<u>527,172</u>		<u>397,467</u>

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	31 st March, 2012 ` in ('000)	31 st March, 2011 ` in ('000)	
17. Other income			
Interest income on			
Bank deposits	663	187	
Exchange rate differences (net)	-	449	
Prior period item (note 30)	<u>3,031</u>	-	
	<u>3,694</u>	<u>636</u>	
18. Cost of raw material consumed			
Inventory at the beginning of the year	15,698	11,307	
Add: Purchases	<u>417,721</u>	<u>306,532</u>	
	<u>433,419</u>	<u>317,839</u>	
Less: inventory at the end of the year	<u>21,865</u>	<u>15,698</u>	
Cost of raw materials consumed	<u>411,554</u>	<u>302,141</u>	
Details of raw material consumed			
Fabric	30,201	30,945	
Granules	360,605	265,542	
Master batch and others	<u>20,749</u>	<u>5,654</u>	
	<u>411,555</u>	<u>302,141</u>	
Details of inventory			
Raw materials			
Granules	21,016	14,784	
Master batch and others	<u>849</u>	<u>915</u>	
	<u>21,865</u>	<u>15,699</u>	
19. Details of purchase of traded goods			
Sacks	<u>1,767</u>	-	
	<u>1,767</u>	-	
	31st March 2012	31st March 2011	(Increase) / decrease
	` in ('000)	` in ('000)	` in ('000)
20. (Increase)/ decrease in inventories of finished goods, work-in-progress			
Inventories at the end of the year			
Work-in-progress	28,653	38,677	10,024
Finished goods	28,091	19,832	(8,259)
Waste	128	332	204
	<u>56,872</u>	<u>58,841</u>	<u>1,969</u>
Inventories at the beginning of the year			
Work-in-progress	38,677	50,625	11,948
Finished goods	19,832	17,696	(2,136)
Waste	332	315	(17)
	<u>58,841</u>	<u>68,636</u>	<u>9,795</u>
	<u>1,969</u>	<u>9,795</u>	

	31 st March, 2012 in ('000)	31 st March, 2011 in ('000)
Details of inventory		
Work-in-progress		
Tape	6,641	5,551
Fabric	21,611	32,577
Others	400	549
	<u>28,652</u>	<u>38,677</u>
Finished goods		
Sacks	5,185	8,404
Tarpaulin	22,905	11,428
	<u>28,090</u>	<u>19,832</u>
21. Employee benefits expense		
Salaries, wages and bonus	4,226	2,736
Contribution to provident fund	192	140
Gratuity expense (note 25)	86	30
Staff welfare expenses	172	108
	<u>4,676</u>	<u>3,014</u>
22. Other expenses		
Consumption of stores and spares	7,559	6,710
Labour & Process charges	4,366	3,218
(Increase)/decrease of excise duty on inventory	1,238	200
Power and fuel	25,023	19,193
Freight and forwarding charges	14,712	10,137
Insurance	472	400
Repairs and maintenance		
Plant and machinery	429	403
Buildings	44	26
Others	366	258
Sales commission	661	-
Legal and professional fees	853	501
Payment to auditor (Refer details below)	218	127
Exchange differences (net)	868	-
Bad debts/advances written off	769	-
Miscellaneous expenses	5,308	3,180
	<u>62,886</u>	<u>44,353</u>
Payment to auditor		
As auditor:		
Audit fee	110	75
Tax audit fee	40	30
Limited review & Certification	19	18
In other capacity:		
Management services	45	-
Reimbursement of expenses	4	4
	<u>218</u>	<u>127</u>
23. Finance costs		
Interest on Fixed Loan	4,247	3,015
Interest on Cash-Credit	6,411	6,534
Others	5,378	3,970
Bank charges	898	1,281
	<u>16,934</u>	<u>14,800</u>

31st March, 2012 31st March, 2011
 ` in ('000) ` in ('000)

24. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

Net profit for calculation of basic and diluted EPS	6,679	6,309
Number of Shares	3,113,300	3,113,300
EPS (in `)	2.15	2.03

25 Gratuity and other post-employment benefit plans

a. The company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ` 191 in ('000) (Year ended 31 March, 2011 ` 139 in ('000) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to this plan by the company is at rate specified in the rules of the schemes.

b. The company operates two defined plans, viz., gratuity and leave encashment, for its employees. Under the gratuity plan, every employee who has completed atleast five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The plans are not funded by the company.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	Gratuity	
	31st March, 2012	31 st March, 2011
	` in (000)	` in (000)
Current service cost	45	47
Interest cost on benefit obligation	22	19
Expected return on plan assets	-	-
Net actuarial (gain)/loss recognized in the year	19	(35)
Net benefit expense	86	31
Balance sheet		
Benefit asset/liability		
Present value of defined benefit obligation	353	267
Fair value of plan assets	-	-
Present value of defined benefit obligation	353	267
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	267	240
Current service cost	45	47
Interest cost	22	19
Benefits paid	-	(4)
Actuarial (gains)/losses on obligation	19	(35)
Closing defined benefit obligation	353	267
The principal assumptions used in determining gratuity for the company's plans are shown below:		
Discount rate	8.50%	8.25%
Expected rate of return on assets	-	-
Employee turnover	2 % p.a.	2 % p.a.

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

26 Capitalization of expenditure

During the year, the company has capitalized the following expense of revenue nature to the cost of fixed asset/ capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective note is net of amounts capitalized by the company.

	31 st March, 2012 ` in (000)	31 st March, 2011 ` in (000)
Finance costs	<u>653</u>	-
	<u>653</u>	-

27 Segment information

Based on the guiding principle given in Accounting Standard-17 on Segment Reporting (issued by the Institute of Chartered Accountants of India), 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. All liabilities are located in India and assets are located in India & outside India . An analysis of sales by geographical market is given below.

Name of the Country

India	303,491	212,383
Middle East	53,321	70,120
Africa	145,798	85,544
Europe	18,795	19,809
Others	3,910	9,611
	<u>525,315</u>	<u>397,467</u>

28 Related party disclosures

Names of related parties and related party relationship

Related parties with whom transactions have taken place during the year

Key management personnel	Ashok Chhajjer
	Binod Chhajjer
	Rishab Chhajjer
	Kashyap Mehta

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	31 st March 2012 ` in (000)	31 st March 2011 ` in (000)
a. Remuneration to key managerial personnel		
Mr. Ashok Chhajjer, Managing director		
Salary	614	274
Director Sitting Fees	-	-
Mr. Rishab Chhajjer, Joint managing director		
Salary	110	-
Director Sitting Fees	-	-
Total	<u>724</u>	<u>274</u>
Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.		
b. Other transactions		
Mr. Kashyap Mehta, director		
Professional Fees	82	51
Total	<u>82</u>	<u>51</u>

29 Capital and other commitments

Estimated amount of contract remaining to be executed in Capital Account (net of advances) not provided for ` 2,887 (P.Y. ` 26,854)

30 Prior period income	Prior period income includes amount received towards interest subsidy relating to earlier year (under TUF scheme) in respect of loan taken for purchase of plant and machinery.			
31 DERIVATIVE INSTRUMENTS:	Foreign currency exposure that are not hedged by derivative instruments as on 31 st March, 2012 US \$ NIL Equivalent to ` NIL (P.Y. \$ NIL Equivalent to ` NIL)			
32	Trade receivables include ` 868/- (P.Y. ` 2,405) 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.			
33	Amount of expenditure incurred in research and development is ` Nil. (P.Y. ` Nil)			
34	Receivables and payables are subject to confirmations.			
35 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006	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 March 31 st , 2012. 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.			
		31st March 2012		31 st March 2011
		` in (000)		` in (000)
36 Value of imports calculated on CIF basis				
Raw materials		121,647		45,265
Components and spare parts		73		82
		121,720		45,347
37 Expenditure in foreign currency (accrual basis)				
Commission		661		-
Travelling and conveyance		70		46
		731		46
38 Imported and indigenous raw materials and spare parts consumed				
Year ended on	% of total	Value	% of total	Value
31st March, 2012	consumption	` in (000)	consumption	` in (000)
	31st March 12	31 st March 11	31st March 12	31 st March 11
Raw Materials				
Imported	28.35	116,687	16.26	49,114
Indigenously obtained	71.65	294,867	83.74	253,027
	100.00	411,554	100.00	302,141
Spare parts				
Imported	0.97	73	1.22	82
Indigenously obtained	99.03	7,487	98.78	6,628
	100.00	7,560	100.00	6,710
39 Earnings in foreign currency (accrual basis)				
Year of remittance (ending on)		31st March 2012		31 st March 2011
		` in (000)		` in (000)
Exports at F.O.B. Value		213,361		79,759
Commission Income		213,361		79,759

As per our report of even date attached

For Kantilal Patel & Co.

Chartered Accountants

Firm registration number: 104744W

Gopal S. Baldi

Partner

Membership no.: 125930

Place : Ahmedabad

Date : 30th May, 2012

For and on behalf of the Board of

Directors of Gujarat Craft Industries Limited

Ashok Chhajer

Managing Director

Rishab Chhajer

Joint Managing Director

Place : Ahmedabad

Date : 30th May, 2012

GUJARAT CRAFT INDUSTRIES LIMITED

Registered Office:

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

28th Annual General Meeting
Thursday, the 27th September, 2012 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 28th Annual General Meeting of the Company, to be held on Thursday, the 27th September, 2012 and/or at any adjournment thereof.

Signed the _____ day of _____ 2012.

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.

Pratiksha Printers, A'bad. 98252 62512

