



GARDEN SILK MILLS LIMITED
Annual Report 2009 - 2010

Garden®*

CORPORATE INFORMATION

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

Chairman & Managing Director

Alok P. Shah

Joint Managing Director

Shilpa P. Shah

Executive Director

Sanjay S. Shah

Executive Director

Suhail P. Shah

Executive Director

Rajen P. Shah**Arunchandra N. Jariwala****J. P. Shah****Yatish Parekh****Sunil S. Sheth****Smita J. Shah** (upto 30.09.2009)**Madanlal U. Lankapati****Anjan Mukherjee** (Nominee of LIC of India)**Company Secretary:**

Kamlesh B. Vyas

Registered Office:

Sahara Gate,

Surat 395 010.

Tel.: (0261) 2311197-98, 2311615

Fax: (0261) 2311029/502

E-mail: shareddepartment@gardenvareli.com<http://www.gardenvareli.com>**Corporate Office:**

Manek Mahal, 90, Veer Nariman Road,

Churchgate, Mumbai 400 020

Tel: (022) 22873117-19

Fax: (022) 22048112

Auditors:Messrs Natvarlal Vepari & Co.
Chartered Accountants, Surat**Plants:**

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

Bankers:

Bank of Baroda
Allahabad Bank
State Bank of India
Bank of India
State Bank of Patiala
Corporation Bank
Union Bank of India
Indian Bank
Landesbank Baden-Wurtemberg

Registrar & Transfer Agents:

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

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31st Annual General Meeting on Tuesday, 31st August, 2010 at 11:00 a.m. at Garden Mills Complex, Sahara Gate, Surat 395 010.

NOTICE

NOTICE is hereby given that the 31st Annual General Meeting of the Members of **GARDEN SILK MILLS LIMITED** will be held at **11:00 a.m.** on **Tuesday, 31st August, 2010** at the Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395 010, to transact the following business:

Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31st March, 2010, the Profit and Loss Account for the period ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares of the Company for the financial year 2009-10.
3. To appoint a Director in place of Mrs. Shilpa P. Shah, who retires from office by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Rajen P. Shah, who retires from office by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Alok P. Shah, who retires from office by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Yatish Parekh, who retires from office by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors, to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Kamlesh B. Vyas
Company Secretary

Surat, 7th July, 2010

Notes:

1. **A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company.**
2. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than forty-eight hours before the commencement of the Meeting.
3. Pursuant to the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 24th August, 2010 to Tuesday, 31st August, 2010 (both days inclusive) for the purpose of payment of dividend.

4. Subject to the provisions of Section 206A of the Companies Act, 1956, the dividend on equity shares as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or before the 30th day from the date of declaration i.e. 30th September, 2010 to those eligible members whose names will appear in the Company's Register of members on 23rd August, 2010; in respect of the shares held in dematerialised form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL) as beneficial owners as on that date.
5. Corporate members are requested to send a duly certified copy of the board resolution / power of attorney authorising their representative to attend and vote at the Annual General Meeting.
6. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank account in which they wish to receive dividend to their Depository Participants.
7. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends up to the financial year ended 1993-94 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet en-cashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No. II to Office of the Registrar of Companies – Gujarat, ROC Bhavan, Opp. Rupal Park, Near Ankur Bus Stop, Naranpura, Ahmedabad 380 013.

Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year 1994-95 to 2001-02, to Investor Education & Protection Fund (the IEPF) established by the central government.

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

Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid dividend
2002-03	18.12.2003	17.12.2010
2003-04	16.12.2004	15.12.2011
2004-05	01.12.2005	30.11.2012
2005-06	12.12.2006	11.12.2013
2006-07	13.11.2007	12.11.2014
2007-08	23.12.2008	22.12.2015
2008-09	30.09.2009	29.09.2016

Members who have not yet en-cashed their dividend warrant(s) for the financial year ended 30th June, 2003 or any year thereafter, are requested to make their claims to the Company / The Registrar and Transfer Agents of the Company accordingly, without any delay.

8. National Electronic Clearing Service (NECS):

Under this system the shareholders get the credit of dividend directly in their designated bank account. This ensures direct and immediate credit with no chance of loss of warrant in transit.

Shareholders holding shares in the physical form and desirous of availing NECS facility are requested to furnish particulars of their bank account (including 9 digits MICR code) to the Company or the registrar. After remittance of dividend amount through NECS, the same will be intimated to the respective shareholders.

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

- (a) Change in their Residential status on return to India for permanent settlement.
- (b) Particulars of their Bank Account maintained in India with complete name, branch, account type, account number with 9 digit MICR code and address of the Bank with Pin Code Number, if not furnished earlier.

10. Member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 10 (ten) days prior to the meeting so that the required information can be made available at the Meeting.
11. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Karvy Computershare Private Limited, the Registrar & Transfer Agents of the Company.
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
13. SEBI vide its Circular dated 20th May, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTA for registration of such transfer of shares.
14. Members' attention is particularly drawn to the "Corporate Governance" section in respect of general information for shareholders.

By Order of the Board of Directors

Surat, 7th July, 2010

Kamlesh B. Vyas
Company Secretary

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

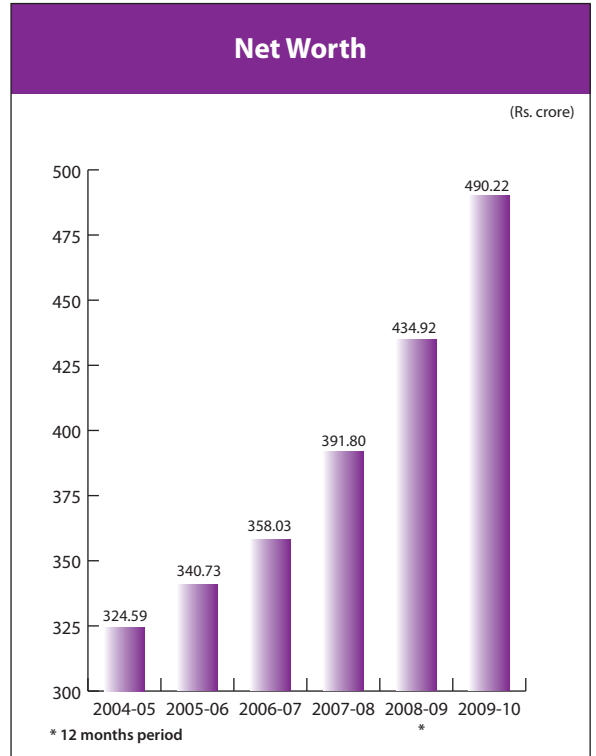
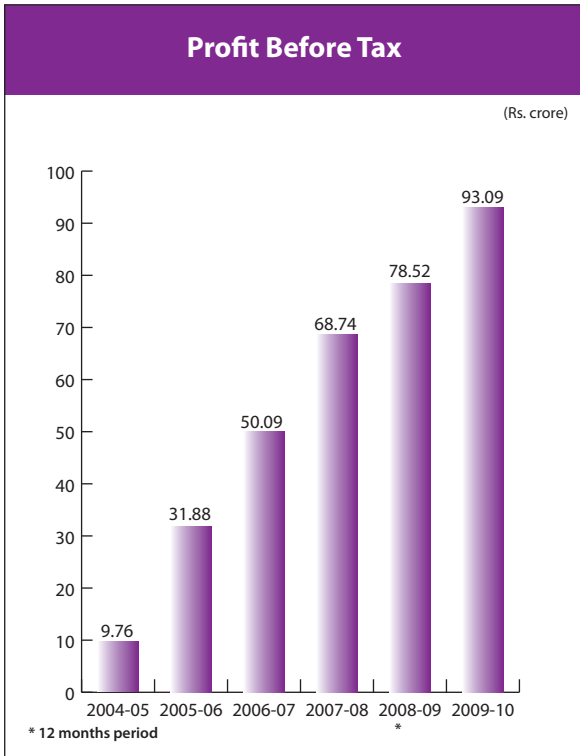
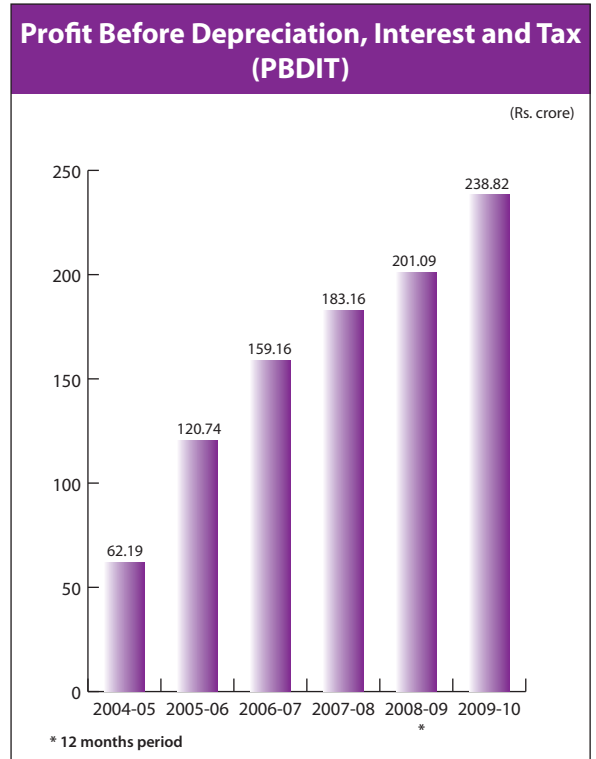
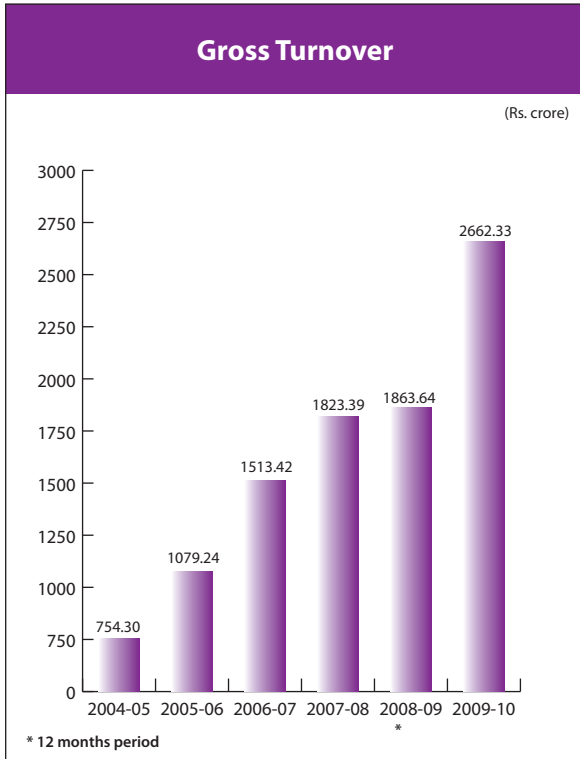
Name of the Director	Mrs. Shilpa P. Shah	Mr. Rajen P. Shah	Mr. Alok P. Shah	Mr. Yatish Parekh
Date of birth	28.03.1944	12.04.1951	11.09.1970	30.11.1951
Date of Appointment on the Board	23.07.1979	19.02.1990	19.10.2001	19.10.2001
Qualifications	M.A. (University of California, USA)	M.S. (University of California, USA)	B.S. (Stanford University) M.B.A. (University of Chicago, USA)	B.Com., F.C.A.
Expertise in specific functional areas	Industrialist	Industrialist	Industrialist	Accounts, Finance, Audit and Tax Matters
Directorship held in other Public Limited Companies (excluding foreign and private companies)	Prabhat Silk Mills Limited Surat Textile Mills Limited	Surabhi Chemicals & Investments Limited	Garden Finmark Limited Inita Power Company Limited Palomar Textiles Limited Bijlee Textiles Limited Jarigold Textiles Limited Rosekamal Textile Limited Wheel & Axle Textiles Limited Amichand Textile Limited Pashah Textiles Limited SPS Silk Limited Prabhat Silk Mills Limited Vareli Trading Company Limited	Surabhi Chemicals & Investments Limited
Memberships / Chairmanships of committees across public companies	-	Audit Committee - Member Share Transfer & Investors Grievance Committee - Member Remuneration Committee - Member	Management Committee - Chairman	Audit Committee - Member Management Committee - Member Share Transfer & Investors Grievance Committee - Chairman Remuneration Committee - Member
No. of shares held in the Company	554325	959198	754671	-

Financial Highlights

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

Key Indicators

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



DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present their 31st report on the business and operations of your Company together with the Audited Statements of Accounts for the year ended 31st March, 2010.

Summarised Financial Results:

	(Rs. in crore)	
	12 months ended 31st March, 2010	9 months ended 31st March, 2009
Operating Income	2514.89	1331.61
Other Income	6.41	7.06
Profit before interest, depreciation and tax	238.82	161.81
Less: Interest & Finance Charges (Net)	73.17	46.98
Depreciation	72.56	44.84
Profit before Tax	93.09	69.99
Less: Provision for Tax	29.88	20.41
Profit after Tax	63.21	49.58
Add: Balance b/f from Previous year	130.02	78.51
Transfer from Debenture Redemption Reserve	0.00	11.25
Balance Available for Appropriation	193.23	139.34
Appropriations:		
General Reserve	4.75	2.60
Proposed Dividend	6.89	5.74
Tax on Dividend	1.15	0.98
Balance carried to Balance Sheet	180.44	130.02
	193.23	139.34

Previous year's figures have been regrouped wherever necessary to compare with current year's presentation.

Financial Year:

The financial year of the Company was changed from 30th June to 31st March in the previous year 2008-09 therefore the figures for the current year ended 31st March, 2010 are not strictly comparable with the corresponding previous year as the previous year period pertains to 9 months.

Transfer to General Reserve:

Out of the total profit of Rs.63.21 crore for the financial year 2009-10, an amount of Rs.4.75 crore is proposed to be transferred to the General Reserve.

Dividend:

Your Directors are pleased to recommend a dividend of Rs.1.80 per equity share of Rs.10 each on 3,82,90,560 shares

for the year ended 31st March, 2010 for your consideration. The Dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the register of members of the Company as on the Book Closure date.

Review of operations:

Gross sales for the year ended 31st March, 2010 increased to Rs.2,662.33 crore as compared to Rs.1,863.64 crore in the corresponding 12 months period of 2008-09, registering a growth of about 43%.

Polyester chip sales increased substantially during the year from Rs.784.45 crore to Rs.1,356.04 crore whereas yarn sales were higher at Rs.1,132.55 crore as compared to Rs.911.84 crore in the corresponding 12 months of the previous year. The FOB value of goods exported by the Company during the 12 months period ended 31.03.2010 increased to Rs.158.62 crore as compared to Rs.40 crore in the corresponding period of 2008-09.

The Earnings before Interest, Depreciation & Tax (EBIDTA) rose by 18.77% to Rs.238.82 crore compared to Rs.201.09 crore in the previous year. The Profit before Tax also grew by 18.55% to Rs.93.09 crore in the financial year 2009-10.

The Company achieved higher production of chips/polymer melt at 358758 MT during the financial year 2009-10 as compared to 231758 MT in the corresponding period of 2008-09. The increase in chip/polymer production was the main reason for the increase in profits for the year. The increase in output more than offset the reduction in chip margins which followed increased competition from new entrants.

With the enhancement in POY/FDY manufacturing capacity, the yarn production during the year, was higher at 127520 MT compared to 94703 MT in the 12 months period of 2008-09. The higher yarn production was the second most important reason for profit increase. During the year the Company increased its emphasis on specialty yarns and broadened the geographical distribution of its products.

Fabric production increased from 318.41 lac meters to 352.10 lac meters in the year under review. The Company increased its presence in the kidswear segment by introducing many new georgette and chiffon varieties for this segment. The Company also increased its sales of embroidered sarees and dress materials and institutional sales.

In the last year fabric development has been geared towards jaquard and dobbies. In line with the market your Company has made a shift from traditional dress materials and sarees to shirtings, fabric for garmenters and interlining fabric.

The Government of India partially rolled back the stimulus package, by raising the excise duty on polyester from 4% to 8% in July 2009 and increased it by another 2% on polyester

and feedstock alike in the Union Budget 2010-11, thus bringing them at a uniform rate of 10%. The higher excise duty will enable the Company to substantially reduce its accumulated cenvat balance and hence improve financial liquidity.

Your Company has closed down its activity of the finance division during the year and therefore the present business activity falls within a single primary business segment viz. 'Textiles'.

Expansion Program:

To expand its product portfolio and to maintain its leadership in domestic market, your Company has over a period successfully enhanced its chips and yarn manufacturing capacity with an emphasis on specialty products.

In January 2009 after the successful expansion of Continuous Polymerization (CP) capacity to 416,000 TPA the Company successfully added POY and FDY capacity of 47,250 TPA in April 2009. The fruits of this expansion are visible in the results of the year under review. Moreover, the Company has successfully commissioned a project involving further enhancement of polyester chips capacity by 300 tonnes per day (TPD) at its plant at Village Jolwa, Taluka Palsana, Dist. Surat which commenced commercial production during April, 2010. The chips to be produced will be specialty chips that will cater to the needs of not just the textile industry but also the fast growing film and packaging industry.

During the year, your Company undertook expansion involving increase in POY capacity by about 144 TPD and FDY capacity of about 112 TPD at Jolwa. These projects are expected to be commissioned in a phased manner during January-June, 2011. These new plants will markedly increase production of specialty products. To cater to the growing needs of the sized-yarn sector the Company has initiated a draw-warping expansion project which will further enhance draw-warping capacity by 35 TPD. This project is expected to be on-stream by October, 2010.

To meet the captive power requirement for these projects, the Company is also putting up a coal based thermal power project of 18 MW at Jolwa which is expected to commence power generation before March, 2011.

Our expansion projects over the year are aligned with our objective of maintaining above-industry-average growth and will consolidate our position as a global leader in specialized polyester products. These initiatives will improve our economies of scale, our technological capabilities and strengthen our position in a very competitive market.

Review of the Economic Scenario:

The global economy continues to recover amidst ongoing policy support and the improving financial conditions of consumers and businesses alike. The recovery has been almost as synchronized and unanticipated as was the downward phase of the Great Recession.

The recovery process is led by emerging market economies, especially those in Asia. Advanced economies are expected to grow as well though at a much slower rate. According to IMF, the world economy expanded at an annual rate of over 5 per cent during the first quarter of 2010, primarily driven by the growth in Asian economies. World growth is projected at about 4.5% in 2010 and 4.25% in 2011. GDP forecasts for Asia have been revised upward for 2010, from about 7% to 7.5%.

The global economy however continues to face several challenges. The likely exit from expansionary monetary and fiscal policies in 2011 may be the biggest risk facing the global recovery. Developed nations are facing high levels of unemployment (around 10% in the US and the Euro area), poor credit growth and lethargic financial markets. Despite signs of renewed activity in manufacturing and signs of improvement in retail sales, the prospects of economic recovery particularly in Europe are clouded by acute fiscal strains and default-risks in some countries.

India's recovery after the slow-down is well under way. Growth is projected to recover to 8-9% in the next two years. Rising interest rates, rupee appreciation, high inflation, volatility in capital flows and continued low growth in high income nations could somewhat slow the recovery but are unlikely to derail it. Consumer and business confidence is very strong and are reasonably balanced across the country. The confidence is supported by fast growing disposable income and corporate earnings. Manufacturing is expected to be a major driver of growth over the next few years. Exports have been expanding since October, 2009, a trend that is expected to continue.

On the back of 15.1% growth by the manufacturing sector, the Indian economy expanded by 9.0% in the first three months of 2010. In the current fiscal the government projects the economy will grow by 8.5% (vs 7.4% in 2009-10).

Inflation in food products, measured by the Wholesale Price Index (WPI), rose to 16.8% in 2009-10 from 10% in 2008-09. With the wholesale price-based inflation still above 9.5%, the RBI may further tighten money supply, which will result in higher interest rates. With the unclear prospects for the monsoon, high inflation and the policy responses it may bring, are possibly the biggest hurdles to the economic growth.

China's announcement of a flexible policy for its currency may result in some appreciation against the dollar but may not have much impact on India. Its rapidly increasing wage rate on the other hand is having a positive impact on many Indian manufacturers including PFY manufacturers by improving their relative cost competitiveness.

Industry Review:

Globally synthetic fibres, led by polyester (polyester staple fibre and polyester filament yarn) have been growing rapidly owing to a growing demand for fiber and the continuing replacement of natural fibres in a world short of agricultural acreage.

The proportion of synthetics in total fibre consumption worldwide has risen from 47% to 57% in the last 15 years while cotton has reduced from 42% to 36%. Moreover the percentage of polyester in global synthetics market has gone up from 58% to 79% in this period (source Oerlikon: Fibre Year 2010). In India polyester has been steadily replacing natural fibres as well. However since past government policies have led to a much higher ratio of natural (especially cotton) fibres to synthetics the potential for polyester growth is correspondingly higher. India has overtaken Taiwan and Korea to become the largest producer of polyester yarn (including PFY) outside of China.

The demand for polyester filament yarn in India grew by around 14% in 2009-10, faster than all other major yarn categories. Exports of PFY based textile products have also shown good growth unlike exports of other textile products.

As per CRISIL estimates, the domestic textile market (ready-made garments and home textiles) is expected to grow at a CAGR of 6-7% between FY 2008-09 and FY 2013-14. International experts have estimated a much higher growth rate. Rising income levels and increased growth in rural spending on textile products will translate into growth in domestic demand for fabric. Moreover India's improved competitive position vis-à-vis China should help in good growth of chips and yarn exports.

In the year 2009-10 the growth in the Indian PFY industry was positive, despite a severe shortage of PTA raw material owing to delayed start-up of a large new Indian PTA plant. It is expected that the recent start-up of this plant will result in healthy growth of the industry in the remaining months of the year. The recent successful start-up of the IOC MEG plant will also significantly reduce the import dependency of MEG in India.

In the years ahead relatively easier availability of raw materials, growing local and international demand and improved cost competitiveness of Indian manufacturers vis-à-vis their global competitors should permit strong growth in the PFY industry.

The general weaving/fabric processing segment of the PFY industry suffered production losses due to labour shortage. The market seems to be consolidating from its super fragmented nature. Very small weavers who traditionally were job workers are shutting shop, and medium large scale weavers are augmenting capacity particularly in automatic looms.

Opportunities, Strengths and Outlook:

When oil prices were at \$147 and costs of polyester raw materials were at a peak, and when the economy was in the grip of a severe slowdown, your Company has shown robust profitability reestablishing its credentials as a relatively low-risk company. During the financial crisis Indian consumers skewed their spending toward value-products like PFY textiles.

The growth of the rural market has played a major role in the resilient growth of PFY in good times and bad. It is expected that rural markets will play an increasingly important role in the economy which offers a major opportunity for growth in the polyester industry. The price of cotton has gone up considerably putting it out of reach of many consumers thus improving the competitive positioning of PFY.

Per capita consumption of polyester in India is exceedingly low by world standards so there is great scope for local demand growth. Moreover we believe India will play an increasingly important role as an exporter of high quality polyester filament chips and yarn. Your Company is well positioned to take advantage of both local and global demand growth.

Your Company occupies a leadership position in the manufacturer of Polyester Filament Yarn (PFY)-based textiles in India. It has the distinction of being the largest manufacturer of PFY-based fabrics in the country. It is also the leading manufacturer of fully drawn flat filament yarn and textile-grade chips. The Company is also a significant producer of differentiated Partially Oriented Yarn (POY), draw-warped yarn, draw-twisted yarn, draw-textured yarn, sized yarn and twisted yarn. Your Company is the second largest specialty yarn maker and the largest specialty chip maker in India.

Your Company is considered to be a market leader in quality and enjoys a solid reputation with its customers who give it a price-premium across its product range. Its market position gives it the ability to grow fast and profitably. Its specialty range allows it to differentiate itself in the market and will enable it to successfully withstand competitive pressures in times to come. The specialty market is growing and so is the need for quality, providing a great opportunity for your Company's growth.

Your Company is expected to increase its exports substantially this financial year. While China is still the largest and most cost-competitive country in PFY-based clothing, the scarcity of labour and high rate of wage growth in China is making your Company relatively more cost competitive in the international markets. Your Company is becoming a sizeable exporter of chips and yarn and is sometimes exporting to China, too.

Garden is an integrated player in the polyester chain whose products stem from chips to POY to processed yarn, preparatory yarn, to finished, dyed and printed fabric. This integration helps insulate it from the vagaries of the market and gives it leading information on which to base decisions across the chain.

The introduction of GST will be beneficial to your Company's performance as it will create a level playing field vis-a-vis its some of competitors who presently have central sales tax exemptions.

The general economic expansion is expected to contribute further to the upbeat trend. Your Company plans to exploit this opportunity through a disciplined policy of long-term investment thereby achieving higher returns and enhancing shareholder value. The Company will especially address opportunities to leverage domains of market leadership.

Risks and Concerns:

The next 1-2 years are likely to see a large expansion in PFY, both POY and FDY. This may result in a reduction in margins in the yarn business. The margins in chips may not decline much, however, owing to the expected increase in yarn production. The Company's growth in chip and yarn sales will help offset the reduction in margins. The Company's thrust on specialties, high quality and customer relationships will help support margins.

The developed world faces the less likely but real risk of a double-dip recession which will have a slowing effect on the Indian economy as well. Yet this is unlikely to affect your Company adversely as it has done well in probably far worse conditions.

To curb the high inflation in the country the RBI may increase interest rates. This may have a negative effect on your Company's cost of borrowing.

Your Company takes risk management very seriously. The risk management practice *inter alia* provides for review of risk assessment and mitigation procedures, with guidelines to regularly update the management and the Board of risk status.

During the year, the Audit Committee, which has been designated by the Board, reviewed the adequacy of the risk management framework of the Company, the key risks associated with the businesses of the Company and the measures and steps in place to mitigate the same. The details were thereafter presented to and discussed at the Board Meeting.

Project execution is largely dependent upon timely delivery by the equipment suppliers, project management skills, and adherence to schedule by civil contractors. Any delay in project implementation will impact revenue and profit for that period.

The volatility witnessed in the global markets has reiterated the need for robust forex management systems and prudent investment practices. Your Company has conservative forex management processes, which ensure that forex exposures are hedged immediately upon the occurrence of an exposure. Currently the Company uses only forward contracts to hedge both its imports and exports and continues to maintain the philosophy of protecting cash flows. The Company does not speculate in the forex market.

Your Company is exposed to the risk of price fluctuation on major raw materials-PTA and MEG. While in regular course of business price fluctuations are passed on to customers sudden price reductions can result in freezing up of sales and consequent inventory losses.

Finance and Investment:

The Company, during the year under review, has successfully mobilized additional resources to fund its long-term and project-related financial requirements. The capex program of the Company is being funded by a combination of internal accruals and long-term borrowings from banks. The Company has spent an aggregate amount of Rs.186.49 crore on ongoing projects until year-ended 31st March, 2010.

Your Company availed term loans of Rs. 195.53 crore during the year to part-finance the capital expenditure program. The working capital requirements are met through borrowings from a consortium of banks, and placement of Commercial Papers and availing buyers credit from raw material suppliers. The Company repaid long-term loans of Rs. 124.67 crore (including prepayment of Rs. 1.47 crore to a foreign bank) to the banks and institutions towards its term loan obligations for the year 2009-10.

The Company continues to maintain adequate liquidity to meet unanticipated expenditures and accordingly invests surplus funds available in rated debt mutual funds and fixed deposits of reputed banks. As in the past, the Company enjoyed the confidence of its bankers and has been able to avail various banking facilities at favourable terms.

Interest cost has gone up during the year largely on account of additional borrowings for the new projects which commenced during the year. Your Company with better working capital management maintained lower interest costs inspite of higher working capital utilization during the year as compared to previous year.

Banks have switched over to the system of Base Rate from 1st July, 2010. It is expected that the Base Rate system will enhance transparency in lending rates. The switchover to base rate system will not have major impact on the Company.

Credit rating:

The Company continues to have the highest credit rating of "PR1+" (PR One Plus) from Credit Analysis & Research Ltd. (CARE) to the Commercial Paper (CP) / Mibor linked Short-Term unsecured NCD etc. of the Company, aggregating to Rs.185 crore for a maturity up to six months. Strong credit ratings by Credit Rating agencies reflect the Company's financial discipline and performance.

Corporate Governance:

Your Company continues to be committed to good Corporate Governance aligned with good practices. Your Company is in compliance with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges. A separate Report on Corporate Governance along with the Auditors' certificate on compliance with the Corporate Governance as stipulated in Clause 49 is set out in this Annual Report and forms part of this Report.

Directors:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mrs. Shilpa P. Shah, Mr. Rajen P. Shah, Mr. Alok P. Shah and Mr. Yatish Parekh retire from the Board by rotation and are eligible for re-appointment at the forthcoming Annual General Meeting. The Board recommends their re-appointment. The Notice convening the Annual General Meeting includes the proposals for re-appointment of Directors.

Directors' responsibility statement:

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, in relation to financial statement for the year 2009-10, the Board of Directors of the Company hereby state and confirm that:

- i. in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departures;
- ii. the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profits of the Company for the year ended on that date;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. the annual accounts have been prepared on a going-concern basis.

Auditors:

The statutory auditors of the Company, M/s. Natvarlal Vepari & Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting. Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Audit Committee and the Board of Directors therefore recommend their re-appointment as statutory auditors of the Company for 2010-11 for the approval of shareholders.

Auditors' Report:

Notes to the accounts, as referred in the auditors' report, are self explanatory and a practice consistently followed, and therefore do not call for any further comments and explanations.

Cost Audit:

As per the requirement of the Central Government and pursuant to Section 233B of the Companies Act, 1956, your Company carries out an audit of cost accounts relating to the product Polyester every year. Subject to the approval of Central Government, the Company has appointed Mr. V. Srinivasan, cost accountants, as auditors to audit the cost accounts of the Company for the Financial Year 2010-11.

Internal Control Systems:

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

Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

Human Resources and Industrial Relations:

Good human resource management plays a key role in company performance. The employee relations during the year have remained cordial and satisfactory. Attracting and retaining dedicated and skilled human resource, offering them a conducive work environment and excellent career development opportunities are currently prime HR priorities.

Health, Safety and Environment Measures:

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

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

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

Cash Flow Analysis:

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

Investor Education & Protection Fund:

During the year, the Company has transferred a sum of Rs.12,63,825 to Investor Education & Protection Fund, the amount of Dividend pertaining to financial year 2001-02 which remained unclaimed and unpaid for a period of seven years, as provided in Section 205C(2) of the Companies Act, 1956.

Reward, Recognition & Quality Systems Certification:

Your Company continues to have the status of "Star Export House" by the Office of Joint Director General of Foreign Trade, Ministry of Commerce & Industry, Government of India on achieving the required Export targets.

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

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

Fixed Deposits:

Your Company has not accepted or renewed any fixed deposits under Section 58A of the Companies Act, 1956 and as such no amount of principal or interest was outstanding as on 31st March, 2010.

Disclosure of Particulars:

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology, Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure 'A' forming part of this Report.

Personnel:

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder, is provided in an Annexure forming part of this Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining copy of the same may write to the Company Secretary.

Depository System:

The Company's shares are compulsorily tradable in electronic form. As on 31st March, 2010, 94.49% of the Company's total paid-up capital representing 36,17,9323 shares are in dematerialised form. In view of the numerous advantages offered by the depository system, members holding shares in physical mode are advised to avail of the facility of dematerialisation on either of the depositories.

Cautionary Statement:

Statement in this Directors' Report & Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal market, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

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

Acknowledgement:

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

Your Directors would like to express their appreciation to all employees for their outstanding contribution to the operations of the Company during the year.

For and on behalf of the Board

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

Surat, 7th July, 2010

ANNEXURE TO THE DIRECTORS' REPORT**Annexure 'A'**

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

I. CONSERVATION OF ENERGY

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

(a) Energy Conservation measures taken:

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

- The commissioning and operational stabilization of 24-end fully-drawn yarn (FDY) spinning machinery.
 - Reduction of generating pressure for yarn intermingling in spinning, reducing power consumption.
 - Reduction of polymer load in candle cleaning by draining excessive polymer from hot candles, decreasing wastage and saving power.
 - Switching off of pre-heater ovens in absence of spin pack load, reducing electrical load.
 - The commissioning and operational stabilization of coal-based heaters for continuous polymerization plants 1, 2 and 3.
 - In continuous-polymerization plant CP1/2, the recycling of soft water from CP pumps resulting in saving of cost for soft water generation.
 - The impellers of chilled water trimmed to get optimum output and saving in power due to intermittent stoppage of pump.
 - The compressor cooling water pump is made common resulting in power saving.
- (b) Additional investments and proposals, if any, being implemented by the Company for reduction of consumption of energy
- Centrifuge provided in CP1/2 for Titanium Dioxide system.
- (c) Impact of the above measures for reduction of energy consumption and consequent impact on cost of production of goods:
- Energy saving
 - Increase in productivity
 - Reduction in power consumption
- (d) Total energy consumption and energy consumption per unit of production as per Form A:

ANNEXURE TO THE DIRECTORS' REPORT

"FORM A"

	12 months ended 31st March, 2010	9 months ended 31st March, 2009
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased Unit in Lacs	12.37	80.55
Total amount Rs. in Lacs.	196.40	562.77
Rate / Unit Rs.	15.88	6.99
b. Own Generation		
i. Through Generator HFO/ LDO/ HSD Based		
Units in Lacs	340.72	368.13
Units per Ltr. of Diesel/ HFO/ LDO/ HSD Consumption	4.58	3.73
Cost/Unit Rs.	4.67	5.73
ii. Through Generator Gas Base		
Units in Lacs	2102.53	956.92
Units per SCM of Gas Consumption	3.78	3.73
Cost/Unit Rs.	4.26	3.88
2. Coal/Lignite for Generation of Steam		
Usage in Boilers and Thermopack, Quality used "C" Grade		
Quantity (M.T.)	6354.00	4995.00
Total Cost Rs. in Lacs	157.20	144.98
Average rate Rs./M.T.	2474.03	2902.50
3. Furnace Oil		
Quantity (K. Lts.)	NIL	NIL
Total Amount	NIL	NIL
Average rate Rs./Lts.	NIL	NIL
4. Others/Internal generation		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate / Unit Rs.	NIL	NIL
B. CONSUMPTION PER UNIT OF PRODUCTION		
Vareli Division		
Electricity (Unit)	Mts./kg.	Mts./kg.
Product:		
- Grey Fabrics	0.32	0.32
- Finished Fabrics	0.36	0.37
- Warp Draw Yarn	1.54	1.53
Furnace Oil	NIL	NIL
Coal / Lignite	0.75	0.79
Jolwa Division		
Electricity (Unit)		
Product:		
- PFY	0.96	0.95
- Chips	0.12	0.12
Furnace Oil	NIL	NIL
Coal / Lignite (Kg.)	NIL	NIL

ANNEXURE TO THE DIRECTORS' REPORT

II. TECHNOLOGY ABSORPTION:

(e) Efforts made in Technology Absorption as per Form 'B' given below:

"FORM B"

RESEARCH AND DEVELOPMENT (R & D):

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

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

- System provided for production of Optical Brightener Chips in CP1/2.
- New products started in CP2 Division:
 - (a) Hombright – Semi-Mod Chips
 - (b) Semi-Mod Chips

2. Benefits derived as a result of above efforts:

- Centrifuge provided in CP1/2 for Titanium Dioxide system resulted in following improvements:
 - (a) Increase in polymer filter life.
 - (b) Improvement in partially-oriented yarn (POY) spinning performance due to less waste generation.
- Opening up avenues for more business in future including export potential.
- Strengthened product portfolio and improved contribution margin.

3. Future plan of action:

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

4. Expenditure on R & D:

- Research & Development is carried out by the concerned departments in-house and no separate accounts are maintained.

5. Particulars of Technology imported during the last 5 years:

- | | | |
|--|---|--|
| (a) Technology imported | : | For polyester melt and chip manufacturing through continuous polymerisation process. |
| | : | |
| (b) Year(s) of import | : | 2005-06. |
| (c) Extent of absorption of technology. | : | To the full extent. |
| (d) If not fully absorbed areas where this has not taken place, reasons thereof and future plan of action. | : | Not applicable. |

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

With India's growing importance as a low-cost manufacturing base with good health, safety and environment practices, your Company expects a substantial export potential in its products. During the year your Company achieved export sale of Rs.158.62 crore.

The information on Foreign Exchange earnings and outgo is contained in Note 20(d) in Schedule 12 to the Accounts.

For and on behalf of the Board

Praful A. Shah
Chairman & Managing Director

Surat, 7th July, 2010

CORPORATE GOVERNANCE REPORT

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

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Your Company believes that good corporate governance is a basic tool to achieve long-term corporate goal to create shareholders' value on a sustainable basis.

The Company aims at achieving transparency, accountability and equity across all facets of operation and in all interactions with stakeholders, while fulfilling the role of a responsible corporate representative committed to sound corporate practices.

In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the stock exchanges, the details are set out below:

2. BOARD OF DIRECTORS:

Composition of the Board

The Board has an optimum combination of Executive and Non-Executive Directors, and is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges. The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the results of management to ensure that the long-term objectives of enhancing stakeholders' value are met.

Currently, the Company's Board comprises twelve Directors including the Managing Director. The Board has five Executive Directors and seven Non-Executive Directors. The Non-Executive Directors are having diverse backgrounds with considerable professional proficiency, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as member of the Board.

The Independent and Non-Executive Directors do not have any material pecuniary relationship with the Company. None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii)) across all the Companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies.

Meetings held

The Meetings of the Board are generally held at the Registered Office of the Company. The Board of Directors met 5 times during the year on the following dates - 28th April, 2009, 31st July, 2009, 1st September, 2009, 31st October, 2009 and 27th January, 2010. The gap between two meetings was not more than four months. The 30th Annual General Meeting was held on 30th September, 2009. There was no extra ordinary general meeting of the shareholders of the Company held during the year 2009-10.

Board procedure

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

The Agenda prepared by the Company Secretary in consultation with the Chairman & Managing Director is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In addition to the information required under Annexure IA to Clause 49 of the Listing Agreement, the Board is also kept informed of major events / items and approvals taken wherever necessary. The Board reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any.

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

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

Code of Conduct

As part of Code of Conduct, the Company has a well defined and laid down policy approved by the Board for prevention of insider trading which is in line with the SEBI (Prohibition of Insider Trading) Regulations, 1992 (as amended from time to time).

The code clearly specifies, among other matters, that Directors and designated employees of the Company can trade in the shares of the Company only during 'Open Period'. The trading window is closed at the time of declaration of results, dividend and material events, etc. as per the Code. A yearly disclosure is taken by all the Directors and Designated Employees of the Company.

Risk Management

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

CEO/CFO Certification

As required under clause 49(v) of the Listing Agreement with the Stock Exchanges, the Managing Director and Joint Managing Director of the Company have certified to the Board regarding their review on the Financial Statements, Cash flow Statements and matters related to internal controls etc. in the prescribed format for the year ended 31st March, 2010.

Category and Attendance of Directors

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the financial year 2009-10 and the last Annual General Meeting (AGM), as also the number of directorships and committee positions held by them in other public limited companies as on 31st March, 2010 are as follows:

Name of Director	Nature of Directorship	No. of Board Meeting attended	Attendance at the last AGM	No. of other Directorships*	No. of committee Chairmanship#	Shareholding
Mr. Praful A. Shah	Executive Chairman	4	No	12	–	2789190
Mr. Alok P. Shah	Executive	5	Yes	12	–	754671
Mrs. Shilpa P. Shah	Executive	2	No	1	–	554325
Mr. Sanjay S. Shah	Executive	3	No	1	–	921511
Mr. Suhail P. Shah	Executive	4	Yes	12	–	496685
Mr. Rajen P. Shah	Non-Executive	2	Yes	1	–	959198
Mr. J. P. Shah	Non-Executive Independent	1	No	–	–	6595
Mr. Yatish Parekh	Non-Executive Independent	4	Yes	1	–	0
Mr. A. N. Jariwala	Non-Executive Independent	4	No	1	–	100
Mr. Sunil S. Sheth	Non-Executive Independent	5	No	–	–	230
Mrs. Smita Shah ***	Non-Executive Independent	1	No	–	–	2100
Mr. Madanlal Lankapati	Non-Executive Independent	–	No	–	–	150
Mr. Anjan Mukherjee	Nominee	4	No	–	–	120

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

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

*** Resigned w.e.f. 30.09.2009.

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

3. BOARD COMMITTEES:

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

a) Audit Committee

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

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

The Committee met five times during the course of the year on 28th April, 2009, 28th July, 2009, 1st September, 2009, 30th October, 2009 and 27th January, 2010. The composition of the Audit Committee and attendance of the Members at the Meetings were is as follows.

Name	Status	No. of meetings attended
Mr. Arunchandra N. Jariwala	Chairman	4
Mr. Yatish C. Parekh	Member	4
Mr. Rajen P. Shah	Member	3

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise.

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

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

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

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

The Committee met 26 times during the year. All the transfers of shares have been done within stipulated period. The Share Transfer Agent/Company has timely resolved/attended all the 294 received during the year 2009-10 and no complaint or grievance remains unattended/unresolved at the year-end.

c) Remuneration Committee

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

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

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

The Committee held two meetings during the 2009-10 on 28th April, 2009 and 1st September, 2009.

Remuneration policy:

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

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

The Non-Executive Directors are paid sitting fees @ Rs.5,000 per meeting of the Board and Audit Committee and Rs.1,000 per meeting for other meetings. The amount of commission paid/payable to each Non-executive Director is decided by the Board of Directors.

Details of remuneration paid/payable to Directors for the year ended 31st March, 2010

(Amount in Rupees)

Names	Salary & Perquisites	Sitting fees	Commission#
Mr. Praful A. Shah	94,94,890	Nil	2,75,00,000
Mr. Alok P. Shah	93,04,592	Nil	1,50,00,000
Mrs. Shilpa P. Shah	22,49,103	Nil	Nil
Mr. Suhail P. Shah	66,94,660	Nil	1,25,00,000
Mr. Sanjay S. Shah	18,71,280	Nil	Nil
Mr. Rajen P. Shah	Nil	42,000	Nil
Mr. J. P. Shah	Nil	5,000	Nil
Mr. Yatish Parekh	Nil	60,000	Nil
Mr. A.N. Jariwala	Nil	57,000	Nil
Mr. Sunil S. Sheth	Nil	27,000	Nil
Mrs. Smita Shah *	Nil	5,000	Nil
Mr. Madanlal Lankapati	Nil	Nil	Nil
Mr. Anjan Mukherjee	Nil	20,000	Nil
Total	2,96,14,525	2,16,000	5,50,00,000

Commission proposed and payable after approval of audited accounts for the financial year 2009-10, by the shareholders in the ensuing Annual General Meeting

* Resigned w.e.f. 30th September, 2009.

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

In addition to the above Committees, the Board of Directors has constituted a committee of Directors namely, Management Committee consisting five Directors, namely, Mr. Mr. Alok P. Shah, Mr. Sanjay S. Shah, Mr. Rajen P. Shah, Mr. Yatish Parekh and Mr. Sunil S. Sheth. The Company considers and facilitates decision making on various matters related to operations, finance, banking operations, delegation of powers for day to day direct and indirect tax matters, authorisation to specific employees for certain contractual obligations and such other delegation as may be required from time to time.

The Committee met five times during the year on 15th April, 2009, 9th July, 2009, 7th October, 2009, 11th December, 2009 and 11th March, 2010. However, between two meetings discussions are held, as and when required, among the Committee members and decisions are taken in all matters coming within the Committee's purview.

4. SUBSIDIARY COMPANIES:

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

As on 31st March, 2010, the Company has no such material non-listed subsidiary.

5. DISCLOSURES:

a) During the financial year 2009-10 there were no materially significant transactions entered into between the Company and its promoters, directors or the management or relatives etc. that may have potential conflict with the interests of the Company at large. Your Company places all the relevant details as applicable before the Audit Committee.

- b) Your Company has followed the relevant Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) and The Companies (Accounting Standards) Rules, 2006 in preparation of its financial statements.
- c) The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.
- d) No money was raised by the Company through public issue, rights issue, preferential issues etc. in the last financial year and hence provisions contained in this behalf in Clause 49 of the listing agreement are not applicable for compliance by the Company.
- e) The number of shares held by each director is mentioned in the statement as annexure to this report.
- f) The brief profile of the Directors proposed to be re-appointed is given in the section of Notice forming part of Annual Report.
- g) There were no material financial and commercial transactions by Senior Management as defined in Clause 49 of the listing agreement where they have personal interest that may have a potential conflict with the interests of the Company at large requiring disclosure by them to the Board of directors of the Company.
- h) The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authority on all matter related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by these authorities.

6. INSIDER TRADING POLICY:

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

7. GENERAL BODY MEETINGS:

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

Year	Date	Time	Venue
2006-07	13/11/2007	11.00 a.m.	Sahara Gate, Surat.
2007-08	23/12/2008	11.00 a.m.	Sahara Gate, Surat.
2008-09	30/09/2009	11.00 a.m.	Sahara Gate, Surat.

In addition to Annual General Meeting, the Company holds Extraordinary General Meetings of the shareholders as and when need arises. There was no such meeting during the year ended on 31st March, 2010.

At the AGM held on 13th November, 2007, a Special Resolution was passed approving the payment of commission to Non-Wholetime Directors pursuant to Section 309 of the Companies Act, 1956. At the AGM held on 23rd December, 2008 and 30th September, 2009 there were no matters that require passing special resolution.

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

8. MEANS OF COMMUNICATION:

- (a) The Quarterly results are submitted to the Stock Exchanges in accordance with the Listing Agreement and published in widely circulated newspapers Economic Times, Financial Express, Business Standard, Mumbai edition and Indian Express, Baroda edition and Gujarat Samachar and Sandesh, Surat edition and posted on the Company's web-site.
- (b) As per the requirements of Clause 51/newly inserted Clause 52 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc. have been electronically filed on the EDIFAR website, www.sebiedifar.nic.in / Corporate Filing and Dissemination System (CFDS) portal, www.corpfilng.co.in
- (c) Management Discussion & Analysis forms part of the Annual Report, which is mailed to the shareholders of the Company.

9. GENERAL SHAREHOLDERS' INFORMATION**a) Annual General Meeting:**

The Annual General Meeting of the Company has been convened on Tuesday, 31st August, 2010 at the Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395 010 at 11:00 a.m.

b) Financial calendar for the Year 2010-11:

The tentative financial calendar for the year ending 31 st March, 2011 is given below:

Board Meetings for considering the Quarterly results for the first three quarters of the financial year ending 31 st March, 2011 - Within 45 days from the end of each Quarter.

Board Meeting for considering Audited Results for the last Quarter and for the financial year ending 31 st March, 2011 - Within 60 days from the end of the financial year.

c) Book closure:

The dates of Book Closure are from Tuesday, 24th August, 2010 to Tuesday, 31st August, 2010 (both days inclusive) for dividend entitlement which will be paid after approval by the Shareholders at the ensuing Annual General Meeting scheduled on 31st August, 2010.

d) Listing of equity shares/shares underlying GDRs on Stock Exchanges:

The shares of the Company are listed on the Ahmedbad Stock Exchange Limited (ASE), the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The Company's Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange.

e) Listing fee to Stock Exchanges:

The Company has paid the Annual Listing fee for the year 2010-11 to all the above Stock Exchanges and listing agency fee to Societe de la Bourse de Luxembourg for the calendar year 2010.

f) Custodial Fees to Depositories:

The Company has paid custodial fees for the year 2010-11 to National Securities Depository Limited (NSDL and Central Depository Services (India) Limited (CDSL).

g) Stock Code/Symbol:

ASE (Physical) – 18350
BSE (Physical Segment) – 155
BSE (Demat Segment) – 500155
NSE- GARDENSILK EQ

International Securities Identification Number (ISIN)

The Company's scrip forms part of the SEBI's Compulsory demat segment bearing ISIN No. **INE526A01016**.

Corporate Identity Number (CIN)

The Company's CIN, allotted by the Ministry of Corporate Affairs, Government of India, is **L17111GJ1979PLC003463**. The Company is registered in the State of Gujarat, India.

h) Stock market price Data for the year 2009-2010:

High/Low of market price of the Company's shares traded on Bombay Stock Exchange Limited and the National Stock Exchange India Limited during each month in the last financial year ended 2009-10 are as under:

(in Rupees)

Month	Bombay Stock Exchange		National Stock Exchange	
	High	Low	High	Low
April, 2009	47.75	38.10	48.00	38.00
May, 2009	92.40	46.00	92.85	47.50
June, 2009	90.60	67.05	91.75	66.00
July, 2009	73.25	55.15	71.05	55.55
August, 2009	87.45	76.90	87.40	74.60
September, 2009	94.40	82.00	94.70	81.30
October, 2009	94.95	74.00	92.90	74.65
November, 2009	76.00	65.10	76.35	61.10
December, 2009	84.95	70.00	83.90	69.70
January, 2010	86.40	71.00	86.70	71.00
February, 2010	78.25	67.25	78.30	62.60
March, 2010	73.50	67.00	73.85	67.05

Share Transfer Process:

Your Company's Shares are traded compulsorily electronic form and the Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shares in physical mode which are lodged for transfer are processed and returned within the stipulated time.

Physical shares received for dematerialisation are processed within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. Bad deliveries are promptly returned to Depository Participants (DP's) under advice to the shareholders. The Share Transfer Committee meets every fortnight. The total number of shares transferred in the physical form during the year was 22,845.

The Company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with stock exchange(s) and files a copy of the certificate with the Stock Exchanges.

Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments.

Outstanding number of GDRs represent 2,49,325 equity shares (0.65%) of the total share capital as on 31st March, 2010. Each GDR represents 5 underlying equity shares. Since the underlying equity shares represented by GDRs have been allotted in full, the outstanding GDRs have no impact on the equity of the Company.

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

Category of Shareholders as on 31st March, 2010:

Category	Shareholding	
	No. of shares	%
Promoters	21423976	55.95
Mutual Funds & UTI	13800	0.04
Banks, Financial Institutions & Insurance Companies	731455	1.90
FIs	2625	0.01
Foreign Financial Institutions	6190	0.02
Private Bodies Corporate	4030637	10.53
NRIs	3492586	9.12
Indian Public	8324487	21.74
Shares underlying GDRs	249325	0.65
Others:		
Clearing Members	14959	0.04
Trust	520	0
Total	38290560	100.00

Distribution of shareholding as on 31st March, 2010:

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Upto 500	79589	97.90	4463288	11.66
501 – 1000	920	1.13	750356	1.96
1001 – 2000	384	0.47	598230	1.56
2001 – 3000	121	0.15	310911	0.81
3001 – 4000	43	0.05	156019	0.41
4001 – 5000	50	0.06	238620	0.62
5001 - 10000	82	0.10	622594	1.63
10001 and above	108	0.14	31150542	81.35
Total	81297	100.00	38290560	100.00

Dematerialisation of shares and Liquidity:

The status of Dematerialisation as on 31st March, 2010 is as under:

Segment	No. of Shares	%	No. of holders	%
Physical	2111237	5.51	51524	63.38
Electronic form with NSDL	34732427	90.71	23805	29.28
Electronic form with CDSL	1446896	3.78	5968	7.34
Total	38290560	100.00	81297	100.00

Nomination:

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

National Electronic Clearing Service (NECS):

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

Locations of Manufacturing Facilities:**Vareli Complex**

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

Jolwa Complex

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

Registrar and Transfer Agents:

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

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

Address for Correspondence: Garden Silk Mills Limited
Sahara Gate,
Surat 395 010

Investor Grievances:

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

Secretarial Audit for Capital Reconciliation:

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

Non-Mandatory Requirements

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

1. (a) Maintenance of Non-Executive Chairman's Office - The Chairman is also the Managing Director of the Company. Hence, no requirement of separate office.
(b) There is no fixed tenure for Independent Directors.
2. The Company has set up a remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Managing / Executive Directors, determine and recommend to the Board, compensation payable to Managing / Executive Directors.
3. Audit Qualifications - There are no Audit qualifications in the Company's financial statement for the year under reference.

4. Training of the Board Members - There is no formal policy at present for the Board members of the Company as the Members of the Board are eminent and experienced professional persons.
5. Mechanism for evaluating Non-Executive Board Members - Presently, the Company has not adopted any mechanism for evaluating the performance of Non-Executive Board Members.
6. Whistle Blower Policy - Presently, the Company has not established any formal Whistle Blower Policy.

Depositories:

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

National Securities Depository Ltd.

4th Floor, 'A' Wing, Trade World
Kamala Mills Compound,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
Tel.: 91-22-24994200
Facsimile: 91-22-24976351
E-mail: info@nsdl.co.in
Website : www.nsdl.co.in

Central Depository Services (India) Ltd.

Phiroze Jeejeebhoy Towers,
17th Floor, Dalal Street,
Mumbai 400 023.
Tel.: 91-22-22723333
Facsimile: 91-22-22723199
E-mail: investors@cdslindia.com
Website: www.cdslindia.com

General Information for shareholders:

1. Members holding shares in physical form are requested to notify to the Company, change in their address / Pin Code number and Bank Account details promptly by written request under the signatures of sole / first joint holder.

Beneficial Owners of shares in demat form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc. directly to their DP as the same are maintained by the DPs.
2. To prevent fraudulent encashment of dividend warrants, members are requested to provide their Bank Account Details (if not provided earlier) to the Company (if shares held in physical form) or to DP (if shares held in demat form), as the case may be, for printing of the same on their dividend warrants.
3. In terms of the regulations of NSDL & CDSL, bank account details of beneficial owners of shares in demat form will be printed on the dividend warrants as furnished by the Depository Participant. The Company will not entertain requests for change of such bank details printed on their dividend warrants. In case of any changes in your bank details, please inform to your DP immediately.
4. For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer

- deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
5. Shareholders are requested to keep record of their specimen signature before lodgement of shares with the Company to obviate possibility of difference in signature at a later date.
 6. Investor Correspondence/ queries/ information:
Shareholders/Beneficial Owners are requested to quote their Folio No./DP and Client ID Nos., as the case may be, in all correspondence with the Company. All correspondence regarding shares of the Company should be addressed either to the Share Department of the Company at its Registered Office at Sahara Gate, Surat 395 010 or to the Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company.
 7. Shareholders can lodge their investors complaint on E-mail ID: sharedepartment@gardenvareli.com.
 8. Members/ Proxies/ Representatives are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
 9. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
 10. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
 11. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.
 12. In case the mailing address mentioned on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
- The above Report has been placed before the Board at its meeting held on 7th July, 2010 and the same was approved.

For and on behalf of the Board of Directors

Praful A. Shah

Chairman & Managing Director

Surat, 7th July, 2010

CEO / CFO CERTIFICATION

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

To The Board of Directors of Garden Silk Mills Limited.

Dear Sirs,

We have reviewed the financial statements, read with the cash flow statement of Garden Silk Mills Limited for the year ended 31st March, 2010 and that to the best of our knowledge and belief, we state that;

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

Yours sincerely,

Surat, 7th July, 2010

Alok P. Shah
Joint Managing Director

Praful A. Shah
Chairman & Managing Director

**ANNEXURE TO CORPORATE GOVERNANCE REPORT
DECLARATION REGARDING CODE OF CONDUCT**

In terms of the requirement of the amended Clause 49 of the Listing Agreement, this is to confirm that all members of the Board and the senior management personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors for the year ended 31st March, 2010.

Surat, 7th July, 2010

For Garden Silk Mills Limited
Praful A. Shah
Chairman & Managing Director

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF
CORPORATE GOVERNANCE**

To the members of Garden Silk Mills Limited

We have examined the compliance of conditions of corporate governance by Garden Silk Mills Limited for the year ended on 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the 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 material respects with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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 affairs of the Company.

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

R. N. VEPARI
Partner
Membership No. 6728

Surat, 7th July, 2010

AUDITORS' REPORT

TO THE MEMBERS OF

GARDEN SILK MILLS LIMITED

1. We have audited the attached Balance sheet of **GARDEN SILK MILLS LIMITED** ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report read with notes, are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report read with notes, are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said account read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash-flows for the year ended on that date.

For Natvarlal Vepari & Co.

Firm Registration No. 123626W

Chartered Accountants

R. N. Vepari

Partner

Membership No. 6728

Surat, 7th July, 2010

ANNEXURE TO THE AUDITORS' REPORT

(Statement referred to in Paragraph 3 of the Auditor' Report of even date to the Members of Garden Silk Mills Limited on the Accounts for the year ended 31st March, 2010)

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) We are informed that the physical verification of the fixed assets has been carried out by the management at reasonable intervals and no material discrepancies were noticed on such physical verification.
- (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
- (ii) (a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of Inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
- (iii) (a) The Company has granted a secured loan to a company covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year and the balance outstanding as at 31st March, 2010 was Rs.29 crore.
- In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loan given by the Company, is not *prima facie* prejudicial to the interest of the Company.
- (b) As per the information and explanations given to us and the records produced to us for our verification, the Company has, during the year, not taken any loans, secured or unsecured, from Companies, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(e), (f) and (g) of the Order, are not applicable.
- (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 regards to the purchase of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, we have not come across any major weaknesses in the internal control systems of the Company.
- (v) (a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.
- (vi) The Company has not accepted deposits from the public within the meaning of Sections 58A, 58AA of the Companies Act, 1956 and the Rules framed there-under. Therefore, the provisions of Clause 4(vi) of the Order is not applicable.
- (vii) On the basis of the internal audit report broadly reviewed by us, we are of the opinion that, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, VAT, Wealth-Tax, Service-Tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable with the appropriate authorities.

There were no undisputed amount payable in respect of the aforesaid dues outstanding for more than six months as at 31st March, 2010.

- (b) According to the records of the Company and the information and explanations given to us, the particulars of dues in respect of central excise and sales tax as at 31st March, 2010 which have not been deposited on account of dispute are as follows:

Name of the Statute	Nature of the Dues	Amount under dispute (Rs)	Period to which the amount relates	Forum where dispute is pending	Amount Deposited against (Rs.)
Central Excise Act, 1944	Penalty	35,00,000	1994-95	Mumbai High Court.	10,00,000
Central Excise Act, 1944	Excise Duty including penalty	1,20,63,550	1994-98	CESTAT, Ahmedabad	12,00,000
Central Excise Act, 1944	Excise Duty including penalty	1,15,62,90,427	2005-09	CESTAT, Ahmedabad	-
Gujarat Sales Tax Act, 1969	Gujarat Sales Tax	80,50,552	2004-05	The Joint Commissioner of Commercial Tax, Appeal (2), Baroda.	10,00,000

- (x) The Company does not have any accumulated losses at the end of the financial year 31st March, 2010. Further, the Company has not incurred cash losses during the financial year ended 31st March, 2010 and in the immediately preceding financial year.
- (xi) On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company has not issued debentures during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly paragraph 4(xii) of the Order is not applicable.
- (xiii) In our opinion, the Company is not a chit fund/nidhi/ mutual benefit fund/society to which the provisions of special statute relating to chit fund are applicable, accordingly paragraph 4(xiv) of the Order is not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in marketable securities and mutual funds.
- The Company has maintained proper records of the transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares, securities, debentures and other investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans availed by the Company during the year have been applied for the purposes for which they were obtained, however, amounts remained temporarily invested, pending utilisation of the funds for the intended use.
- (xvii) As per 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 by the Company on short-term basis which have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not raised any money by public issues during the year.
- (xx) The Company did not have any outstanding debentures during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Natvarlal Vepari & Co.

Firm Registration No. 123626W
Chartered Accountants

R. N. Vepari

Partner

Surat, 7th July, 2010

Membership No. 6728

Balance Sheet as at 31st March, 2010

	Schedule	As at 31st March, 2010	(Rs. in Lacs) As at 31st March, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,829.06	3,829.06
Reserves and Surplus	2	45,199.97	39,683.21
		<u>49,029.03</u>	<u>43,512.27</u>
Loan Funds			
Secured Loans	3	94,857.36	83,809.02
Unsecured Loans	4	7,934.56	6,566.44
		<u>102,791.92</u>	<u>90,375.46</u>
Deferred Tax Liability		<u>11,758.77</u>	<u>10,365.21</u>
TOTAL		<u><u>163,579.72</u></u>	<u><u>144,252.94</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	150,364.12	133,863.98
Less: Depreciation		<u>55,607.26</u>	<u>48,818.29</u>
Net Block		94,756.86	85,045.69
Capital Work-in-Progress		<u>19,504.78</u>	<u>13,837.95</u>
		<u>114,261.64</u>	<u>98,883.64</u>
Investments			
	6	7,660.96	5,157.77
Current Assets, Loans and Advances			
Inventories	7	36,536.20	21,755.11
Sundry Debtors		12,686.88	6,747.31
Cash and Bank Balances		3,480.63	7,287.86
Loans and Advances		<u>22,028.67</u>	<u>20,283.14</u>
		<u>74,732.38</u>	<u>56,073.42</u>
Less: Current Liabilities and Provisions			
Current Liabilities	8	27,479.45	12,006.39
Provisions		<u>5,602.56</u>	<u>3,875.98</u>
		<u>33,082.01</u>	<u>15,882.37</u>
Net Current Assets		<u>41,650.37</u>	<u>40,191.05</u>
Miscellaneous Expenditure			
(to the extent not written off or adjusted)		6.75	20.48
TOTAL		<u><u>163,579.72</u></u>	<u><u>144,252.94</u></u>
Significant Accounting Policies and Notes forming part of the Accounts	12		

As per our attached report of even date
For NATVARLAL VEPARI & CO.
 Firm Registration No. 123626W
 Chartered Accountants

R. N. VEPARI
 Partner
 Membership No. 6728
 Surat, 7th July, 2010

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

ALOK P. SHAH Joint Managing Director

SUNIL S. SHETH Director

KAMLESH VYAS Company Secretary
 Surat, 7th July, 2010

Profit and Loss Account for the year ended 31st March, 2010

	Schedule	12 months ended 31st March, 2010	(Rs. in Lacs) 9 months ended 31st March, 2009
INCOME			
Sales and Job Charges (Refer Note 18(a), Schedule 12)		<u>266,233.59</u>	138,475.35
Less: Excise Duty on Sales		<u>14,744.18</u>	5,314.52
Net Sales and Job Charges		<u>251,489.41</u>	133,160.83
Other Income	9	<u>641.42</u>	705.66
		<u><u>252,130.83</u></u>	<u>133,866.49</u>
EXPENDITURE			
Consumption of Raw Materials		<u>192,804.92</u>	92,990.89
Purchases		<u>1,408.82</u>	1,099.62
(Increase) / Decrease in Stocks	10	<u>(5,990.13)</u>	(787.94)
Manufacturing and Other Expenses	11	<u>40,024.97</u>	24,382.86
		<u><u>228,248.58</u></u>	<u>117,685.43</u>
Profit before Interest, Depreciation and Tax		<u>23,882.25</u>	16,181.06
Less: Interest and Finance Charges (Net)		<u>7,316.98</u>	4,698.15
Profit before Depreciation and Tax		<u>16,565.27</u>	11,482.91
Less: Depreciation		<u>7,256.39</u>	4,483.60
Profit Before Tax		<u>9,308.88</u>	6,999.31
Less: Provision for Current Tax		<u>1,594.85</u>	762.15
Provision for Deferred Tax		<u>1,393.56</u>	1,233.69
Provision for Fringe Benefit Tax		<u>0.00</u>	45.00
Profit After Tax		<u>6,320.47</u>	4,958.47
Add: Balance brought forward from Previous year		<u>13,002.34</u>	7,850.84
Add: Transferred from Debenture Redemption Reserve		<u>0.00</u>	1,125.00
Amount Available for Appropriations		<u><u>19,322.81</u></u>	<u>13,934.31</u>
APPROPRIATIONS			
General Reserve		<u>475.00</u>	260.00
Proposed Dividend		<u>689.23</u>	574.36
Tax on Dividend		<u>114.48</u>	97.61
Balance carried to Balance Sheet		<u><u>18,044.10</u></u>	<u>13,002.34</u>
		<u><u>19,322.81</u></u>	<u>13,934.31</u>
Basic and Diluted Earning per Share of face value of Rs.10 each (in Rupees) (Refer Note 11, Schedule 12)		<u>16.51</u>	12.95

Significant Accounting Policies and
Notes forming part of the Accounts

12

As per our attached report of even date
For NATVARLAL VEPARI & CO.
 Firm Registration No. 123626W
 Chartered Accountants

R. N. VEPARI
 Partner
 Membership No. 6728
 Surat, 7th July, 2010

For and on behalf of the Board
PRAFUL A. SHAH Chairman & Managing Director
ALOK P. SHAH Joint Managing Director
SUNIL S. SHETH Director
KAMLESH VYAS Company Secretary
 Surat, 7th July, 2010

Cash Flow Statement for the year ended 31st March, 2010

	12 months ended 31st March, 2010	9 months ended 31st March, 2009	(Rs. in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit before tax as per Profit and Loss A/c	9,308.88		6,999.31
Adjustments for:			
Depreciation	7,256.39	4,483.60	
Interest and Finance Charges (Net)	7,316.98	4,698.15	
(Profit) / Loss on Sale of Assets	(21.99)	(42.29)	
(Profit) / Loss on Sale of Investment	(333.94)	(440.87)	
Share of (Profit) / Loss in Partnership firm	0.03	0.03	
Gain on cancellation of forward exchange contracts	0.00	(125.88)	
Provision for diminution in value of investment	102.00	0.00	
Miscellaneous Expenditure written off	13.73	25.95	
Dividend Income	(0.25)	(0.27)	8,598.42
Operating Profit before Working Capital Changes	23,641.83		15,597.73
Adjustments for:			
Trade & Other Receivable	(6,812.41)	618.24	
Inventories	(14,781.09)	(2,700.86)	
Trade Payables	15,374.33	4,255.90	2,173.28
Cash Generated from Operations	17,422.66		17,771.01
Taxes Paid	(1,186.73)		(1,033.34)
Net Cash from Operating Activities	16,235.93		16,737.67
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of Fixed Assets	(22,167.19)		(23,815.90)
Sale of Fixed Assets	133.80		83.05
Purchase of Investments	(22,275.14)		(20,073.64)
Sale of Investments	20,003.89		23,175.12
Dividend Income	0.25		0.27
Loan to other Companies / Firms.	265.88		(334.87)
Net Cash used in Investing Activities	(24,038.51)		(20,965.97)
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Repayment of Long Term Borrowings	(11,771.60)		(15,492.52)
Proceeds from Long Term Borrowings	18,857.31		28,988.63
Short Term Loans	5,330.75		(3,335.45)
Interest and Other Finance Charges Paid	(7,749.14)		(5,714.97)
Gain on cancellation of forward exchange contracts	0.00		125.88
Dividend paid	(574.36)		(574.36)
Tax on dividend.	(97.61)		(97.61)
Net Cash from Financial Activities	3,995.35		3,899.60
Net Increase / (Decrease) in Cash and Cash Equivalents	(3,807.23)		(328.70)
Opening Balance of Cash and Cash Equivalents	7,287.86		7,616.56
Closing Balance of Cash and Cash Equivalents	3,480.63		7,287.86

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Firm Registration Number: 123626W

Chartered Accountants

R. N. VEPARI

Partner

Membership No.6728

Surat, 7th July, 2010

For and on behalf of the Board

PRAFUL A. SHAH

Chairman & Managing Director

ALOK P. SHAH

Joint Managing Director

SUNIL S. SHETH

Director

KAMLESH VYAS

Company Secretary

Surat, 7th July, 2010

Schedules forming part of the Balance Sheet

	As at 31st March, 2010	(Rs. in Lacs) As at 31st March, 2009
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
6,00,00,000 (6,00,00,000) Equity Shares of Rs.10 each	<u>6,000.00</u>	<u>6,000.00</u>
Issued, Subscribed and Paid up		
3,82,90,560 (3,82,90,560) Equity Shares of Rs.10 each fully paid up	<u>3,829.06</u>	<u>3,829.06</u>
TOTAL	<u>3,829.06</u>	<u>3,829.06</u>

Of the above Equity Shares :

- (a) 25,90,000 Equity Shares of Rs.10/- each issued as fully paid Bonus Shares by Capitalisation from General Reserve.
- (b) 1,03,08,150 Equity Shares allotted pursuant to the Schemes of Amalgamation sanctioned by the Hon'ble High Court of Gujarat.
- (c) 22,00,000 Equity Shares of Rs.10/- each fully paid-up issued on conversion of fully paid-up 12.5% Secured Redeemable Convertible Debentures in terms of Prospectus dated 5th August, 1987.

	As at 31st March, 2010	(Rs. in Lacs) As at 31st March, 2009
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities Premium Account		
As per last Balance Sheet	24,198.24	24,198.24
General Reserve		
As per last Balance Sheet	2,482.63	2,222.63
Add: Transferred from Profit and Loss Account	<u>475.00</u>	<u>260.00</u>
Profit and Loss Account	<u>18,044.10</u>	<u>13,002.34</u>
TOTAL	<u>45,199.97</u>	<u>39,683.21</u>

	Note No.	As at 31st March , 2010	(Rs. in Lacs) As at 31st March, 2009
SCHEDULE 3			
SECURED LOANS			
Loans and advances from banks			
Working capital borrowings from Banks	1	17,457.72	14,600.67
Term Loans:			
Rupee Loans	2,3	55,717.86	45,907.93
Foreign Currency Loans	2,4	<u>17,525.53</u>	<u>18,019.17</u>
		<u>90,701.11</u>	<u>78,527.77</u>
Other loans and advances			
Rupee Term Loans from Financial Institutions	2	<u>4,156.25</u>	<u>5,281.25</u>
		<u>4,156.25</u>	<u>5,281.25</u>
TOTAL		<u>94,857.36</u>	<u>83,809.02</u>

Schedules forming part of the Balance Sheet (Contd.)

Notes :

1. Working capital borrowings from banks are secured by hypothecation of stock of raw materials, work-in-progress, finished goods, chemicals, stores and spares, stock in transit in respect of imported consignment, if any and book debts of the Company. These loans are further secured by second charge on all the immovable properties of the Company.
2. Term Loans from Financial Institutions & Banks are secured by first mortgage on *pari passu* basis on all immovable properties (except those specifically excluded by lenders, of Rupee Term Loans as per Note 3 below), both present and future and first charge by way of hypothecation of all movables (except book debts) both present and future subject to prior charges created/to be created in favour of Bankers for working capital borrowings.
3. Of the Rupee Term Loans from banks :
 - i) Loans from Bank of India to the extent of Rs.756.31 Lacs (Previous Year : Rs.1,000.00 Lacs) are secured by hypothecation of specific machinery of Fully Drawn Yarn (FDY) Project at Jolwa,
 - ii) Loans from Corporation Bank to the extent of Rs.6,256.89 Lacs (Previous Year: Rs.447.38 Lacs) are secured by hypothecation of movable fixed assets of Gas Turbine Power Project at Jolwa, Specific Continuous Polymerisation Projects and Specific POY Projects under implementation at Jolwa,
 - iii) Loans from Bank of India to the extent of Rs.24,30.01 Lacs (Previous Year: Rs.29,93.18 Lacs) are secured by hypothecation of specific Building and machinery of Texturising plant and Draw Twisting plant at Jolwa.
 - iv) Term loans from ICICI Bank, Kotak Mahindra Prime Limited and Axis Bank Limited aggregating to Rs.115.56 Lacs (Previous Year: Rs.103.15 Lacs) under vehicle finance scheme are secured by an exclusive charge by way of hypothecation of specific vehicles purchased under the arrangements,
 - v) Housing Loans of Rs.68.65 Lacs (Previous Year : Rs.179.83 Lacs) from erstwhile Bank of Punjab Limited and loan of Rs.911.95 Lacs (Previous Year : Rs.960.42 Lacs) from ICICI Bank are secured by hypothecation of residential flats at Mumbai.
 - vi) Loans from Bank of India to the extent of Rs.2,625.00 Lacs (Previous Year : Rs.3,000.00 Lacs) are secured by first Charge on stock-in-trade of Art and Artifacts and third charge on the Fixed Assets of the Company.
 - vii) Loans from Union Bank of India to the extent of Rs.1,067.49 Lacs (Previous Year : Rs.Nil) are secured by hypothecation of specific machinery of Thermal Coal Based Power Project under commissioning at Jolwa.
 - viii) Loans from Bank of Baroda to the extent of Rs.4,942.07 Lacs (Previous Year : Rs.Nil) are secured by hypothecation of specific machinery of FDY Project and Draw Warper under commissioning at Jolwa.
4. Of the Foreign Currency Loans from banks: Loans to the extent of Rs.2,433.77 Lacs (Previous Year : Rs.3,235.99 Lacs) from Landesbank Baden-Wurtemberg, are secured by hypothecation of specific imported machinery of Direct Spinning Project at Jolwa.

	As at 31st March, 2010	As at 31st March, 2009
(Rs. in Lacs)		
SCHEDULE 4		
UNSECURED LOANS		
Short Term Loans and Advances		
Commercial Paper	5,000.00	2,500.00
Inter Corporate Deposits	304.44	330.74
Other Loans and Advances		
From Foreign Banks	2,630.12	3,735.70
TOTAL	7,934.56	6,566.44

Schedule forming part of the Balance Sheet (Contd.)

SCHEDULE 5

FIXED ASSETS

PARTICULARS	(Rs. in Lacs)												
	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	As at 01-04-2009	2	3	4	5	As at 01-04-2009	6	7	8	9	As at 31-03-2010	10	As at 31-03-2009
Freehold Land	2,432.47	3.16	0.00	2,435.63	0.00	0.00	0.00	0.00	0.00	0.00	2,435.63	2,432.47	
Building	20,657.34	2,259.94	0.00	22,917.28	5,543.06	816.37	0.00	6,359.43	15,114.28	0.00	16,557.85	15,114.28	
Plant and Machinery	108,787.67	14,490.00	515.64	122,762.03	42,208.59	6,300.77	420.11	48,089.25	66,579.08	420.11	74,672.78	66,579.08	
Furniture and Equipments	1,123.18	198.70	0.00	1,321.88	682.11	64.17	0.00	746.28	441.07	0.00	575.60	441.07	
Vehicles	863.32	127.57	63.59	927.30	384.53	75.08	47.31	412.30	478.79	47.31	515.00	478.79	
Grand Total	133,863.98	17,079.37	579.23	150,364.12	48,818.29	7,256.39	467.42	55,607.26	85,045.69	467.42	94,756.86	85,045.69	
Previous Year	112,888.35	21,567.27	591.64	133,863.98	44,407.21	4,483.60	72.52	48,818.29			19,504.78	13,837.95	
Capital Work-in-Progress (including Advance for Capital Goods)											114,261.64	98,883.64	
TOTAL											19,504.78	13,837.95	

Notes :

- Buildings include Rs.40.59 Lacs (Previous Year : Rs.40.59 Lacs) being cost of shares relating to ownership flat in Co-operative Society.
- Borrowing Costs capitalised during the year aggregate to Rs.579.00 Lacs (Previous Year : Rs.1,236.45 Lacs)
- Freehold Land and Building have been appreciated by Rs.4,588.94 Lacs and Plant and Machinery has been depreciated by Rs.10,286.94 Lacs on revaluation as at 1st July, 1997.

Schedules forming part of the Balance Sheet (Contd.)

		(Rs. in Lacs)	
		As at 31st March, 2010	As at 31st March, 2009
SCHEDULE 6			
INVESTMENTS			
A. LONG TERM INVESTMENTS (Valued at Cost)			
1. Investment in Government Securities - Unquoted			
6 Years National Savings Certificate (Deposited with Sales Tax Department)	0.10		0.10
2. Non-Trade Investments			
In Equity Shares - Unquoted, fully paid-up			
270 (270) Equity Shares of the Surat Art Silk Cloth Producers' Co-operative Society Ltd. of Rs.10 each	0.03		0.03
75 (75) Equity Shares of Rayon Mills Commercial Corporation Ltd. of Rs.100 each	0.08		0.08
60 (60) Equity Shares of New Piece Goods Bazaar Co. Ltd. of Rs.100 each	1.57		1.57
1000 (1000) Equity Shares of Shroff Textile Ltd. of Rs.10 each	0.10		0.10
50000 (50000) Equity Shares of Amitabh Bachchan Corporation Ltd. of Rs.10 each	40.00		40.00
4943832 (4943832) Equity Share of Salora Shinsung Textile Co. Ltd., of Rs.10 each	549.17		549.17
206667 (206667) Equity Share of Icent Ltd., of Rs.10 each	62.00		62.00
450 (450) Majestic Land Developers Pvt. Ltd. of Rs.100 each	29.21		29.21
3. Other Investments			
In Equity Shares - Quoted, fully paid-up			
14500000 (14500000) Equity Shares of Surat Textile Mills Ltd. of Re1 each	1,282.92		1,282.92
100 (100) Electrex India Ltd. of Rs.10 each	0.02		0.02
	<u>1,965.20</u>		<u>1,965.20</u>
Less : Provision for diminution in value of investments	601.73		499.73
TOTAL	<u>1,363.47</u>		<u>1,465.47</u>
B. CURRENT INVESTMENTS			
In Units - Unquoted			
4775549.188 (Nil) Units of Prudential ICICI Equity & Derivative - Fund Income Optimiser - Institutional Dividend of Rs.10 each	500.00		0.00
58609.707 (Nil) Units of Prudential ICICI Flexible Income Plan Premium-Growth of Rs.100 each	100.00		0.00
1951877.925 (Nil) Units of Birla Sun Life Floating Rate Long Term - Institutional - Growth of Rs.10 each.	210.36		0.00
22336441.133 (Nil) Units of Birla Sun Life Dynamic Bond Fund Retail-Growth of Rs.10 each	2,998.00		0.00
4799492.015 (Nil) Units of Kotak Quarterly Interval Plan Series - 8 Growth of Rs.10 each	522.65		0.00

Schedules forming part of the Balance Sheet (Contd.)

	(Rs. in Lacs)	
	As at 31st March, 2010	As at 31st March, 2009
9921028.697 (Nil) Units of LIC Floating Rate Fund - Short Term - Plan - Growth Plan of Rs.10 each.	1,500.00	0.00
2982832.500 (Nil) Units of HDFC Floating Rate Income Fund - Short Term Plan - Whole sale option - Growth of Rs.10 each.	466.48	0.00
Nil (1264897.637) Units of Birla Sun Life Sort Term Fund - Growth of Rs.10 each	0.00	200.39
Nil (5162794) Units of Prudential ICICI Floating Rate Plan - Growth of Rs.10 each	0.00	819.63
Nil (1788024.15) Units of H.D.F.C. Short Term Plan - Growth of Rs.10 each.	0.00	297.10
Nil (441394.808) Prudential ICICI Gilt Fund - Treasury Plan - I Growth of Rs.10 each	0.00	99.00
Nil (6073139.07) Prudential ICICI Short Term Plane - Cumulative option Growth of Rs. 10 each	0.00	1,095.00
Nil (4220043.383) Units of Reliance Short Term Fund - Growth plan of Rs. 10 each.	0.00	678.36
Nil (1123242.42) Units of Reliance Medium Term Fund - Growth plan of Rs. 10 each	0.00	202.82
Nil (2652989.034) Units of Reliance Gilt Securities Fund Long Term Plan - Retail - Plan - Growth of Rs. 10 each	0.00	300.00
TOTAL	6,297.49	3,692.30
GRAND TOTAL	7,660.96	5,157.77

	(Rs. in Lacs)			
	As at 31st March, 2010		As at 31st March, 2009	
AGGREGATE VALUE OF	Book Value	Market Value	Book Value	Market Value
Quoted Investments	1,282.94	661.20	1,282.94	274.05
Unquoted Investments (Net of Provision for Diminution)	6,378.02	-	3,874.83	-

Movements during the year (Purchased and Sold/Redeemed)

	Face Value (Rs.)	Units (Nos.)
Mutual Fund Units		
Birla Sun Life Floating Rate Income Fund - STP - Whole sale Option - Growth	10	3,355,886.70
Birla Sun Life - Medium Term Plan - Institutional Growth	10	2,057,228.52
DWS-Short Maturity Fund - Institutional - Growth	10	2,810,831.07
HDFC Cash Management Fund - Savings - Growth	10	5,247,608.40
HDFC High Interest Fund - Short Term Plan - Growth	10	2,837,700.55
HDFC - Short Term Plan - Growth	10	2,953,721.10
HDFC - Floating Rate Income Fund - STP - Wholesale Option - Growth	10	12,305,106.93
Prudential ICICI Floating Rate Plan - Growth	100	519,210.03
Prudential ICICI Gilt Fund - Investment plan - Growth	10	952,275.14
Prudential ICICI Flexible Income Plan - Premium Growth	10	630,839.77
Prudential ICICI Short Term Plan - Cumulative Option - Growth	10	2,714,240.17

Schedules forming part of the Balance Sheet (Contd.)

Movements during the year (Purchased and Sold/Redeemed)

	Face Value (Rs.)	Units (Nos.)
Mutual Fund Units (Contd.)		
Prudential ICICI Ultra STP - Premium Growth	10	8,435,296.70
Reliance Money Manager Fund - Institutional option - Growth Plan	1000	292,663.32
Reliance - Short Term Fund - Growth Plan-Retail Plan	10	10,864,316.10
Reliance - Medium Term Fund - Retail Plan - Growth Option	10	8,088,344.31
Reliance - Medium Term Fund - Growth Plan	10	1,178,571.83
Kotak Floater Long Term - Growth	10	5,645,165.81
GSTF - IDFC - SSIF - Short Term - Growth	10	2,716,461.21
Principal Income Fund - STP - Institutional - Growth Plan	10	1,285,388.35
		(Rs. in Lacs)
	As at	As at
	31st March, 2010	31st March, 2009

SCHEDULE 7

CURRENT ASSETS, LOANS AND ADVANCES

A. CURRENT ASSETS

1. Inventories

Stores, Spares, and Chemicals	2,490.43	2,053.12
Finished Goods	13,839.70	7,342.97
Stock-in-Process	743.65	490.62
Raw Materials	14,342.10	6,748.08
Stock-in-trade (Art & Artifacts)	4,641.96	4,641.96
Stock-in-Trade (Property under development) (Refer Note 5, Schedule 12)	478.36	478.36
	<u>36,536.20</u>	<u>21,755.11</u>

2. Sundry Debtors (Unsecured and Considered Good)

Debts exceeding six months	527.00	553.76
Other Debts	12,159.88	6,193.55
	<u>12,686.88</u>	<u>6,747.31</u>

3. Cash and Bank Balances

Cash on hand	51.39	98.49
Balance with Banks :		
With Scheduled Banks :		
- In Current Accounts	952.61	1,151.02
- In Fixed Deposit Accounts	1,499.68	5,233.28
- In Margin Money Accounts	976.95	805.07
	<u>3,480.63</u>	<u>7,287.86</u>

B. LOANS AND ADVANCES

Unsecured (Considered Good, Unless Otherwise Stated)		
Loans	3,079.33	3,345.21
Advance Recoverable in cash or in kind or for value to be received, including Deposits (Refer Note 7, Schedule 12)	5,615.19	4,638.39
Balance with Customs, Central Excise Authorities, etc.	8,433.65	8,585.77
Advance Income Tax	4,900.50	3,713.77
	<u>22,028.67</u>	<u>20,283.14</u>
TOTAL	<u>74,732.38</u>	<u>56,073.42</u>

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2010	(Rs. in Lacs) As at 31st March, 2009
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Acceptances		
Under usance Letter of Credit	16,248.09	4,247.09
Sundry Creditors		
Due to Micro, Medium and Small Enterprises (Refer Note 4, Schedule 12)	73.61	54.30
For Capital Goods	654.18	1,147.78
Others	9,116.64	4,688.89
Other Liabilities	989.51	1,372.20
Interest Accrued but not due on Loans	310.75	408.26
Unpaid Dividend	86.67	87.87
	27,479.45	12,006.39
B. PROVISIONS		
For Taxation	4,798.85	3,204.01
For Proposed Dividend	689.23	574.36
For Tax on Dividend	114.48	97.61
	5,602.56	3,875.98
TOTAL	33,082.01	15,882.37

Schedule forming part of the Profit and Loss Account

	12 months ended 31st March, 2010	(Rs. in Lacs) 9 months ended 31st March, 2009
SCHEDULE 9		
OTHER INCOME		
Income from Current Investments (Refer Note 14, Schedule 12)	334.19	441.14
Rent Income (Tax deducted Rs.5.70 Lacs, Previous Year : Rs.7.65 Lacs)	85.71	64.29
Profit / Loss on sale of Fixed Assets (Net)	21.99	42.29
Credit / Debit Balance Write off (Net)	79.87	0.00
Gain on cancellation of forward exchange contracts	0.00	125.88
Bad Debts Recovery	73.00	9.00
Miscellaneous Income	46.66	23.06
TOTAL	641.42	705.66

	12 months ended 31st March, 2010	(Rs. in Lacs) 9 months ended 31st March, 2009
SCHEDULE 10		
(INCREASE) / DECREASE IN STOCKS		
Opening Stock :		
Stock-in-Process	490.62	311.96
Finished Goods and Stock-in-trade	11,984.93	11,442.37
	12,475.55	11,754.33
Closing Stock :		
Stock-in-Process	743.65	490.62
Finished Goods & Stock-in-trade	18,481.66	11,984.93
	19,225.31	12,475.55
Add/(Less) : Variation in excise duty on opening and closing stock of finished goods	759.63	(66.72)
TOTAL	(5,990.13)	(787.94)

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

	(Rs. in Lacs)	
	<u>12 months ended</u> <u>31st March, 2010</u>	<u>9 months ended</u> <u>31st March, 2009</u>
SCHEDULE 11		
MANUFACTURING AND OTHER EXPENSES		
Conversion and Processing Charges	705.79	287.70
Consumption of Stores, Spares and Chemicals	5,188.03	4,062.97
Packing Charges	4,158.64	2,135.47
Power and Fuel	15,273.78	8,591.41
Repairs and Maintenance:		
Plant and Machinery	889.00	366.21
Buildings	178.17	75.52
Others	85.90	73.24
Rent	155.85	514.97
Payments to and Provision for Employees :		171.30
Salaries, Wages and Bonus	5,193.04	3,964.96
Contribution to Provident and other Funds	460.72	407.62
Staff Welfare	81.19	52.02
Selling and Distribution Expenses	3,010.41	4,424.60
Commission and Discount	1,842.71	1,246.66
Insurance	148.38	1,174.88
Rates and Taxes	67.49	102.19
Auditors' Remuneration	14.57	32.12
Share of Loss from Partnership firms	0.03	10.15
General Charges	2,455.54	0.03
Provision for diminution in value of investments	102.00	1,602.46
Miscellaneous expenditure written off	13.73	0.00
TOTAL	<u>40,024.97</u>	<u>24,382.86</u>

Accounting Policies and Notes on Accounts

SCHEDULE 12

Significant Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation of Financial Statements

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

(b) Revenue Recognition

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

(c) Fixed Assets

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

(d) Capital Work-in-Progress

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

(e) Impairment of Assets

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

(f) Investments

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

(g) Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard-2 (AS2) issued by the Institute of Chartered Accountants of India on valuation of inventories using weighted average cost method as under:

- (i) Raw Materials Stores, Spare parts, Chemicals and Stock in Process are valued at cost.
- (ii) Finished goods and Stock-in-trade (Art & Artifacts) are valued at cost or Net realisable value whichever is lower.

Accounting Policies and Notes on Accounts (Contd.)

- (iii) Waste is valued at net realisable value.
- (iv) Property under development is valued at book value.

Inventories are specifically identified, wherever possible in respect of traded goods.

(h) Foreign Currency Transactions

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

(i) Depreciation

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

(j) Expenses

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

(k) Cenvat

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

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

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

(m) Retirement Benefits

Contributions are made to Provident Fund as per the Provident Fund Act. Contribution to Gratuity Fund are made on the basis of actuarial valuation report as at the year end. Provision for Leave encashment benefit has been made in accordance with the accounting standard AS-15 "Employee Benefits".

(n) Research and Development

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

Accounting Policies and Notes on Accounts (Contd.)

(o) Inter-divisional Transfers

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

(p) Miscellaneous Expenditure

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

(q) Borrowing Costs

Borrowing cost (Including interest and exchange differences arising from foreign exchange borrowings to the extent that they are regarded as the adjustments to interest costs) that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to Profit and Loss account.

(r) Provision for Current and Deferred Tax

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

Notes forming part of the Accounts

1. The Previous year's figures have been regrouped / reclassified wherever necessary to make them comparable with the current year's figures. Due to the change in the Company's Financial Year from 30th June to 31st March, the figures for the current year ended 31st March, 2010 are not strictly comparable with the corresponding previous year as the previous year period pertains to 9 months.
2. As at the balance sheet date, the Company is Contingently liable in respect of the followings :
 - (i) Disputed liabilities for Excise Duty not acknowledged as debts Rs.11,696.54 Lacs. (Previous Year Rs.133.64 Lacs).
 - (ii) Disputed liabilities for Gujarat Sales Tax & Central Sales Tax not acknowledged as debts Rs.70.51 Lacs (Previous year Rs.74.33 Lacs)
 - (iii) Customs Duty on Capital Goods and Raw Materials imported under Advance Licence / EPCG Scheme, against which export obligation is to be fulfilled is Rs.4,277.30 Lacs (Previous Year Rs.5,218.36 Lacs)
 - (iv) Counter-guarantees to Banks against guarantees issued to third parties Rs.61.75 Lacs (Previous Year Rs.61.75 Lacs)
3. As at the balance sheet date, estimated amount of contracts pending on Capital Account and not provided for Rs.18,759.49 Lacs (Previous Year Rs.2,464.33 Lacs).
4. Micro and Medium scale business entities:

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

Accounting Policies and Notes on Accounts (Contd.)

5. During the previous year ended 31st March, 2009, 72337 Sq. Mtrs. of land at village Vareli, Taluka Palsana, Dist. Surat was converted in to stock-in-trade at the book value out of the fixed assets, as the Company intends to develop the property.

		(Rs. in Lacs)	
6. Interest and Finance Charges (Net) is arrived at as under.		12 months ended 31st March, 2010	9 months ended 31st March, 2009
(a) Interest on Fixed Loans and Debentures		7,214.85	4,967.34
(b) Other Interest Expenses		1,365.76	1,608.75
(c) Other Financial Charges		717.70	208.52
		9,298.31	6,784.61
Less: (i) Interest Capitalised		579.00	1,236.45
(ii) Interest and Other Financial Income		1,402.33	850.01
Total		7,316.98	4,698.15

Tax deducted at source on interest income Rs.124.52 Lacs (Previous Year Rs.146.47 Lacs).

7. Advance recoverable in cash or in kind or for value to be received includes amount due from partnership firms in which the Company is a partner Rs. 230.21 Lacs (Previous Year Rs. 230.24 Lacs).

8. Foreign Currency Exposure

The Company uses plain forward contracts for hedging purpose except for foreign currency Loans / ECB which are covered by full currency and interest rate swap. All the contracts are for hedging purpose only and not for any speculative purpose.

Details of hedged and unhedged exposure is as under:

	As at 31st March, 2010			As at 31st March, 2009	
	Foreign Currency	Amount in Foreign currency	Rs. in Lacs	Amount in Foreign currency	Rs. in Lacs
(a) Hedge					
Debtors	USD	1,765,160.00	792.56	179,981.44	81.25
Creditors	USD	0.00	0.00	8,300,000.00	4,259.27
Acceptances	USD	15,096,600.00	6,885.91	0.00	0.00
Loans Taken	USD	42,311,321.20	18,320.30	47,992,969.26	21,425.99
(b) Unhedge					
Debtors	USD	5,675,002.00	2,548.08	0.00	0.00
Creditors	USD	11,686.00	5.25	3,150,000.00	1,597.68
	JPY	78,967.00	0.38	0.00	0.00
Acceptances	USD	19,427,985.00	8,723.17	0.00	0.00
	JPY	79,296,000.00	381.00	0.00	0.00
	EUR	112,715.00	68.14	0.00	0.00
Loans Taken	USD	4,087,629.88	1,835.35	4,753,721.82	2,411.08

Accounting Policies and Notes on Accounts (Contd.)

9 The deferred tax liability comprise of the following:

(Rs. in Lacs)

	As at 31st March, 2010	As at 31st March, 2009
(a) Deferred Tax Liability:		
On Account of Depreciation differential between tax laws and books	12,032.02	10,519.53
TOTAL	12,032.02	10,519.53
(b) Deferred Tax Asset:		
Effect of section 43B and Section 2(24)(x) of the Income-tax Act, 1961	140.28	55.81
Provision for diminution in value of investments	34.67	0.00
Carried forward Capital Loss under taxation	98.30	98.51
TOTAL	273.25	154.32
Deferred Tax Liability (Net)	11,758.77	10,365.21
Current year (Credit) / Charge	1,393.56	1,233.69

10. Related parties disclosures:

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

- List of related parties which whom transactions have taken place and relationships:

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

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

Accounting Policies and Notes on Accounts (Contd.)

2. Transactions carried out with related parties during the year referred in 1 above, in ordinary course of business:

(Rs. in Lacs)

Sr. No.	Nature of Transactions	Related Parties			Total
		Associate Company	Partnership firms	Key Management Personnel	
1.	Sales	3,195.19 (1,548.86)			3,195.19 (1,548.86)
2.	Rent Income	84.30 (67.50)			84.30 (67.50)
3.	Telephone Bills & Other Charges	0.00 (4.11)			0.00 (4.11)
4.	Electric Power & Utility Charges	1,911.15 (1,202.01)			1,911.15 (1,202.01)
5.	Secured Loan Interest received	362.50 (0.00)			362.50 (0.00)
6.	Purchases	17,897.67 (9,773.24)			17,897.67 (9,773.24)
7.	Rent Paid	70.54 (55.42)			70.54 (55.42)
8.	Business Center user expenses				64.39 (59.02)
9.	Share of Loss		0.03 (0.05)		0.03 (0.05)
10.	Share of Profit		0.00 (0.02)		0.00 (0.02)
11.	Remuneration			807.74 (590.49)	807.74 (590.49)
12.	Professional Consultancy Fee				1.00 (0.75)
13.	Interest expenses				38.85 (33.99)
14.	ICD Received				0.75 (20.82)
15.	ICD Repaid				27.05 (1.00)
16.	Deposit Received Back	300.00 (0.00)			300.00 (0.00)
17.	Payments under Current Account	20,559.12 (11,500.76)			20,559.12 (11,500.76)
18.	Receipts under Current Account	8,860.32 (5,364.94)			8,860.32 (5,364.94)
19.	Balance at the beginning of the year				
	Payables			410.50	410.50
	ICD Received			330.74	330.74
	Security Deposit given			30.00	30.00
	Deposit given	300.00			300.00
	Current Account: Debit Balance	43.39	230.24		273.63
20.	Balance at the end of the year				
	Payables			556.82 (410.50)	32.76 (0.00)
	ICD Received			304.44 (330.74)	304.44 (330.74)
	Security Deposit given			30.00 (30.00)	30.00 (30.00)
	Deposit given	0.00 (300.00)			0.00 (300.00)
	Current Account: Credit Balance	672.88 (0.00)			672.88 (0.00)
	Current Account: Debit Balance	0.00 (43.39)	230.21 (230.24)		230.21 (273.63)

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

Accounting Policies and Notes on Accounts (Contd.)

11. Earning per share:

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

	(Rs. in Lacs)	
	12 months ended 31st March, 2010	9 months ended 31st March, 2009
Net Profit after tax available for equity shareholders (Rs. in Lacs)	6,320.47	4,958.47
Weighted average number of equity shares outstanding during the year (No. of shares)	38290560	38290560
Basic and Diluted Earnings per Share - Rupees	16.51	12.95
Nominal value per share - Rupees	10.00	10.00

12. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March, 2010.

13. Employee Benefits as per AS 15:

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

Gratuity:

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

Leave Encashment:

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

Superannuation:

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

		(Rs. in Lacs)		
		Gratuity	Leave Encashment	Superannuation
A. Amounts recognised in Balance Sheet are as follows:				
(i) Present Value of Defined Benefit Obligation				
- Wholly Funded	1,269.19	0.00	0.00	0.00
	(1,147.35)	(0.00)	(0.00)	(0.00)
- Wholly Unfunded	0.00	468.17	100.03	100.03
	(0.00)	(327.91)	(124.13)	(124.13)
Less: Fair Value of Planned Assets	1,217.86	0.00	0.00	0.00
	(1,059.84)	(0.00)	(0.00)	(0.00)
Amount to be recognised as Liability or (Asset)	51.33	468.17	100.03	100.03
	(87.51)	(327.91)	(124.13)	(124.13)
(ii) Amount Reflected in the Balance Sheet				
- Liability	51.33	468.17	100.03	100.03
	(87.51)	(327.91)	(124.13)	(124.13)
B. Amounts recognised in the Profit and Loss account				
		(Rs. in Lacs)		
		Gratuity	Leave Encashment	Superannuation
1. Current Service Cost	6.00	236.25	(24.10)	(24.10)
	(24.47)	(334.11)	(0.00)	(0.00)
2. Interest Cost	91.78	26.23	0.00	0.00
	(89.82)	(6.74)	(0.00)	(0.00)
3. Expected Return on Planned Assets	-80.65	0.00	0.00	0.00
	(-82.23)	(0.00)	(0.00)	(0.00)
4. Acturial Losses / (Gains)	84.20	7.31	0.00	0.00
	(121.63)	(0.00)	(0.00)	(0.00)
Total included in "Payments to and Provisions for Employees" (Reference Schedule 11)	101.33	269.79	(24.10)	(24.10)
	(153.69)	(340.85)	(0.00)	(0.00)

Accounting Policies and Notes on Accounts (Contd.)

(Rs. in Lacs)

C. Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances are as follows :

	Gratuity	Leave Encashment	Superannuation
Opening value of present value of defined benefit obligation	1,147.35	327.91	0.00
	(1,122.78)	(84.21)	(0.00)
Add: Current Service Cost	6.00	236.25	0.00
	(24.47)	(334.11)	(0.00)
Add: Interest Cost	91.78	26.23	0.00
	(89.82)	(6.74)	(0.00)
Add: Contributions made	50.00	0.00	0.00
	(107.72)	(0.00)	(0.00)
	1,295.13	590.39	0.00
	(1,344.79)	(425.06)	0.00
Less: Benefits paid	25.94	122.22	0.00
	(197.44)	(97.15)	(0.00)
Closing value of present value of defined benefit obligation	1,269.19	468.17	0.00
	(1,147.35)	(327.91)	(0.00)

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

	Gratuity	Leave Encashment
Discount Rate (p.a.)	8.00%	8.00%
	(8.00%)	(8.00%)
Expected Rate of Return on Assets (p.a.)	7.20%	
	(8.47%)	
Mortality	1994-96 LIC	1994-96 LIC
	(1994-96 LIC)	(1994-96 LIC)

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

14. Current Investments - amounts included in the Profit and Loss A/c (Dr.)/Cr.: 12 months ended 31st March, 2010 9 months ended 31st March, 2009

Dividend Income	0.25	0.27
Profit on Sales of Investments (Net)	333.94	440.87
		(Rs. in Lacs)
	12 months ended	9 months ended
	31st March, 2010	31st March, 2009

15. Auditor's Remuneration

(a) Statutory Auditor:		
Audit fee	12.00	8.00
(b) Tax Auditor:		
Audit fee	1.57	1.25
(c) Cost Auditor:		
Audit fee	1.00	0.90
		(Rs. in Lacs)

16. Managerial Remuneration:

	12 months ended	9 months ended
	31st March, 2010	31st March, 2009
(a) Remuneration to Managing Director/Executive Directors		
(i) Salaries	232.77	172.22
(ii) Contribution to Provident & other Funds	24.97	18.27
(iii) Perquisites	63.36	32.20
(iv) Commission	550.00	400.00
Total	871.10	622.69

Accounting Policies and Notes on Accounts (Contd.)

Note:

- (i) The above excludes contribution for gratuity and leave encashment as the incremental liability has been accounted for by the Company as a whole.
- (ii) Of the above, Rs.550 Lacs (Previous Year Rs.400 Lacs) is subject to approval of shareholders.

(b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956.	(Rs. in Lacs)	
	12 months ended 31st March, 2010	9 months ended 31st March, 2009
Profit before Taxation	9,308.88	6,999.31
Add:		
(a) Managerial Remuneration (including Commission)	871.10	622.69
(b) Provision for diminution in value of investments	102.00	0.00
(c) Share of loss from a partnership firm	0.03	0.03
(d) Directors' sitting Fees	2.16	1.75
	10,284.17	7,623.78
Less:		
(a) Profit on sale of Investments (Net)	333.94	440.87
(b) Gain on cancellation of forward exchange contracts	0.00	125.88
(c) Profit / Loss on sale of Fixed Assets (Net)	21.99	42.29
Net Profit as per Section 198 of the Companies Act, 1956	9,928.24	7,014.74
Maximum permissible remuneration to managing and whole-time directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above	992.82	701.47
Total Managerial Remuneration paid / payable for the year	871.10	622.69

17. (a) Licensed Capacity *

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

	Unit	As at 31st March, 2010	As at 31st March, 2009
(b) Installed Capacity			
Polyester Chips / Melt	MT (Per Annum)	416000	416000
Polyester Filament Yarn	MT (Per Annum)	# 162450	115200
Looms	Numbers	1220	1280

Additional capacity of 47250 TPA commenced production from 15th April, 2009

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

		12 months ended 31st March, 2010	9 months ended 31st March, 2009
(c) Production			
Polyester Chips / Melt	MT	358,758	178,386
Polyester Filament Yarn	MT	127,520	71,863
Fabrics #	Mtrs. in Lacs	352.10	240.05
# Including Fabrics procured from other manufacturers on job work 14.18 lac mtrs. (Previous Year 1.80 lac mtrs.)			

Accounting Policies and Notes on Accounts (Contd.)

	Unit	12 months ended 31st March, 2010		9 months ended 31st March, 2009	
		Qty.	Rs. in Lacs	Qty.	Rs. in Lacs
18. (a) Turnover					
P.T.A.	MT	773	377.90	429	246.98
M.E.G.	MT	683	271.66	111	48.90
Chips	MT	233,036	135,604.12	108,729	58,641.40
Spin Fin Oil	MT	60	100.59	17	28.91
Yarn (Includes POY & Processed yarn)	MT	130,672	113,255.24	77,443	67,798.21
Fabrics	Mtrs. in Lacs	442.90	15,107.67	317.85	11,077.08
Readymade Garments	Pcs. in Lacs	0.03	6.89	0.05	5.84
Job Work			3.08		8.66
Others			1,506.44		619.37
(b) Consumption of Raw Materials					
P.T.A.	MT	308,155	134,331.46	153,459	59,868.94
M.E.G.	MT	120,123	41,925.61	59,919	20,221.83
Polyester Chips	MT	4,126	2,835.17	7,587	4,899.72
Yarn	MT	11,429	9,950.02	6,667	5,936.29
Cloth	Mtrs. in Lacs	84.23	1,855.52	50.69	1,123.78
Spin Fin Oil	MT	987	1,480.02	527	679.11
Others			427.12		261.23
(c) Opening Stock					
Finished Goods					
Yarn	MT	2,108	1,596.77	3,270	2,947.07
Polyester Chips	MT	8,074	3,667.06	2,728	1,701.43
Fabrics	Mtrs. in Lacs	# 53.78	2,064.57	# 144.66	2,128.99
Readymade Garments	Pcs. in Lacs	0.06	14.57	0.10	22.92
Stock-in-trade (Art & Artifacts)	Nos.	43	4,641.96	43	4,641.96
(d) Closing Stock					
Finished Goods					
Yarn	MT	6,167	5,333.75	2,108	1,596.77
Polyester Chips	MT	9,515	5,963.26	8,074	3,667.06
Fabrics	Mtrs. in Lacs	64.43	2,539.44	# 53.78	2,064.57
Readymade Garments	Pcs. in Lacs	0.03	3.25	0.06	14.57
Stock-in-trade (Art & Artifacts)	Nos.	43	4,641.96	43	4,641.96
(e) Purchase					
Fabrics	Mtrs. in Lacs	32.26	1,408.82	26.64	1,097.02
Readymade Garments	Pcs. in Lacs	0.00	0.00	0.01	2.60

Excluding Shortages, Wastages, Scrap etc.

Accounting Policies and Notes on Accounts (Contd.)

	12 months ended 31st March, 2010		9 months ended 31st March, 2009	
	%	Rs. in Lacs	%	Rs. in Lacs
19. Value of Imported and Indigenous Raw Material, Stores, Spare parts Components & Chemicals consumed.				
(a) Raw Materials				
Imported	19.22	37,062.77	8.03	7,466.81
Indigenous	80.78	155,742.15	91.97	85,524.08
	100.00	192,804.92	100.00	92,990.89
(b) Stores, Spare parts, Components, Chemicals				
Imported	26.53	1,376.44	17.52	711.93
Indigenous	73.47	3,811.59	82.48	3,351.04
	100.00	5,188.03	100.00	4,062.97
				(Rs. in Lacs)
20. (a) CIF Value of Imports		12 months ended 31st March, 2010		9 months ended 31st March, 2009
(i) Raw Materials		33,885.62		7,558.31
(ii) Stores, Spare parts, Components and Chemicals		1,203.03		924.63
(iii) Capital Goods		6,339.90		17,611.85
(b) Expenditure in Foreign Currency				
(i) Technical know-how and consultancy fees		249.51		236.44
(ii) Interest paid		1,000.10		181.16
(iii) Travelling Expenses		17.20		23.58
(iv) Other Matters		81.03		39.09
(c) The Company has not made any remittances in foreign currencies on account of dividends during the year. The Company has remitted appropriate amount to the bank accounts in India of non-resident shareholders who have provided Indian bank mandate.				
(d) Earning in foreign exchange: F.O.B. value of goods exported.		15,861.91		2,479.84
21. The Company has identified only one segment viz. 'Textiles' as per Accounting Standard 17 of ICAI, and has not identified any geographical segment, where risks and returns are materially different.				
22. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956 is as per Annexure 'A'.				

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Firm Registration No. 123626W

Chartered Accountants

R. N. VEPARI

Partner

Membership No. 6728

Surat, 7th July, 2010

For and on behalf of the Board

PRAFUL A. SHAH

Chairman & Managing Director

ALOK P. SHAH

Joint Managing Director

SUNIL S. SHETH

Director

KAMLESH VYAS

Company Secretary

Surat, 7th July, 2010

Balance Sheet Abstract and Company's General Business Profile

1. Registration details

Registration No.:

0	3	4	6	3
---	---	---	---	---

 State Code

0	4
---	---

 Balance Sheet Date:

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

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

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

 Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

 Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

 Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

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

Total Liabilities

1	9	6	6	6	1	7	3
---	---	---	---	---	---	---	---

 Total Assets

1	9	6	6	6	1	7	3
---	---	---	---	---	---	---	---

Sources of Funds

Paid-Up Capital

		3	8	2	9	0	6
--	--	---	---	---	---	---	---

 Reserves & Surplus

		4	5	1	9	9	9	7
--	--	---	---	---	---	---	---	---

 Secured Loans

		9	4	8	5	7	3	6
--	--	---	---	---	---	---	---	---

 Unsecured Loans

			7	9	3	4	5	6
--	--	--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

1	1	4	2	6	1	6	4
---	---	---	---	---	---	---	---

 Investments

			7	6	6	0	9	6
--	--	--	---	---	---	---	---	---

 Net Current Assets

		4	1	6	5	0	3	7
--	--	---	---	---	---	---	---	---

 Misc. Expenditure

						6	7	5
--	--	--	--	--	--	---	---	---

 Deferred Tax Liability

		1	1	7	5	8	7	7
--	--	---	---	---	---	---	---	---

 Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

4. Performance of Company (Amount in Rs. Thousand)

Turnover (Gross Revenue)

2	5	2	1	3	0	8	3
---	---	---	---	---	---	---	---

 Total Expenditure

2	4	2	8	2	1	9	5
---	---	---	---	---	---	---	---

 (+/-)Profit/Loss Before Tax

	+	9	3	0	8	8	8
--	---	---	---	---	---	---	---

 (+/-)Profit/Loss After Tax

	+	6	3	2	0	4	7
--	---	---	---	---	---	---	---

 Earning Per Share in Rs.

			1	6	.	5	1
--	--	--	---	---	---	---	---

 Dividend Rate %

						1	8
--	--	--	--	--	--	---	---

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

- a) Item code No. (ITC Code)

5	4	0	7	1	0	-	3	9
---	---	---	---	---	---	---	---	---

 Product description

W	O	V	E	N		F	A	B	R	I	C	S		O	F							
S	Y	N	T	H	E	T	I	C		F	I	L	A	M	E	N	T		Y	A	R	N
- b) Item code No. (ITC Code)

5	4	0	2	4	6	-	0	0
---	---	---	---	---	---	---	---	---

 Product description

W	O	V	E	N		F	A	B	R	I	C	S		O	F							
P	O	L	Y	E	S	T	E	R		F	I	L	A	M	E	N	T		Y	A	R	N
- c) Item code No. (ITC Code)

3	9	0	7	6	0	-	1	0
---	---	---	---	---	---	---	---	---

 Product description

P	O	L	Y	E	S	T	E	R		C	H	I	P	S								
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	--	--	--	--	--	--	--	--

Note: Classification of products/service under ITC code being of a technical nature, is not verified by the Auditors.

FORM OF PROXY**GARDEN SILK MILLS LIMITED**

Regd. Office: Sahara Gate, Surat 395 010.

Annual General Meeting – 31st August, 2010 at 11:00 a.m.

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

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

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

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

I/We _____ of _____ being a Member/members of Garden Silk Mills Limited, hereby appoint of _____ or failing him _____ of _____ as my/our proxy to attend and vote for me/us and on my/our behalf at the **31ST ANNUAL GENERAL MEETING** of the Company, to be held on Tuesday, the 31st August, 2010 at 11.00 a.m. and at any adjournment thereof.

Signed this day of August, 2010.

Signature:

Affix
Re.0.15
Revenue
Stamp

* Applicable for the members holding shares in dematerialised form.

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. A proxy need not be a member of the Company.

ATTENDANCE SLIP**GARDEN SILK MILLS LIMITED**

Regd. Office: Sahara Gate, Surat 395 010.

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

Annual General Meeting – 31st August, 2010 at 11:00 a.m.

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

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

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

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

NAME AND ADDRESS OF THE SHAREHOLDER / PROXY:

I hereby record my presence at the **31ST ANNUAL GENERAL MEETING** of the Company at Garden Mills Complex, Sahara Gate, Surat 395 010 at 11:00 a.m. on Tuesday the 31st day of August, 2010.

Signature of the attending Member/Proxy _____

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

* Applicable for members holding shares in dematerialised form.

BOOK POST



If undelivered please return to:
GARDEN SILK MILLS LIMITED
Garden Mills Complex, Sahara Gate, Surat-395010