

GARDEN SILK MILLS LIMITED

Registered Office: Garden Mills Complex, Sahara Gate, Surat 395 010

POSTAL BALLOT

Notice pursuant to Section 192A(2) of the Companies Act, 1956.

To

The Members,

Notice is hereby given, pursuant to Section 192A of the Companies Act, 1956 [‘the Act’] and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 [‘the Rules’] made there under, that consent of the Members of the Company is sought for the proposed Special Business as set out below, by means of Postal Ballot and the Board of Directors of the Company [‘the Board’] proposes the same for the approval by members.

Draft Resolutions along with the Explanatory Statement pursuant to Section 192A(2) and Section 173(2) of the Act read with Article 113A of the Articles of Association of the Company stating all material facts and the reasons for the proposed Resolutions are appended hereto for approval of the Members of the Company to be accorded by Postal Ballot in accordance with the aforesaid provisions.

The Board of Directors of the Company at its meeting held on 13th December, 2011 has appointed Shri Kunjal Dalal, Practicing Company Secretary as Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

Please carefully read the instructions printed overleaf the Postal Ballot Form and return the said Postal Ballot Form (no other form or photocopy thereof is permitted) duly completed in all respect, in the enclosed self addressed pre-paid postage business reply envelope so as to reach the Scrutinizer on or before the close of working hours on Monday, 23rd January, 2012. Responses received from Members after Monday, 23rd January, 2012 shall be treated as if no response is received, in terms of Rule 6(f) of the Rules.

The Scrutinizer will submit his report to the Board of Directors of the Company, after completing the scrutiny and the result of the voting by Postal Ballot will be announced on Wednesday, 25th January, 2012 at the Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395010 at 3.00 p.m.

In the event, the proposed Resolutions are approved by the requisite majority of members by means of the Postal Ballot, the date of declaration of the result shall be deemed to be date of passing of the said Resolutions.

Members who wish to remain present at the time of announcement of results of Postal Ballot process may do so at the aforesaid venue and appointed time.

By Order of the Board of Directors

Place: Surat

Kamlesh B. Vyas

Date: 13th December, 2011

Company Secretary

Encl:

- (1) Draft Resolutions with Explanatory Statement.
- (2) Postal Ballot Form and self-addressed pre-paid postage business reply envelope.

To consider and, if thought fit, to give assent/dissent to the following Resolutions:

AS SPECIAL RESOLUTIONS:

1. Alteration in the Articles of Association of the Company by inserting and substituting clauses.

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force) and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered in the manner and to the extent as is set out here below:”

- (a) After the existing Article 91(3), the following margin note and new Article be and is hereby added as Article 91(4) as under:

Meeting by electronic mode:

91(4) Notwithstanding anything mentioned in these Articles, the Company may hold General Meeting(s) / Board Meeting(s) / Committee Meeting(s) etc. with participation of entitled persons by electronic mode including voting and any other incidental thing(s) by electronic mode as may be permitted by applicable law.

- (b) The existing margin note and Article 113A be and is hereby substituted by the following margin note and Article 113A as follows:

Postal Ballot:

113A Notwithstanding anything mentioned in these Articles but subject to provisions of Section 192A of the Companies Act, 1956 and such other provisions as may be applicable, including any Rules/ Circulars/Guidelines etc. notified thereunder, including any statutory modification for the time being in force or re-enactment thereof or any amendments made thereto from time to time by the Central Government/ or by Securities and Exchange Board of India (SEBI) in this behalf, the Company may, and in case of the resolutions relating to such business as the Central Government may declare to be conducted only by postal ballot (by electronic or any other mode), the Company shall get any resolution passed by means of a postal ballot, instead of, transacting the business in general meeting of the Company.

- (c) After the existing Article 196A, the following new Article be and is hereby added as Article 196B as under:

Service of Notice, Reports, Documents and other communications to shareholders by electronic mode:

196B Notwithstanding anything mentioned in these Articles, the Company may send any communication including notice of general meeting, annual report etc. to any persons by electronic mode as may be permitted by applicable law.

“RESOLVED FURTHER that the Directors of the Company and the Company Secretary be and are hereby severally authorized to do all such acts, deeds, matters and things as may be necessary to give effect to this Resolution.”

2. Revision in the terms of appointment of Shri Praful A. Shah, Chairman and Managing Director:

“RESOLVED THAT in partial modification of the earlier resolution passed at the 28th Annual General Meeting of the Company held on 13th November, 2007 and in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, for the time being in force, consent of the Company be and is hereby accorded to the revision in terms of appointment including remuneration of Shri Praful A. Shah as Chairman and Managing Director of the Company, with effect from 1st April, 2011 up to the balance period of his current tenure i.e. upto 31st August, 2013, on the terms and conditions as set out in the Explanatory Statement annexed to this Resolution and also contained in the draft agreement to be executed between the Company and Shri Praful A. Shah, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to review, alter and vary the terms and conditions including remuneration as per the provisions of Companies Act, 1956, in such form and manner as the Board may deem fit and agreed to by Shri Praful A. Shah.”

“RESOLVED FURTHER that where in any financial year during the term of office of Shri Praful A. Shah as Chairman and Managing Director, the Company has no profits or its profits are inadequate, Shri Praful A. Shah shall continue to get the same remuneration as approved as minimum remuneration in accordance with paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, wherever required.”

“RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any director(s) and/ or officer(s) of the Company, to give effect to this Resolution.”

3. Revision in the terms of appointment of Shri Alok P. Shah, Jt. Managing Director:

“RESOLVED THAT in partial modification of the earlier resolution passed at the 30th Annual General Meeting of the Company held on 30th September, 2009 and in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, for the time being in force, consent of the Company be and is hereby accorded to the revision in terms of appointment including remuneration of Shri Alok P. Shah as Jt. Managing Director of the Company, with substantial powers of management as Managing Director, with effect from 1st April, 2011 for a period of 3 years on the terms and conditions as

set out in the Explanatory Statement to this Resolution and also contained in the draft agreement to be executed between the Company and Shri Alok P. Shah, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to review, alter and vary the terms and conditions including remuneration as per the provisions of Companies Act, 1956, in such form and manner as the Board may deem fit and agreed to by Shri Alok P. Shah."

"RESOLVED FURTHER that where in any financial year during the term of office of Shri Alok P. Shah as Jt. Managing Director, the Company has no profits or its profits are inadequate, Shri Alok P. Shah shall continue to get the same remuneration as approved as minimum remuneration in accordance with paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, wherever required."

"RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any director(s) and/or officer(s) of the Company, to give effect to this Resolution."

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

"RESOLVED THAT in partial modification of the earlier resolution passed at the 28th Annual General Meeting of the Company held on 13th November, 2007 and in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, for the time being in force, consent of the Company be and is hereby accorded to the revision in terms of appointment including remuneration of Shri Suhail P. Shah as a Whole-time Director designated as Executive Director of the Company, with substantial powers of management as Managing Director, with effect from 1st April, 2011 up to the balance period of his current tenure i.e. upto 30th November, 2012, on the terms and conditions as set out in the Explanatory Statement to this Resolution and also contained in the draft agreement to be executed between the Company and Shri Suhail P. Shah, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to review, alter and vary the terms and conditions including remuneration as per the provisions of Companies Act, 1956, in such form and manner as the Board may deem fit and agreed to by Shri Suhail P. Shah."

"RESOLVED FURTHER that where in any financial year during the term of office of Shri Suhail P. Shah as Executive Director, the Company has no profits or its profits are inadequate, Shri Suhail P. Shah shall continue to get the same remuneration as approved as minimum remuneration in accordance with paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, wherever required."

"RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any director(s) and/or officer(s) of the Company, to give effect to this Resolution."

5. Re-appointment of Shri Suhail P. Shah, Executive Director:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 and 317 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, for the time being in force, consent of the Company be and is hereby accorded to the reappointment of Shri Suhail P. Shah as Whole-time Director designated as Executive Director of the Company with substantial powers of management as Managing Director, for a period of 3 years with effect from 1st December, 2012 on the terms and conditions as set out in the Explanatory Statement to this Resolution and also contained in the draft agreement to be executed between the Company and Shri Suhail P. Shah, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to review, alter and vary the terms and conditions of the said reappointment including remuneration as per the provisions of Companies Act, 1956, in such form and manner as the Board may deem fit and agreed to by Shri Suhail P. Shah."

"RESOLVED FURTHER that where in any financial year during the term of office of Shri Suhail P. Shah as Executive Director, the Company has no profits or its profits are inadequate, Shri Suhail P. Shah shall continue to get the same remuneration as approved as minimum remuneration in accordance with paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, wherever required."

"RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any director(s) and/or officer(s) of the Company, to give effect to this Resolution."

By Order of the Board of Directors

Place: Surat
Date: 13th December, 2011

Kamlesh B. Vyas
Company Secretary

Explanatory Statement pursuant to Section 192A(2) and Section 173(2) of the Companies Act, 1956

Item No. 1

Ministry of Corporate Affairs (MCA) in pursuit of 'Green Initiative' and other objectives has issued various Circulars in recent past enabling the Company to hold Board Meetings/ Committee Meetings/General Meetings of shareholders through video conferencing, communication to the shareholders like General Meeting Notice including the Annual General Meeting, Annual report containing Audited Financial Statements, Directors Report, Auditors Report to the shareholder in electronic form as well as postal ballot process through electronic mode etc, to the email address provided by the shareholders and made available to the Company by the Depositories.

It was considered appropriate to make suitable alterations in the Articles of Association of the Company as set out in the Resolution in order to bring the relevant enabling provisions in the Articles of Association of the Company.

The Board of Directors recommends the passing of the Resolution contained in item No.1 of the accompanying Notice.

None of the Director of the Company is concerned or interested or deemed to be concerned or interested in the aforesaid resolution.

Item No. 2

At the 28th Annual General Meeting of the Company held on 13th November, 2007, the Members had approved the re-appointment of Shri Praful A. Shah, Chairman and Managing Director of the Company for a period of 5 (five) years with effect from 1st September, 2008 on the terms and conditions including remuneration as specified in the explanatory statement annexed to the Notice of the said meeting.

Shri Praful A. Shah has been associated with the Company for more than four decades. He holds Master of Science degree in Mechanical Engineering from Stanford University, USA. Over the years, from a small power-looms shed, he has through his inspiration and with sincere dedication and hard work transformed "Garden" into one of the largest integrated Polyester Textile companies in India.

During his tenure as Managing Director, he has provided dynamic and effective leadership to the Company's management team and, the Company has made great strides in business activities in terms of all financial parameters, including assets, sales and profits, and has established itself as one of the dominant player in the textile industry.

Taking into consideration the size of the Company, the profile of the appointee, the responsibilities shared by him and the industry benchmarks, the Board of Directors of the Company in their Meeting held on 13th December, 2011 has, in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956, and subject to the necessary approvals including central government, approved the revision in the terms of appointment including remuneration of Shri Praful A. Shah as Chairman and Managing Director, with effect from 1st April, 2011 up to the balance period of his current tenure i.e upto 31st August, 2013, as recommended by the Remuneration Committee.

The salient features of the revised terms and conditions including remuneration to Shri Praful A. Shah as set out in the draft agreement are as follows:

i) Salary: Rs.10,00,000/- per month.

With annual increment upto 15% every year as approved by the Board on the recommendation of Remuneration Committee.

ii) Perquisites and Allowances:

(a) in addition to the salary as above, Shri Praful A. Shah shall be entitled to perquisites which includes accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for self and family including dependents; club fees, car(s) with driver and telephone(s) at residence and such other perquisites and/or other allowances as the Board (which includes any committee thereof) may in its absolute discretion determine from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at i) above.

(b) The said perquisites and allowance shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

(c) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these singly or together are not taxable under the Income-tax law, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to the extent not taxable under the Income-tax law shall not be included for the purpose of computation of the overall ceiling of remuneration.

iii) **Commission:**

In addition to the salary, perquisites and allowances as set out above, Shri Praful A. Shah shall be entitled to receive commission on net profits of the Company in a particular financial year, as may be determined by the Board and/or the Remuneration Committee of the Board at the end of each financial year. Provided that the total remuneration including salary, perquisites, allowances and commission shall not exceed 5% of the Net Profits for Shri Praful A. Shah, if Shri Praful A. Shah is the only Managing Director or Director in Whole-time employment of the Company and if there is more than one such director, then 10% for all of them together.

iv) **Reimbursement of Expenses:**

Reimbursement of expenses incurred for travelling, boarding and lodging including for their spouse and attendant(s) during business trips; provision of car(s) for use on the Company's business; telephone expenses at residence and club membership shall be reimbursed and not considered as perquisites.

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

vi) **Minimum Remuneration:**

In the event of inadequacy or absence of profits in any financial year during his tenure as Managing Director, Shri Praful A. Shah will be entitled to the foregoing amount of remuneration along with the perquisites and allowances mentioned above as the minimum remuneration for the year subject to paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956.

vii) The Directors shall have liberty to vary the remuneration of the Managing Director within the limits set out herein from time to time.

viii) **Other Terms and Conditions:**

- He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.
- He shall not be liable to retire by rotation as a Director.
- The Board is entitled to terminate the agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956.
- The agreement may be terminated by giving six months' notice in writing by either party or such earlier time as may be agreed by and acceptable to the Company and Shri Praful A. Shah.

It is now proposed that in case of inadequate or absence of profit, Shri Praful A. Shah be paid minimum remuneration as mentioned above in terms of paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956. Conditions of the said paragraph C inter alia require approval of remuneration by a special resolution for a period not exceeding 3 years. Hence, Special Resolution at item no.2 of the accompanying notice for payment of remuneration to Shri Praful A. Shah for balance period of his present tenure as Chairman and Managing Director of the Company.

Statement in terms of paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956

I General Information

- Nature of Industry** – The Company belongs to the GAREN VARELI Group which is a leader in the Indian Textile Industry with particular strength in polyester filament based textiles, both yarn and fabric. The Company is also a leading player in polyester chips and differentiated partially oriented yarn (POY) manufacture and is a regular supplier of bright, cationic, micro denier, and fine denier yarns in the market.
- Date or expected date of commencement of commercial production**
The Company was incorporated in the year 1979 as a Private Limited Company and commenced its operation. It was converted into Public Limited Company in the year 1987.
- Financial performance based on given indicators** – as per the audited financial results for the year ended March 31, 2011

	(Rs in Crore)
Net Sales and Other income	3406.25
Profit before Interest, Depreciation and Tax (EBIDTA)	286.48
Interest and Finance Charges (Net)	88.93
Profit before Depreciation and Tax (PBDT)	197.55
Depreciation	76.52
Profit Before Tax (PBT)	121.03
- Provision for Tax	33.17
Profit after Tax (PAT)	87.86

4 Export performance and net foreign exchange collaborations:

	(Rs. In crore)
FOB value of Exports – 2010-11	315.24
Net Foreign Exchange collaborations	NIL

5 Foreign Investments or collaborators if any.

The Company has no foreign investments or collaborators.

II Information about the Appointee

(together with job profile and suitability)

1 Background details

Shri Praful A. Shah

Shri Praful A. Shah who graduated in Mechanical Engineering from Michigan and post-graduated in Mechanical Engineering from Stanford University, USA in 1965 is a promoter director designated as Chairman & Managing Director of the Company.

Shri Praful A. Shah, the founder Chairman of the Company has been instrumental in chartering the growth of the Company during its initial years of operations from its factory at Surat.

He has through his inspiration and with sincere dedication and hard work, transformed "Garden" into a household name, having its sprawling factory complexes in villages Vareli and Jolwa, Dist. Surat.

Garden Silk Mills Ltd. can now boast of being both a "designer" of yarns and fabrics – being one of the largest integrated polyester textile companies in India, having state-of-art technology at its plants on the outskirts of Surat.

2 Past Remuneration – for the year 2010-11 (Rs in Lacs p.a)

	Salary	Perquisites and Allowances	Commission	Total
Shri Praful A. Shah	90.00	4.67	600.00	694.67

3. Recognition or awards

Award for Outstanding Business Person for the year 2008-09 by The Southern Gujarat Chamber of Commerce & Industry.

4. Job Profile and his Suitability

Shri Praful A. Shah has been associated with the Company for more than 4 decades. During his tenure as Managing Director he has provided dynamic and effective leadership to the Company's management team and, the Company has made great strides in business activities and established as one of the dominant players in the Indian textile industry. The Company today has a modern continuous polymerization plant for making polyester PET chips as well as POY/FDY; texturising, draw twisting, draw winding and draw warping plants to cater to the individual needs of weavers; one of the most modern weaving and yarn-processing facilities; and also churns out hundreds of print design ideas that its department conceives every month.

In consideration of the performance of Shri Praful A. Shah as Chairman and Managing Director of the Company over the years, the Board of Directors of the Company in their meeting held on 13th December, 2011 approved the remuneration as recommended by the Remuneration Committee and also approved the revision in the terms of appointment including remuneration of Shri Praful A. Shah with effect from 1st April, 2011 up to the balance period of his current tenure i.e upto 31st August, 2013 in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 and subject to the necessary approvals including Central Government, if required.

5 Remuneration proposed: w.e.f 1st April, 2011 (Rs in Lacs p.a)

	Salary *	Perquisites and Allowances	Total
Shri Praful A. Shah	120.00	150.00	270.00

* With annual increment upto 15% every year as approved by the Board on the recommendation of Remuneration Committee.

6 Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

Taking into consideration the size of the Company, the profile of the appointee, managerial personnel, the responsibilities shouldered by him and the industry benchmarks, the aforesaid remuneration proposed to be paid is commensurate with the remuneration package paid to similar senior level counter parts in other companies.

7 Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Besides the remuneration proposed, Shri Praful A. Shah has no other pecuniary relationship. Shri Praful A. Shah, Shri Alok P. Shah, Shri Suhail P. Shah and Smt. Shilpa P. Shah, Directors of the Company are related to each other.

III Other Information

1 Reasons of inadequate profits

During the financial year ended 31st March, 2011, the Company achieved Net Sales of Rs.3400.48 crore as compared to Rs.2514.89 crore in the previous year, a growth of about 35%. Profit before Depreciation and Tax was higher by 19% at Rs.197.55 crore. The Profit after Tax stood at Rs.87.87 crore as compared to Rs.63.20 crore in the previous year.

For the current financial year 2011-12, during the six months period ended 30th September, 2011, the Net Revenue of the Company grew marginally by about 7% at Rs.1859.83 crore as compared to Rs.1735.45 crore in the corresponding six months of the previous year. The Company maintained EBIDTA at Rs.116.34 crore as compared to Rs.117.27 crore in the corresponding six months of the previous year. With the higher interest costs and the depreciation charge, the Net Profit for the period was lower at Rs.4.81 crore as compared to Rs.31.85 crore in the corresponding period of the previous year.

The profitability of the Company, during the period has been affected owing to historically unprecedented volatility in raw material prices resulting in inventory losses and demand contraction for polyester chips coupled with reduction in production in order to reduce the finished goods inventory and curtail losses on account of price fluctuations.. This was largely on account of business cycle, external and unexpected circumstances beyond the control of the management.

2 Steps taken or proposed to be taken for improvement:

The outlook on long-term prospects of polyester yarn business, which is expected to grow at around 6-7 per cent through 2011-13, is positive and the Company is expected to be benefited as it enjoys a leadership position in textile grade polyester chips market and along with its location advantage. It is one of the competitive players in the textile grade chips market. The Company's capacity augmentation into polyester yarn business, where net realisations are relatively higher than chips, would be advantageous to the Company.

The Company is taking necessary steps to improve its margins on all of its products with better quality and price competitiveness. Further, the Company is taking necessary steps to reduce its debt obligations and the interest burden.

3 Expected increase in productivity and profits in measurable terms.

With the improvement in overall economic scenario and business environment, stable input costs and commodity prices coupled with demand growth in the Company's products and the steps proposed to be taken as mentioned above, the Company expects improvement in performance over the medium to long-term.

IV Disclosures:

The remuneration package alongwith the corresponding details of Shri Praful A. Shah, Chairman and Managing Director of the Company have already been mentioned earlier. The remuneration paid to the Managing Director for the year 2010-11 has been disclosed in the Report on Corporate Governance in the annual report. There is no severance fee or stock option available in the case of the aforesaid managerial personnel. The respective tenure of the aforesaid managerial personnel shall be governed by an agreement / contract with a notice period of six months. Further disclosures with respect to remuneration package shall be made in the Board of Director's Report under the heading "Corporate Governance" and in the appropriate section of the audited annual accounts of the Company for the year 2011-12.

This Explanatory Statement together with the accompanying Notice is and may be treated as an 'Abstract of the terms of appointment and memorandum of interest' under Section 302 of the Companies Act, 1956.

Shri Praful A. Shah is interested in the resolution as set out at Item No.2 of the Notice which pertains to revision in the terms of his reappointment including remuneration payable to him. Further, Shri Alok P. Shah, Jt. Managing Director, Shri Suhail P. Shah and Smt. Shilpa P. Shah, the Executive Directors of the Company may be deemed to be concerned / interested in the Resolution as they are relatives of Shri Praful A. Shah.

Save and except the above, none of the other Directors of the Company is in any way, concerned or interested in the Resolution.

The Board commends the Resolution as set out at Item No.2 of the Notice for your approval.

Item No. 3

At the 30th Annual General Meeting of the Company held on 30th September, 2009, the Members had approved the re-appointment of Shri Alok P. Shah, Jt. Managing Director of the Company for a period of 5 (five) years with effect from 1st November, 2009 on the terms and conditions including remuneration as specified in the explanatory statement annexed to the Notice of the said meeting.

Shri Alok P. Shah is a graduate in Electrical Engineering from Stanford University and has an M.B.A. Finance, General Management & Economics from University of Chicago. Shri Alok P. Shah has had a brilliant academic career. He has wide exposure and knowledge in project appraisal, assessing technical feasibility in respect of projects, corporate finance & management etc.

Shri Alok P. Shah has made outstanding contribution by advising the Company towards improvement of production and productivity, optimising the operational efficiency and cost reduction measures.

The Directors are of the view that his experience, leadership qualities and excellent managerial capability will further contribute to the growth of the Company.

Taking into consideration the size of the Company, the profile of the appointee, the responsibilities shared by him and the industry benchmarks, the Board of Directors of the Company in their Meeting held on 13th December, 2011 has, in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956, and subject to the necessary approvals including central government, approved the revision in the terms of appointment including remuneration of Shri Alok P. Shah as Jt. Managing Director, with effect from 1st April, 2011 for a period of 3 years as recommended by the Remuneration Committee.

The salient features of the revised terms and conditions of appointment including remuneration to Shri Alok P. Shah as set out in the draft agreement are as follows:

i) Salary: Rs.10,00,000/- per month.

With annual increment upto 15% every year as approved by the Board on the recommendation of Remuneration Committee.

ii) Perquisites and Allowances:

(a) In addition to the salary as above, Shri Alok P. Shah shall be entitled to perquisites which includes accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for self and family including dependents; club fees, car(s) with driver and telephone(s) at residence and such other perquisites and/or other allowances as the Board (which includes any committee thereof) may in its absolute discretion determine from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at i) above.

(b) The said perquisites and allowance shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

(c) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these singly or together are not taxable under the Income-tax law, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to the extent not taxable under the Income-tax law shall not be included for the purpose of computation of the overall ceiling of remuneration.

iii) Commission:

In addition to the salary, perquisites and allowances as set out above, Shri Alok P. Shah shall be entitled to receive commission on net profits of the Company in a particular financial year, as may be determined by the Board and/or the Remuneration Committee of the Board at the end of each financial year. Provided that the total remuneration including salary, perquisites, allowances and commission to all the Managing / Executive Directors shall not exceed 10% of the Net Profits of the Company as computed in the manner referred to under Section 198(1) of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof.

iv) Reimbursement of Expenses:

Reimbursement of expenses incurred for travelling, boarding and lodging including for their spouse and attendant(s) during business trips; provision of car(s) for use on the Company's business; telephone expenses at residence and club membership shall be reimbursed and not considered as perquisites.

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

vi) Minimum Remuneration:

In the event of inadequacy or absence of profits in any financial year during his tenure as Jt. Managing Director, Shri Alok P. Shah will be entitled to the foregoing amount of remuneration along with the perquisites and allowances mentioned above as the minimum remuneration for the year subject to paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956.

vii) The Directors shall have liberty to vary the remuneration of Mr. Alok P. Shah as Jt. Managing Director within the limits set out herein from time to time.

viii) Other Terms and Conditions:

(a) He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

(b) The Board is entitled to terminate the agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956.

- (c) The agreement may be terminated by giving six months' notice in writing by either party or such earlier time as may be agreed by and acceptable to the Company and Shri Alok P. Shah.

It is now proposed that in case of inadequate or absence of profit, Shri Alok P. Shah be paid minimum remuneration as mentioned above in terms of paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956. Conditions of the said paragraph C inter alia require approval of remuneration by a special resolution for a period not exceeding 3 years. Hence, Special Resolution at item no. 3 of the accompanying notice for payment of remuneration to Shri Alok P. Shah for a period 3 years from 1st April, 2011 during his present tenure as Jt. Managing Director of the Company.

Statement in terms of paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956

I General Information

- Nature of Industry** – The Company belongs to the GAREN VARELI Group which is a leader in the Indian Textile Industry with particular strength in polyester filament based textiles, both yarn and fabric. The Company is also a leading player in polyester chips and differentiated partially oriented yarn (POY) manufacture and is a regular supplier of bright, cationic, micro denier, and fine denier yarns in the market.
- Date or expected date of commencement of commercial production**
The Company was incorporated in the year 1979 as a Private Limited Company and commenced its operation. It was converted into Public Limited Company in the year 1987.
- Financial performance based on given indicators** – as per the audited financial results for the year ended March 31, 2011

	(Rs in Crore)
Net Sales and Other income	3406.25
Profit before Interest, Depreciation and Tax (EBIDTA)	286.48
Interest and Finance Charges (Net)	88.93
Profit before Depreciation and Tax (PBDT)	197.55
Depreciation	76.52
Profit Before Tax (PBT)	121.03
- Provision for Tax	33.17
Profit after Tax (PAT)	87.86

4 Export performance and net foreign exchange collaborations:

	(Rs. In crore)
FOB value of Exports – 2010-11	315.24
Net Foreign Exchange collaborations	NIL

5 Foreign Investments

The Company has no foreign investments.

II Information about the Appointee
(together with job profile and suitability)

1 Background details

Shri Alok P. Shah: Shri Alok P. Shah, Jt. Managing Director of the Company is an Electrical Engineer from Stanford University, USA. He has an M.B.A. Finance, General Management & Economics from University of Chicago.

Shri Alok P. Shah was inducted as member of the Board in the year 1999. He was appointed as Executive Director in November, 2004 with overall responsibility of the implementation of upcoming projects, business development, finance, management and corporate affairs. In addition, he continues to shoulder several other corporate responsibilities.

2 Past Remuneration – for the year 2010-11 (Rs in Lacs p.a.)

	Salary	Perquisites and Allowances	Commission	Total
Shri Alok P. Shah	60.00	41.00	200.00	301.00

3 Recognition or awards:

- Graduated with distinction from Stanford University and completed Masters (MBA) with High Honors from University of Chicago.
- Member of Tau Beta Pi Honors engineering society at Stanford,
- Member of Young Presidents Organisation
- Member of Young Entrepreneurs Organisation

4 Job Profile and his Suitability

Shri Alok P. Shah has had a brilliant academic career. He has wide exposure and knowledge in project appraisal, assessing technical feasibility in respect of projects, corporate finance and management etc.

Shri Alok P. Shah has made outstanding contribution by advising the company towards improvement of production and productivity, optimising the operational efficiency and cost reduction measures. In appreciation of his dedicated efforts and contribution for the growth of the company he was elevated to the position of Jt. Managing Director (JMD) in October, 2007.

The Company has in last few years implemented many value addition projects such as expansion of production capacity of downstream processes by installing Draw Texturised Yarn (DTY) Machines, Coal base Power Plants for generation of captive power etc. He has been actively involved in the overall design and viability analysis of all these projects. Mr. Alok P. Shah initiated internal audit and BPR reviews across the company and has represented the Company to lending and rating institutions.

In consideration of the performance of Shri Alok P. Shah as Jt. Managing Director of the Company over the years, the Board of Directors of the Company in their meeting held on 13th December, 2011 approved the remuneration as recommended by the Remuneration Committee and also approved the revision in the terms of appointment including remuneration of Shri Alok P. Shah for a period 3 years from 1st April, 2011 during his tenure as Jt. Managing Director of the Company in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 and subject to the necessary approvals including Central Government, if required.

5 Remuneration proposed: w.e.f 1st April, 2011 (Rs in Lacs p.a.)

	Salary *	Perquisites and Allowances	Total
Shri Alok P. Shah	120.00	150.00	270.00

* With annual increment upto 15% every year as approved by the Board on the recommendation of Remuneration Committee.

6 Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

Taking into consideration the size of the Company, the profile of the appointee, managerial personnel, the responsibilities shouldered by him and the industry benchmarks, the aforesaid remuneration proposed to be paid is commensurate with the remuneration package paid to similar senior level counter parts in other companies.

7 Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Besides the remuneration proposed, Shri Alok P. Shah has no other pecuniary relationship. Shri Alok P. Shah, Shri Praful A. Shah, Shri Suhail P. Shah and Smt. Shilpa P. Shah, Directors of the Company are related to each other.

III Other Information

1 Reasons of inadequate profits

During the financial year ended 31st March, 2011, the Company achieved Net Sales of about Rs.3400.48 crore as compared to Rs.2514.89 crore in the previous year, a growth of about 35%. Profit before Depreciation and Tax was higher by 19% at Rs.197.55 crore. The Profit after Tax stood at Rs.87.87 crore as compared to Rs.63.20 crore in the previous year.

For the current financial year 2011-12, during the six months period ended 30th September, 2011, the Net Revenue of the Company grew marginally by about 7% at Rs.1859.83 crore as compared to Rs.1735.45 crore in the corresponding six months of the previous year. The Company maintained EBIDTA at Rs.116.34 crore as compared to Rs.117.27 crore in the corresponding six months of the previous year. With the higher interest costs and the depreciation charge, the Net Profit for the period was lower at Rs.4.81 crore as compared to Rs.31.85 crore in the corresponding period of the previous year.

The profitability of the Company, during the period has been affected owing to historically unprecedented volatility in raw material prices resulting in inventory losses and demand contraction for polyester chips coupled with reduction in production in order to reduce the finished goods inventory and curtail losses on account of price fluctuations. This was largely on account of business cycle, external and unexpected circumstances beyond the control of the management.

2 Steps taken or proposed to be taken for improvement:

The outlook on long-term prospects of polyester yarn business, which is expected to grow at around 6-7 per cent through 2011-13, is positive and the Company is expected to be benefited as it enjoys a leadership position in textile grade polyester chips market and along with its location advantage. It is one of the competitive players in the textile grade chips market. The Company's capacity augmentation into polyester yarn business, where net realisations are relatively higher than chips, would be advantageous to the Company.

The Company is taking necessary steps to improve its margins on all of its products with better quality and price competitiveness. Further, the Company is taking necessary steps to reduce its debt obligations and the interest burden.

3 Expected increase in productivity and profits in measurable terms.

With the improvement in overall economic scenario and business environment, stable input costs and commodity prices coupled with demand growth in the Company's products and the steps proposed to be taken as mentioned above, the Company expects improvement in performance over the medium to long-term.

IV Disclosures:

The remuneration package alongwith the corresponding details of Shri Alok P. Shah, Jt. Managing Director of the Company have already been mentioned earlier. The remuneration paid to the Managing Director for the year 2010-11 has been disclosed in the Report on Corporate Governance in the annual report. There is no severance fee or stock option available in the case of the aforesaid managerial personnel. The respective tenure of the aforesaid managerial personnel shall be governed by an agreement / contract with a notice period of six months. Further disclosure of the revision in the same will be made in the appropriate section of the audited annual accounts of the Company for the year 2011-12.

This Explanatory Statement together with the accompanying Notice is and may be treated as an 'Abstract of the terms of appointment and memorandum of interest' under Section 302 of the Companies Act, 1956.

Shri Alok P. Shah is interested in the resolution as set out at Item No.3 of the Notice which pertains to revision in the terms of his appointment including remuneration payable to him. Further, Shri Praful A. Shah, Chairman and Managing Director, Shri Suhail P. Shah and Smt. Shilpa P. Shah, the Executive Directors of the Company may be deemed to be concerned / interested in the Resolution as they are relatives of Shri Alok P. Shah.

Save and except the above, none of the other Directors of the Company is in any way, concerned or interested in the Resolution.

The Board commends the Resolution as set out at Item No.3 of the Notice for your approval.

Item Nos. 4

At the 28th Annual General Meeting of the Company held on 13th November, 2007, the Members had approved the re-appointment of Shri Suhail P. Shah, Whole-time Director designated as Executive Director with substantial powers of management as Managing Director of the Company for a period of 5 (five) years with effect from 1st December, 2007 on the terms and conditions including remuneration as specified in the explanatory statement annexed to the Notice of the said meeting.

Shri Suhail P. Shah holds a Post Graduate in Physical Chemistry from The University of Chicago and a Doctorate in Theoretical Physical Chemistry from The University of Chicago.

Shri Suhail P. Shah has had a brilliant academic career. Shri Suhail P. Shah has to his credit various research accomplishments, computational skills and publications at the international level. He has more than 10 years of experience in research with various universities of international repute.

He has wide exposure and knowledge in project appraisal, assessing technical feasibility and management etc.

During his tenure as Executive Director Shri Suhail P. Shah has actively supported the Company and contributed valuable suggestions in identifying international suppliers, carrying out technical appraisal with them for finalising, and commissioning of the Continuous Polymerisation (CP) Chips Project of the Company. He has made outstanding contribution by advising the Company towards improvement of production and productivity, optimising the operational efficiency with technology upgradation.

Apart from enhancing Continuous Polymerisation (CP) capacity, the Company has installed additional Draw Winding and Air Texturing machines during last couple of years. The Company today is a global leader in Polyester-Chips, and one of the leading differentiated producer in the Country. Shri Suhail P. Shah has been actively involved in the policy decisions with respect to expansion programs of the Company.

The Directors are of the view that his experience will further contribute to the growth of the Company.

Taking into consideration the size of the Company, the profile of the appointee, the responsibilities shared by him and the industry benchmarks, the Board of Directors of the Company in their Meeting held on 13th December, 2011 has, in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956, and subject to the necessary approvals including central government, approved the revision in the terms of appointment including remuneration of Shri Suhail P. Shah as Executive Director, with effect from 1st April, 2011 up to the balance period of his current tenure i.e. upto 30th November, 2012, as recommended by the Remuneration Committee.

The salient features of the revised terms and conditions of reappointment including remuneration to Shri Suhail P. Shah as set out in the draft agreement are as follows:

i) Salary: Rs.6,00,000/- per month.

With annual increment upto 15% every year as approved by the Board on the recommendation of Remuneration Committee.

ii) Perquisites and Allowances:

(a) in addition to the salary as above, Shri Suhail P. Shah shall be entitled to perquisites which includes accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for self and family including dependents; club fees, car(s) with driver and

telephone(s) at residence and such other perquisites and/or other allowances as the Board (which includes any committee thereof) may in its absolute discretion determine from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at i) above.

(b) The said perquisites and allowance shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

(c) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these singly or together are not taxable under the Income-tax law, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to the extent not taxable under the Income-tax law shall not be included for the purpose of computation of the overall ceiling of remuneration.

iii) Commission:

In addition to the salary, perquisites and allowances as set out above, Shri Suhail P. Shah shall be entitled to receive commission on net profits of the Company in a particular financial year, as may be determined by the Board and/or the Remuneration Committee of the Board at the end of each financial year. Provided that the total remuneration including salary, perquisites, allowances and commission to all the Managing / Executive Directors shall not exceed 10% of the Net Profits of the Company as computed in the manner referred to under Section 198(1) of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof.

iv) Reimbursement of Expenses:

Reimbursement of expenses incurred for travelling, boarding and lodging including for their spouse and attendant(s) during business trips; provision of car(s) for use on the Company's business; telephone expenses at residence and club membership shall be reimbursed and not considered as perquisites.

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

vi) Minimum Remuneration:

In the event of inadequacy or absence of profits in any financial year during his tenure as Executive Director, Shri Suhail P. Shah will be entitled to the foregoing amount of remuneration along with the perquisites and allowances mentioned above as the minimum remuneration for the year subject to paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956.

vii) The Directors shall have liberty to vary the remuneration of Mr. Suhail P. Shah Executive Director within the limits set out herein from time to time.

viii) Other Terms and Conditions:

(a) He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

(b) The Board is entitled to terminate the agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956.

(c) The agreement may be terminated by giving six months' notice in writing by either party or such earlier time as may be agreed by and acceptable to the Company and Shri Suhail P. Shah.

It is now proposed that in case of inadequate or absence of profit, Shri Suhail P. Shah be paid minimum remuneration as mentioned above in terms of paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956. Conditions of the said paragraph C inter alia require approval of remuneration by a special resolution for a period not exceeding 3 years. Hence, Special Resolution at item no. 4 of the accompanying notice for payment of remuneration to Shri Suhail P. Shah with effect from 1st April, 2011 upto the balance period of his current tenure i.e. upto 30th November, 2012 as Whole-time Director of the Company.

Statement in terms of paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956

I General Information

1 Nature of Industry – The Company belongs to the GAREN VARELI Group which is a leader in the Indian Textile Industry with particular strength in polyester filament based textiles, both yarn and fabric. The Company is also a leading player in polyester chips and differentiated partially oriented yarn (POY) manufacture and is a regular supplier of bright, cationic, micro denier, and fine denier yarns in the market.

2 Date or expected date of commencement of commercial production
The Company was incorporated in the year 1979 as a Private Limited Company and commenced its operation. It was converted into Public Limited Company in the year 1987.

- 3 Financial performance based on given indicators – as per the audited financial results for the year ended March 31, 2011

	(Rs in Crore)
Net Sales and Other income	3406.25
Profit before Interest, Depreciation and Tax (EBIDTA)	286.48
Interest and Finance Charges (Net)	88.93
Profit before Depreciation and Tax (PBDT)	197.55
Depreciation	76.52
Profit Before Tax (PBT)	121.03
- Provision for Tax	33.17
Profit after Tax (PAT)	87.86

- 4 Export performance and net foreign exchange collaborations:

	(Rs. In crore)
FOB value of Exports – 2010-11	315.24
Net Foreign Exchange collaborations	NIL

- 5 Foreign Investments

The Company has no foreign investments.

II Information about the Appointee

(together with job profile and suitability)

- 1 Background details

Shri Suhail P. Shah holds a Post Graduate in Physical Chemistry from The University of Chicago and a Doctorate in Theoretical Physical Chemistry from The University of Chicago.

Shri Suhail P. Shah has had a brilliant academic career. Shri Suhail P. Shah has to his credit various research accomplishments, computational skills and publications at the international level. He has more than 10 years of experience in research with various universities of international repute.

He has wide exposure and knowledge in project appraisal, assessing technical feasibility in respect of projects, corporate finance & management etc.

- 2 Past Remuneration – for the year 2010-11 (Rs in Lacs p.a.)

	Salary	Perquisites and Allowances	Commission	Total
Shri Suhail P. Shah	42.00	31.13	150.00	223.13

- 3 Recognition or awards:

- Harvard College Scholarship for academic achievement with high distinction.
- Harvard College Dean's List, 1992-1996.
- Directed and supervised the engineering and commissioning of India's largest single continuous polymerization manufacturing plant in Jolwa, Dist. Surat, Gujarat.
- Has to his credit various research accomplishments, computational skills and publications at the international level.

- 4 Job Profile and his Suitability

During his tenure as Executive Director Shri Suhail P. Shah has actively supported the Company and contributed valuable suggestions in identifying international suppliers, carrying out technical appraisal with them for finalising, and commissioning of the Continuous Polymerisation (CP) Chips Project of the Company. He has made outstanding contribution by advising the Company towards improvement of production and productivity, optimising the operational efficiency with technology upgradation.

Apart from enhancing Continuous Polymerisation (CP) capacity, the Company has installed additional Draw Warping and Air Texturing machines during last couple of years. The Company today is a global leader in Polyester-Chips, and one of the leading differentiated producer in the Country. Shri Suhail P. Shah has been actively involved in the policy decisions with respect to expansion programs of the Company.

The Directors are of the view that his experience, leadership qualities and excellent managerial capability will further contribute to the growth of the Company.

In consideration of the performance of Shri Suhail P. Shah as Executive Director of the Company over the years, the Board of Directors of the Company in their meeting held on 13th December, 2011 approved the remuneration as recommended by the Remuneration Committee and also approved the revision in the terms of appointment including remuneration of Shri Suhail P. Shah as Executive Director, with effect from 1st April, 2011 upto the balance period of his current tenure i.e. upto 30th November, 2012 in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 and subject to the necessary approvals including Central Government, if required.

- 5 Remuneration proposed: w.e.f. 1st April, 2011 (Rs in Lacs p.a.)

	Salary *	Perquisites and Allowances	Total
Shri Suhail P. Shah	72.00	90.00	162.00

* With annual increment upto 15% every year as approved by the Board on the recommendation of Remuneration Committee.

- 6 Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

Taking into consideration the size of the Company, the profile of the appointee, managerial personnel, the responsibilities shouldered by him and the industry benchmarks, the aforesaid remuneration proposed to be paid is commensurate with the remuneration package paid to similar senior level counter parts in other companies.

- 7 Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Besides the remuneration proposed, Shri Suhail P. Shah has no other pecuniary relationship. Shri Suhail P. Shah, Shri Praful A. Shah, Shri Alok P. Shah and Smt. Shilpa P. Shah Directors of the Company are related to each other.

III Other Information

Reasons of inadequate profits

During the financial year ended 31st March, 2011, the Company achieved Net Sales of about Rs.3400.48 crore as compared to Rs.2514.89 crore in the previous year, a growth of about 35%. Profit before Depreciation and Tax was higher by 19% at Rs.197.55 crore. The Profit after Tax stood at Rs.87.87 crore as compared to Rs.63.20 crore in the previous year.

For the current financial year 2011-12, during the six months period ended 30th September, 2011, the Net Revenue of the Company grew marginally by about 7% at Rs.1859.83 crore as compared to Rs.1735.45 crore in the corresponding six months of the previous year. The Company maintained EBIDTA at Rs.116.34 crore as compared to Rs.117.27 crore in the corresponding six months of the previous year. With the higher interest costs and the depreciation charge, the Net Profit for the period was lower at Rs.4.81 crore as compared to Rs.31.85 crore in the corresponding period of the previous year.

The profitability of the Company, during the period has been affected owing to historically unprecedented volatility in raw material prices resulting in inventory losses and demand contraction for polyester chips coupled with reduction in production in order to reduce the finished goods inventory and curtail losses on account of price fluctuations. This was largely on account of business cycle, external and unexpected circumstances beyond the control of the management.

- 2 Steps taken or proposed to be taken for improvement:

The outlook on long-term prospects of polyester yarn business, which is expected to grow at around 6-7 per cent through 2011-13, is positive and the Company is expected to be benefited as it enjoys a leadership position in textile grade polyester chips market and along with its location advantage. It is one of the competitive players in the textile grade chips market. The Company's capacity augmentation into polyester yarn business, where net realisations are relatively higher than chips, would be advantageous to the Company.

The Company is taking necessary steps to improve its margins on all of its products with better quality and price competitiveness. Further, the Company is taking necessary steps to reduce its debt obligations and the interest burden.

- 3 Expected increase in productivity and profits in measurable terms.

With the improvement in overall economic scenario and business environment, stable input costs and commodity prices coupled with demand growth in the Company's products and the steps proposed to be taken as mentioned above, the Company expects improvement in performance over the medium to long-term.

IV Disclosures:

The remuneration package along with the corresponding details of Shri Suhail P. Shah, Executive Director of the Company have already been mentioned earlier. The remuneration paid to the Executive Director for the year 2010-11 has been disclosed in the Report on Corporate Governance in the annual report. There is no severance fee or stock option available in the case of the aforesaid managerial personnel. The respective tenure of the aforesaid managerial personnel shall be governed by an agreement / contract with a notice period of six months. Further disclosure of the revision in the same will be made in the appropriate section of the audited annual accounts of the Company for the year 2011-12.

This Explanatory Statement together with the accompanying Notice is and may be treated as an 'Abstract of the terms of appointment and memorandum of interest' under Section 302 of the Companies Act, 1956.

Shri Suhail P. Shah is interested in the resolution as set out at Item No.4 of the Notice which pertains to revision in the terms of his appointment including remuneration payable to him.

Further, Shri Praful A. Shah, Chairman and Managing Director, Shri Alok P. Shah, Jt. Managing Director and Smt. Shilpa P. Shah, Executive Director of the Company may be deemed to be concerned / interested in the Resolution as they are relatives of Shri Suhail P. Shah.

Save and except the above, none of the other Directors of the Company is in any way, concerned or interested in the Resolution.

The Board commends the Resolution as set out at Item No.4 of the Notice for your approval.

Item No. 5

At the 28th Annual General Meeting of the Company held on 13th November, 2007, the Members had approved the re-appointment of Shri Suhail P. Shah, Whole-time Director designated as Executive Director with substantial powers of management as Managing Director of the Company for a period of 5 (five) years with effect from 1st December, 2007 on the terms and conditions including remuneration as specified in the explanatory statement annexed to the Notice of the said meeting.

Shri Suhail P. Shah's present term as Executive Director of the Company expires on 30th November 2012.

Shri Suhail P. Shah holds a Post Graduate in Physical Chemistry from The University of Chicago and a Doctorate in Theoretical Physical Chemistry from The University of Chicago.

Shri Suhail P. Shah has had a brilliant academic career. Shri Suhail P. Shah has to his credit various research accomplishments, computational skills and publications at the international level. He has more than 10 years of experience in research with various universities of international repute.

He has wide exposure and knowledge in project appraisal, assessing technical feasibility and management etc.

During his tenure as Executive Director Shri Suhail P. Shah has actively supported the Company and contributed valuable suggestions in identifying international suppliers, carrying out technical appraisal with them for finalising the Continuous Polymerisation (CP) Chips Project of the Company. He has made outstanding contribution by advising the Company towards improvement of production and productivity, optimising the operational efficiency with technology upgradation.

The Company has in last couple of years successfully enhanced its Continuous Polymerisation (CP) capacity apart from installing additional Draw Winding and Air Texturing machines. The Company today is a global leader in Polyester-Chips, and one of the leading differentiated producer in the Country. He has been actively involved as Executive Director of the Company in the business policy decisions of the Company.

The Directors are of the view that his experience will further contribute to the growth of the Company.

Keeping in view his active involvement in the affairs of the Company, his expertise in project implementation and his contribution towards growth of the Company, the Board of Directors of the Company in their Meeting held on 13th December, 2011 has, re-appointed Shri Suhail P. Shah as Whole-time Director designated as Executive Director of the Company with substantial powers of management as Managing Director, for a further period of 3 years with effect from 1st December, 2012.

The salient features of the terms and conditions of reappointment including remuneration payable to Shri Suhail P. Shah as set out in the draft agreement are as follows:

i) **Salary:** Rs.6,00,000/- per month.

With annual increment upto 15% every year as approved by the Board on the recommendation of Remuneration Committee.

ii) **Perquisites and Allowances:**

(a) in addition to the salary as above, Shri Suhail P. Shah shall be entitled to perquisites which includes accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses and/or allowances for utilisation of gas, electricity, water furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for self and family including dependents; club fees, car(s) with driver and telephone(s) at residence and such other perquisites and/or other allowances as the Board (which includes any committee thereof) may in its absolute discretion determine from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at i) above.

(b) The said perquisites and allowance shall be evaluated, wherever applicable, as per the provisions of Income-tax Act, 1961 or any rules thereunder or any statutory modification(s) or re-enactment thereof; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

(c) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, to the extent these singly or together are not taxable under the Income-tax law, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company and to the extent not taxable under the Income-tax law shall not be included for the purpose of computation of the overall ceiling of remuneration.

iii) **Commission:**

In addition to the salary, perquisites and allowances as set out above, Shri Suhail P. Shah shall be entitled to receive commission on net profits of the Company in a particular financial year, as may be determined by the Board and/or the Remuneration Committee of the Board at the end of each financial year. Provided that the total remuneration including salary, perquisites, allowances and commission to all the Managing / Executive Directors shall not exceed 10% of the Net Profits of the Company as computed in the manner referred to under Section 198(1) of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof.

iv) **Reimbursement of Expenses:**

Reimbursement of expenses incurred for travelling, boarding and lodging including for their spouse and attendant(s) during business trips; provision of car(s) for use on the Company's business; telephone expenses at residence and club membership shall be reimbursed and not considered as perquisites.

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

vi) **Minimum Remuneration:**

In the event of inadequacy or absence of profits in any financial year during his tenure as Executive Director, Shri Suhail P. Shah will be entitled to the foregoing amount of remuneration along with the perquisites and allowances mentioned above as the minimum remuneration for the year subject to paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956.

vii) The Directors shall have liberty to vary the remuneration of Mr. Suhail P. Shah, Executive Director within the limits set out herein from time to time.

viii) **Other Terms and Conditions:**

(a) He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

(b) The Board is entitled to terminate the agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956.

(c) The agreement may be terminated by giving six months' notice in writing by either party or such earlier time as may be agreed by and acceptable to the Company and Shri Suhail P. Shah.

Statement in terms of paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 provided at explanatory statement of item no. 4 of the accompanying notice be also regarded as the statement under paragraph C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 in respect of item no. 5 relating to reappointment of Mr. Suhail P. Shah.

Section 317 of the Companies Act permits a company to sanction such re-appointment 2 years prior to the effective date of such re-appointment.

Your Directors have thought it prudent and in the interest of the Company to re-appoint Shri Suhail P. Shah as Whole-time Director designated as Executive Director on the terms and conditions mentioned above. The Remuneration Committee of the Board of Directors has recommended the remuneration as mentioned above.

This Explanatory Statement together with the accompanying Notice is and may be treated as an 'Abstract of the terms of appointment and memorandum of interest' under Section 302 of the Companies Act, 1956.

Shri Suhail P. Shah is interested in the resolution as set out at Item No.5 of the Notice which pertains to his re-appointment and remuneration payable to him. Further, Shri Praful A. Shah, Chairman and Managing Director, Shri Alok P. Shah, Jt. Managing Director, and Smt. Shilpa P. Shah, Executive Director of the Company may be deemed to be concerned / interested in the Resolution as they are relatives of Shri Suhail P. Shah.

Save and except the above, none of the other Directors of the Company is in any way, concerned or interested in the Resolution.

The Board commends the Resolution as set out at Item No.5 of the Notice for your approval.

All the documents referred to in the Notice and Explanatory Statement above are open for inspection by the members at the Registered Office of the Company during the Company's business hours on any working day, except Saturdays, between 10.00 a.m. to 12.00 noon upto Monday, 23rd January, 2012.

By Order of the Board of Directors

Place: Surat
Date: 13th December, 2011

Kamlesh B. Vyas
Company Secretary

Garden*
GARDEN SILK MILLS LIMITED

Registered Office: Garden Mills Complex, Sahara Gate, Surat 395010

POSTAL BALLOT FORM

Postal Ballot No:

1. Name(s) of Shareholder(s)/ :
(in block letters) (Including
Joint-holders if any)
Registered address of the sole /
first named Shareholder

2. Registered Folio No. / DP ID No.* :
/ Client ID No.*:
(*In case of shares held in demat form)

3. Number of Shares held :

4. I/We hereby exercise my/our vote in respect of the following Resolutions to be passed through postal ballot for the business stated in the accompanying Notice dated 13th December, 2011 by sending my/our assent or dissent to the said Resolutions by placing the tick (✓) mark at the appropriate box below:

Item No.	Brief particulars of the resolutions purposed	No. of Shares	I/We assent to the Resolution	I/We dissent to the Resolution
1	Alteration in the Articles of Association of the Company pursuant to the provisions of Section 31 of the Companies Act, 1956.			
2	Revision in the terms of appointment of Shri Praful A. Shah, Chairman and Managing Director.			
3	Revision in the terms of appointment of Shri Alok P. Shah, Jt. Managing Director.			
4	Revision in the terms of appointment of Shri Suhail P. Shah, Wholetime Director designated as Executive Director.			
5	Re-appointment of Shri Suhail P. Shah as Executive Director for a further period of 3 years with effect from 01.12.2012.			

Place :

Date : (Signature of the Shareholder)

Note: Please read the instructions printed overleaf carefully before exercising your vote.



GARDEN SILK MILLS LIMITED

Registered Office: Garden Mills Complex, Sahara Gate, Surat 395010
Phone: (0261) 2311513/2311197-98/2311615. Fax : 0261-2311 029/502

Re: Green Initiative in the Corporate Governance

Dear Members,

The Ministry of Corporate Affairs has vide its Circular no. 17/2011 dated 21.04.2011 followed by Circular no. 18/2011 dated 29.04.2011, taken "Green initiative in the Corporate Governance" by allowing paperless compliances by the Companies through electronic mode and introduced e-mail address as one of the modes of sending communication to the shareholders under Section 53 of the Companies Act, 1956.

To implement the said Circulars, the Company proposes to send to the members various documents including Notices, Balance Sheet, Profit and Loss Account, Directors' Report, Auditors' Report etc. from now onwards in electronic form, to the e-mail addresses of members provided by them and made available to us by the Depositories (NSDL/CDSL), which you are advised to update by registering changes, if any, in your e-mail address from time to time with the concerned Depository.

Physical copies of such communications / documents / Annual Reports will be made available at the registered office of the Company for inspection by the shareholders during office hours on working days.

All those members who have not yet registered their email addresses or are holding shares in physical form, are requested to immediately register their email address with NSDL/CDSL and/or with the Company's Registrar & Transfer Agent M/s Karvy Computershare Private Limited at **gsm.cs@karvy.com** quoting their Folio No. / DP ID - Client ID.

You can also register your e-mail address with us by returning the reply portion duly completed and signed to enable us to send all future communications to you in electronic form. The Business Reply Envelope is enclosed for your use.

In case you desire to receive the documents mentioned above in physical form, please write to us at **gsm.cs@karvy.com** quoting your Folio No. / DP ID - Client ID.

Soliciting your co-operation and continued patronage.

Thanking you,

Yours faithfully,
For Garden Silk Mills Limited

Sd/-
Kamlesh B. Vyas
Company Secretary

REPLY PORTION Sr.No.

Please send all communications in electronic form to my following e-mail address:

Folio No./DP ID and Client ID :

Name of 1st Registered Holder :

E-Mail address (to be Registered) :

I/we Shareholder(s) of **Garden Silk Mills Limited** agree to receive communication from the Company in electronic mode. Please register my above e-mail ID for your records for sending communication through e-mail.

Date: Signature:.....
(1st holder only)

Note: Shareholder(s) are requested to keep the Company informed as when there is any change in thee-mail address.



INSTRUCTIONS FOR VOTING

1. A Member desiring to exercise his/her vote by postal ballot may complete this Postal Ballot Form and send it to the Scrutinizer in the attached self-addressed business reply envelope. Postage will be borne and paid by the Company. However, envelopes containing Postal Ballots if sent by courier or by Registered post at the expense of the registered shareholder will also be accepted. The envelopes may also be deposited at the address mentioned thereon.
2. Please convey your assent/dissent in this Postal Ballot Form. The assent or dissent received in any other Form shall not be considered valid.
3. The self-addressed envelope bears the name and address of the Scrutinizer appointed by the Company for the purpose.
4. This form should be completed and signed by the shareholder. In case of joint-holding, this form should be completed and signed (as per the specimen signature registered with the Company/ Depository Participants) by the first named shareholder and in his/her absent, by the next named shareholder.
5. The votes should be cast either in favour or against by putting tick mark (✓) in the column provided for assent or dissent. Unsigned Postal Ballot Form will be rejected. The Scrutinizer's decision on the validity of the Postal Ballot shall be final and binding.
6. Duly completed Postal Ballot Form should reach the Scrutinizer not later than the close of working hours on **Monday, 23rd January, 2012**. Postal Ballot Forms received after this date will be strictly treated as if the reply from the shareholder has not been received.
7. Postal Ballot Form signed in the representative capacity must be accompanied by the requisite certified true copy of Power of Attorney / Resolution of Board of Directors. If the same is/are already registered with the Company, please quote the Registration No. beneath the signature.
8. Voting rights shall be reckoned on the number of shares registered in the name of the Shareholders/ Members as on the cut-off date being the date close to the dispatch of notice.
9. A member may request for a duplicate Postal Ballot Form, if so required. However, the duly filed in duplicate Postal Ballot Form should reach the Scrutinizer not later than the time specified above i.e. Monday, 23rd January, 2012.
10. Members are requested not to send any other paper alongwith the Postal Ballot Form in the enclosed self addressed postage prepaid envelope addressed to the Scrutinizer and any extraneous paper found in such envelope would be destroyed by the Scrutinizer.