



Garden Silk Mills Limited

Regd. Office: Tulsi Krupa Arcade, 1st Floor, Puna-Kumbharia Road, Dumbhal, Surat 395010

CIN: L17111GJ1979PLC003463; Website: www.gardenvareli.com

Phone: (0261) 2311197, 2311615 Fax: (0261) 2311029

Postal Ballot Notice

(Pursuant to Section 110 of the Companies Act, 2013)

Dear Member(s),

Notice is hereby given pursuant to the provisions of Section 110 and other applicable provisions, if any, of the Companies Act, 2013. (the 'Act') read with Rule 22 of the Companies (Management and Administration) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and pursuant to other applicable laws and regulations, that the resolutions as set out in this Notice are proposed to be passed by the Members of Garden Silk Mills Limited (the 'Company') through Postal Ballot (Postal Ballot Form and voting through electronic means).

A Statement pursuant to Section 102 of the Companies Act, 2013, pertaining to the said resolutions, setting out material facts and the reasons thereof is annexed hereto along with the Postal Ballot Form for your consideration.

The Board of Directors of the Company (the 'Board') has appointed Mr. Kunjal Dalal, Proprietor of K. Dalal & Co., Practicing Company Secretaries, Surat as Scrutinizer for conducting the Postal Ballot (physical and e-voting) process in a fair and transparent manner.

Members desiring to exercise their vote by Postal Ballot Form are requested to read carefully the instructions printed in the Postal Ballot Form and return the Form duly completed, indicating their assent (FOR) / dissent (AGAINST) for the resolution in the enclosed postage prepaid self-addressed envelope, so as to reach the Scrutinizer on or before the close of working hours i.e. 5.00 p.m. on Wednesday, 14th December, 2016. Please note that any Postal Ballot Form(s) received after closing hours of the said date will be treated as not having been received.

E-voting Option:

In compliance with the provisions of Sections 108, 110 of the Companies Act, 2013, read with Companies (Management and Administration) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 "Listing Regulations", the Company is pleased to provide the Members, with the facility to exercise their right to vote on the matter included in this Postal Ballot Notice by electronic means i.e. through e-voting services provided by Karvy Computershare Private Limited (Karvy). The e-voting period commences on Tuesday, 15th November, 2016 (9.00 a.m.) and ends on Wednesday, 14th December, 2016 (5.00 p.m.) The Members are requested to read carefully and follow the instructions on e-voting as printed in this notice.

The Scrutinizer will submit his Report to the Chairman & Managing Director of the Company or any other person authorized by the Chairman & Managing Director of the Company after the completion of the scrutiny of the voting done through the Postal Ballot Forms received in physical form and through e-voting process and the consolidated results thereof will be announced on Friday, 16th December, 2016, at the Registered Office of the Company at 1st Floor, Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010. The resolution will be taken as passed as on the last date specified by the Company for receipt of duly completed Postal Ballot Forms / e-voting i.e. Wednesday, 14th December, 2016 ("deemed date of passing of the resolution"), if the result of the Postal Ballot indicates that the requisite majority of the Members had assented to the resolution.

The results declared along with the Scrutinizer's Report shall also be placed on the Company's website i.e. www.gardenvareli.com and on the website of Karvy <https://evoting.karvy.com> and communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed. The results of the postal ballot shall also be announced through an advertisement in newspaper.

Registered Office: Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010
By Order of the Board of Directors, FOR GARDEN SILK MILLS LIMITED
Kamlesh B. Vyas
Company Secretary

Date: 14th November, 2016

Place: Surat

Item of business requiring consent of Members of the Company through Postal Ballot:

SPECIAL BUSINESS

Item No.1

RE-CLASSIFICATION OF AUTHORISED SHARE CAPITAL OF THE COMPANY AND CONSEQUENT ALTERATION OF THE CAPITAL CLAUSE IN THE MEMORANDUM OF ASSOCIATION

To consider and if thought fit, to pass, with or without modification(s), if any the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 13, 61 and other applicable provisions, if any, of the Companies Act, 2013 and the rules issued there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), and the provisions of other statutes

as applicable the existing Authorised Share Capital of Rs.60,00,00,000/- (Rupees Sixty Crores only) of the Company consisting of 5,00,00,000 (Five Crores) Equity Shares of Rs.10/- each and 1,00,00,000 (One Crore) Preference Shares of Rs.10/- each be and is hereby reclassified as 6,00,00,000 (Six Crores) Equity Shares of Rs.10/- each aggregating to Rs.60,00,00,000/- (Rupees Sixty Crores only).

RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby substituted and replaced with the following Clause:-

“V. The Authorised Share Capital of the Company is Rs.60,00,00,000/- (Rupees Sixty Crores only) divided into 6,00,00,000 (Six Crores) Equity Shares of Rs.10/- (Rupees Ten only) each with the rights, privileges and conditions attached thereto as provided by the Articles of Association of the Company for the time being in force, with the power to increase or reduce the capital and to divide the same into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions in such manner as may for the time being be permitted by the said Act or provided by the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the said Act or provided by the Articles of Association of the Company for the time being in force.”

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board (which expression shall also include a duly authorised committee thereof) be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental, including delegation of all or any of its powers herein conferred to its Directors, Company Secretary or any other officer(s).”

Item No. 2

ISSUE OF CONVERTIBLE WARRANTS TO PROMOTERS / PROMOTERS GROUP OF THE COMPANY ON PREFERENTIAL BASIS

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

“**RESOLVED THAT** pursuant to the provisions of Sections 62(1)(c), 42 and all other applicable provisions, if any, of the Companies Act, 2013 read with the relevant rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company and in accordance with the provisions on preferential issue as contained in Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended (“**SEBI ICDR Regulations**”), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and subject to the approval(s), consent(s), permission(s) and/or sanction(s),

if any, of any statutory / regulatory authorities, Stock Exchange(s), SEBI, institutions, or bodies, as may be required and subject to such terms and condition(s), alteration(s), correction(s), change(s) and/or modification(s) as may be prescribed by any of them while granting such consent(s), permission(s) or approval(s), and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “**the Board**” which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its power including the powers conferred by this Resolution), consent of the Members of the Company be and is hereby accorded to the Board to create, offer, issue and allot 9380863 (Ninety Three Lacs Eighty Thousand Eight Hundred Sixty Three) Convertible Warrants (hereinafter referred to as the “**Warrants**”) aggregating to Rs.30,00,00,000 (Rupees Thirty Crores Only) on a preferential basis to the members of the Promoter and/or Promoter Group of the Company (“**Warrant Holder(s)**”/Proposed Allottee(s)), as mentioned in the statement setting out material facts, entitling the Warrant Holder(s) to apply for and get allotted one Equity Share of the face value of Rs.10/- (the ‘Equity Share’) each fully paid-up against each Warrant within a period of 18 (eighteen) months from the date of allotment of Warrants in such manner and at such price being not less than the price as may be arrived at in accordance with the SEBI ICDR Regulations or other provisions of the law as may be prevailing at the time and upon such terms and conditions as may be deemed appropriate by the Board, in accordance with provisions of Chapter VII of SEBI ICDR Regulations, as amended from time to time.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the Warrants may have all or any terms or conditions or combination of terms in accordance with applicable regulations;

RESOLVED FURTHER THAT the aforesaid issue of the Warrant shall be on the following terms and conditions:

- (i) The ‘Relevant Date’ in relation to this preferential issue of warrants as per the provision of regulation 71 of SEBI ICDR Regulations, is Friday, 11th November, 2016 being the date 30 (thirty) days prior to the deemed date of passing of this resolution by the Members of the Company through Postal Ballot.
- (ii) In accordance with the provisions of Clause 77 of Chapter VII of SEBI ICDR Regulations, not less than 25% and upto 100% of the consideration payable for the warrants (and the equity shares into which they are converted), shall be paid by the warrant holder to the Company on or before the allotment of the warrants and balance consideration, if any, shall be paid at the time of allotment of equity shares pursuant to exercise of option of conversion against each such warrant;
- (iii) The Warrants shall be converted in one or more tranches at the sole option of the Warrant holder but not in any case more than 18 (eighteen) months from the date of allotment without any further approval from the shareholders of the Company, prior to or at the time of conversion;
- (iv) If the entitlement, in part or full, against the Warrants to apply for the Equity Shares is not exercised within the aforesaid period of 18 (eighteen) months, the

entitlement of the Warrant holder to apply for Equity Shares of the Company along with the rights attached thereto shall expire and any outstanding amount paid on such Warrants shall stand forfeited;

- (v) The Warrant holder shall be entitled to exercise the option of conversion of the Warrants in equity shares in one or more tranches by way of a written notice to the Company, specifying the number of Warrants proposed to be exercised along with the aggregate amount thereon, subject to the condition that such conversion shall not result in acquisition of more than 4.9% of equity shares of the Company in a financial year (April-March) by the warrant holders in aggregate. The Company shall accordingly, issue and allot the corresponding number of Equity Shares to the Warrant holders;
- (vi) In the event that the Company completes any form of capital restructuring prior to the conversion of the Warrants, then, the number of Equity Shares that each Warrant converts into and the price payable for such Equity Shares, shall be adjusted accordingly in a manner that, to the extent permitted by applicable laws, Warrant holder: (i) receives such number of Equity Shares that Warrant holder would have been entitled to receive; and (ii) pays such consideration for such Equity Shares to the Company which Warrant holder would have been required to pay, had the Warrants been exercised immediately prior to the completion of such capital restructuring;
- (vii) Upon exercise by Warrant holder the option of conversion of any of the warrants, the Board be and is hereby authorised to issue and allot such number of Equity Shares and perform all such actions as are required to give effect to such issue, including but not limited to delivering to Warrant holder(s), evidence of the credit of the Equity Shares to the depository account of Warrant holder and entering the name of Warrant holder in the records of the Company (including in the Register of Members of the Company) as the registered owner of such Equity Shares;
- (viii) Subject to applicable laws, it is hereby expressly agreed that where pursuant to a scheme of arrangement, a company issues shares or similar securities to the Company's shareholders, then Warrant holder shall be entitled to receive in lieu of the Warrants held by Warrant holder such number of shares, Warrants or similar securities issued by such company, on the same terms and conditions and with the same rights as the Warrants, and at such effective price that Warrant holder would have been entitled to receive immediately after the occurrence of such scheme of arrangement had the Warrants been exercised immediately prior to the occurrence of such scheme of arrangement;
- (ix) The Warrants by itself until exercised and Equity Shares allotted, does not give to the Warrant holder thereof any rights with respect to that of a shareholder of the Company.

RESOLVED FURTHER THAT the pre-preferential allotment shareholding of the Proposed Allottee, the aforesaid Warrants allotted in terms of this Resolution and the resultant Equity

Shares arising on exercise of rights attached to such Warrants shall be subject to lock-in requirements as per the provisions of Chapter VII of the SEBI ICDR Regulations.

RESOLVED FURTHER THAT the equity shares allotted on exercise of Warrants in terms of this resolution shall rank pari passu in all respects (including as to entitlement to voting powers and dividend) with the then existing fully paid-up equity shares of face value of Rs.10/- each of the Company, subject to the relevant provisions contained in the Articles of Association of the Company.

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

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

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

Registered Office: Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010

**By Order of the Board of Directors,
FOR GARDEN SILK MILLS LIMITED**

**Kamlesh B. Vyas
Company Secretary**

Date: 14th November, 2016

Place: Surat

NOTES:

1. A Statement pursuant to Section 102 of the Companies Act, 2013 and disclosures required in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations") pertaining to the said resolutions, setting out material facts and the reasons thereof is annexed hereto.
2. The Postal Ballot Notice is being sent to all the Members by registered or speed post / courier (and electronically by email to those members who have registered their email IDs with the Company), whose names appear on the Register of Members as received from the Registrar & Share Transfer Agents and List of Beneficial Owners as received from National Securities

Depository Limited (NSDL)/Central Depository Services (India) Limited (CDSL) as on Saturday, 5th November, 2016. The voting shall be reckoned in proportion to the paid up equity share capital held by the Members as on Saturday, 5th November, 2016. The voting rights for the equity shares are one vote per equity share, registered in the name of the Member.

3. The Company has appointed Mr. Kunjal Dalal, Proprietor of K. Dalal & Co., Practicing Company Secretaries, Surat, as Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.
4. Members desiring to exercise their vote through the physical Postal Ballot Form are requested to read carefully the instructions printed on the Postal Ballot Form.
5. The Members who are voting through the physical Postal Ballot form must return the same duly completed in the enclosed postage prepaid self-addressed envelope. An unsigned Postal Ballot Form will be rejected. Postage will be borne and paid by the Company. However, Postal Ballot Form(s), if sent by courier or by registered post at the expense of the Member(s) will also be accepted. The Postal Ballot Form(s) can also be deposited personally at the Registered Office of the Company. The Postal Ballot Forms(s) should reach the Scrutinizer not later than the close of working hours i.e. 5.00 p.m. on Wednesday, 14th December, 2016 to be eligible for being considered, failing which, it will be strictly treated as if no reply has been received from the Member.
6. In compliance with the provisions of Sections 108, 110 of Companies Act, 2013, read with Companies (Management and Administration) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to Members, facility to exercise their votes through electronic means and vote on the resolution through e-voting services provided by Karvy Computershare Private Limited.

INSTRUCTIONS FOR VOTING

I. Voting through Physical Postal Ballot Form

1. The Members are requested to carefully read the instructions printed in the Postal Ballot Form and return the Postal Ballot Form duly completed with the assent (for) or dissent (against), in the enclosed postage pre-paid self-addressed envelope, so as to reach the Scrutinizer, on or before the closing of working hours i.e. 5.00 p.m. on Wednesday, December 14, 2016, to be eligible for being considered, failing which, it will be strictly treated as if no reply has been received from the Member.
2. The Members are requested to exercise their voting rights by using the attached Postal Ballot Form only. No other form or photocopy of the form is permitted. Envelopes containing Postal Ballot Form if deposited in person or sent by courier at the expense of the Members will also be accepted.

E-Voting

The Company is pleased to offer e-Voting facility as an alternative to its Members, to enable them to cast their vote electronically instead of dispatching Postal Ballot Form.

Voting through electronic means: The details of the process and manner of e-voting are explained herein below:

- A. In case a Member receives an e-mail from Karvy (for Members whose e-mail addresses are registered with the Company/Depositories):
 - i. Use the following URL for e-voting
<https://evoting.karvy.com>
 - ii. Enter the login credentials i.e., user id and password sent by email along with the notice.
Your Folio No/DP ID Client ID will be your user ID
 - iii. After entering the details appropriately, click on LOGIN.
 - iv. You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. **It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.**
 - v. You need to login again with the new credentials.
 - vi. On successful login, the system will prompt you to select the E-Voting Event i.e., **Garden Silk Mills Limited.**
 - vii. On the voting page, the number of shares as held by the shareholder as on the Cut-off Date will appear. If you desire to cast all the votes assenting/dissenting to the Resolution then enter all shares and click "FOR" / Against as the case may be. You are not required to cast all your votes in the same manner. You may also choose the option ABSTAIN in case you wish to abstain from voting.
 - viii. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
 - ix. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
 - x. Corporate/Institutional members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc.

together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: k_dalal@rediffmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_EVENT NO."

- xi. The Portal will remain open for voting from 9.00 a.m. on 15th November, 2016 to 5.00 p.m. on 14th December, 2016 (both days inclusive).
 - xii. The results of e-voting will be announced by the company in its website and also informed to the stock exchanges.
- B. In case a Member receives physical copy of the Notice of Postal ballot (for Members whose email addresses are not registered with the Company/Depositories):
- i. Initial password, EVENT (E-Voting Event Number) and user ID are provided separately in the e-voting notice along with the Notice of Postal ballot.
 - ii. Please follow all steps from Sl. No. (i) to Sl. No. (xii) above, to cast vote.
- C. Kindly note that the Members can opt only one mode of voting, i.e. either by Physical Ballot or e-voting. If you are opting for e-voting, then do not vote by Physical Ballot & vice-versa. However, in case the Member(s) cast their vote both via Physical voting & e-voting, then voting validly done through e-voting shall prevail and voting done by Physical Ballot shall be treated as invalid.
- D. The e-voting period commences on Tuesday, 15th November, 2016 (9.00 a.m. IST) and ends on Wednesday, 14th December, 2016 (5.00 p.m. IST). During this period, the Members of the Company holding shares either in physical form or in dematerialized form as on Saturday, 5th November, 2016, may cast their vote through e-voting. The e-voting module shall be disabled / blocked by Karvy Computershare Private Limited for voting, thereafter. Once the vote on a resolution is cast by the Member, he/ she shall not be allowed to change it subsequently.
- E. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting User Manual for Shareholders available at the download section of <https://evoting.karvy.com> or contact Ms. Shobha Anand of Karvy Computershare Private Limited at 040-67162222 call on toll free no.: 1-800-3454-001.
7. In case, shares are jointly held, for the Members voting through physical Postal Ballot Form, the said form should be completed and signed (as per the specimen signature registered with the Company) by the first named Member and in his/her absence, by the next named Member and for the Members voting through electronic means, e-voting to be done by the first named member and in his/her absence by the next named member.
8. In case of shares held by companies, trusts, societies, etc. the duly completed Postal Ballot Form should be accompanied by a certified copy of the Board

Resolution/ Authority letter together with attested specimen signature(s) of the duly authorized signatory/ies, giving requisite authority to the person voting on the Postal Ballot Form, in case the voting is done in the physical form. In case, the said members are voting through electronic means, they are requested to send the aforesaid documents together with the specimen signature of authorized signatory to the scrutinizer through e-mail at k_dalal@rediffmail.com and with a copy marked to evoting@karvy.com.

9. The vote (through physical Postal Ballot Form/e-voting) in this Postal Ballot Process cannot be exercised through proxy.
10. Any query in relation to the resolution proposed to be passed by Postal Ballot may be sent to the Company Secretary, Garden Silk Mills Limited, at the Registered Office of the Company at, Tulsi Krupa Arcade, Puna-Kumbharia Road, Surat 395010 or at e-mail id – shareddepartment@gardenvareli.com.
11. The Scrutinizer will submit his report to the Chairman & Managing Director or in his absence to any other person authorized by the Chairman & Managing Director of the Company, after scrutiny of the Postal Ballot forms and voting by the members through electronic means and the consolidated results of the voting shall be declared by the Chairman & Managing Director, or in his absence, by any other person authorized by the Chairman & Managing Director, on or before Friday, 16th December, 2016, at the Registered Office of the Company.

The resolution will be taken as passed on the last date specified by the Company for receipt of duly completed Postal Ballot Forms or e-voting i.e. Wednesday, 14th December, 2016, "deemed date of passing of the resolution", if the result of the Postal Ballot indicates that the requisite majority of the Members had assented to the resolution.

Members, who wish to be present at the venue at the time of declaration of the result, may do so. The result of the voting by Postal Ballot shall also be announced through newspaper advertisement and shall be posted on the website of the Company i.e. www.gardenvareli.com, besides communicating to the BSE Ltd. and the National Stock Exchange of India Ltd.
12. The Scrutinizer's decision on the validity or otherwise of the Postal Ballot will be final.
13. All relevant documents referred in the Postal Ballot Notice shall be open for inspection at the Registered Office of the Company on all working days except Saturdays and other holidays, between 10.00 a.m. to 1.00 p.m. up to the date of declaration of the result of Postal Ballot.
14. Members may also note that the Notice of Postal Ballot will also be available on the Company's website i.e. www.gardenvareli.com for their downloading.
15. In case a Member has not received the Postal Ballot Form or is otherwise desirous of obtaining a printed postal ballot form or a duplicate copy, he/she may send an e-mail to the Company at: shareddepartment@gardenvareli.com.

16. Postal Ballot Notice is being sent to the Members in electronic form to the e-mail addresses registered with their Depository Participants or Registrar & Share Transfer Agents. For Members whose e-mail IDs are not registered, physical copies of the Postal Ballot Notice are being sent by permitted mode along with postage prepaid self addressed envelope.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

The following Explanatory Statement relating to the accompanying Notice sets out all material facts:

Item No.1

Re-classification of Authorised Share Capital and consequent Alteration of the Capital Clause in the Memorandum of Association of the Company

The Authorised Share capital of the Company at present is Rs.60,00,00,000/- (Rupees Sixty Crores only) divided into 5,00,00,000 (five crores) Equity Shares of Rs.10/- each and 1,00,00,000 (one crore) preference shares of Rs.10/- each. Considering the proposed issue of convertible warrants as mentioned in Item no.2, it is proposed to re-classify the Authorised Share Capital into 6,00,00,000 (Six crores) Equity Shares of Rs.10/- each without affecting the total Authorized Share Capital of the Company to enable the issue of further equity shares to the warrant holders at the time of conversion of warrants.

As a consequence of re-classification of authorised share capital of the Company, the existing authorised share capital clause in the Memorandum of Association of the Company be altered accordingly. The proposed alteration in Clause V of Memorandum of Association of the Company requires the approval of members of the Company in general meeting under Sections 13, 61 and other applicable provisions of the Companies Act, 2013 as well as any other applicable statutory and regulatory approvals.

The new set of Memorandum of Association are available for inspection at the Registered Office of the Company on any working day, during business hours.

None of the Directors or any key managerial personnel of the Company or their respective relatives are, in any way, concerned or interested, financially or otherwise in the above resolutions except to the extent of their shareholding in the Company.

The Board recommends the resolutions as set out at item No. 1 for approval of the shareholders.

Item No. 2.

Issue of Convertible Warrants to Promoters / Promoters Group of the Company on preferential basis

The promoters have agreed to infuse funds in the Company with a view to enhance the long-term resources and working capital requirements of the Company, thereby strengthening the financial structure of the Company.

The Board of Directors of the Company, at its meeting held on Tuesday, 25th October, 2016 and Management Committee of the Board in terms of powers delegated by the Board

of Directors of the Company, at its meeting held on 14th November, 2016, subject to necessary approval(s), has approved the issue of 9380863 (Ninety Three Lacs Eighty Thousand Eight Hundred Sixty Three) convertible warrants convertible into equity shares of Rs.10/- each through preferential offer to Member(s) of Promoter and/or Promoter Group of the Company in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended (the 'SEBI ICDR Regulations').

Pursuant to the provisions of Sections 62(1)(c) and 42 of Companies Act, 2013 (the "Act") any preferential allotment of Securities needs to be approved by the Members of the Company by way of a Special Resolution. Further, in terms of Regulation 73 of the SEBI ICDR Regulations, certain disclosures are required to be made to the Members of the Company which forms part of this Explanatory Statement to the Notice of Postal Ballot.

The allotment of the Warrants is subject to the Promoter / Promoter Group of the Company / proposed allottee not having sold any Equity Shares of the Company during the 6 (six) months preceding the Relevant Date. The Proposed Allottee has represented that the allottee has not sold any equity shares of the Company during 6 (six) months preceding the Relevant Date.

The relevant disclosures as required in terms of the Act and in terms of Chapter VII of SEBI ICDR Regulation are as under:

(a) Object(s) of the Preferential Issue:

The object of raising the equity share capital by issuing Warrants to the Promoters and/or Promoter Group of the Company is to meet the long-term resources and working capital requirements of the Company. This will also improve Company's debt-equity ratio.

(b) The proposal of the Promoters, Directors or Key Management Personnel of the Company to subscribe to the offer.

The preferential issue of Warrants is being made to entities belonging to the Promoters / Promoter Group of the Company. No Warrants or Equity Shares are being offered to the directors, key managerial personnel or relatives of directors / key managerial personnel of the Company.

(c) Relevant date

The 'Relevant Date' in relation to this preferential issue of warrants as per the provision of regulation 71 of SEBI ICDR Regulations, is Friday, 11th November, 2016 being the date 30 (thirty) days prior to the deemed date of passing of this resolution by the Members of the Company through Postal Ballot. Where the Relevant Date falls on a weekend / holiday, the day preceding the weekend / holiday will be reckoned to be the Relevant Date.

(d) Pricing of the preferential issue:

The issue of equity shares arising out of conversion of Warrants issued on preferential basis shall be made at a price not less than higher of the following or as per the law prevailing at the time of allotment of Warrants:

- (i) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on a recognized Stock Exchange during the 26 weeks preceding the Relevant Date; or
- (ii) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on a recognized Stock Exchange during the 2 weeks preceding the Relevant Date.

Since the Company is listed on both BSE Limited and National Stock Exchange of India Limited, the trading volume of Securities of the Company on both the Stock Exchanges will be considered to determine the higher trading volume for computation of issue price.

The 'Recognized Stock Exchange' referred to above means any of the recognized Stock Exchanges in which the equity shares of the Company are listed and in which the highest trading volume in respect of

the equity shares of the Company has been recorded during the preceding 26 weeks prior to the Relevant Date.

The Company would notify through the newspapers the price of each equity share to be issued in lieu of Warrants calculated in accordance with Regulation 76(1) of Chapter VII of the SEBI ICDR Regulations on the basis of the Relevant Date for the benefit of the Members.

(e) Requirement as to re-computation of price and lock-in of specified securities

Since the equity shares of the Company have been listed on the recognized Stock Exchanges for a period of more than 6 months prior to the Relevant Date, the Company is not required to re-compute the price of the equity shares and therefore, the Company is not required to submit the undertakings specified under Regulations 73(1)(f) and (g) of the SEBI ICDR Regulations.

(f) Shareholding pattern of the Company before and after the proposed issue

Particulars	Pre-Issue Shareholding as on 30/09/2016		Post-Issue Shareholding after issue of equity shares under the proposed preferential issue #	
	Total No. of Shares	Percentage of Share holding	Total No. of Shares	Percentage of Share holding
Shareholding of Promoter and Promoter Group	24302230	57.75	33683093	65.45
Public shareholding of Institutions				
Mutual Funds	4800	0.01	4800	0.01
Financial Institutions / Banks	8350	0.02	8350	0.02
Central Government/ State Government(s)	0	0.00	0	0.00
Foreign Institutional Investors	100	0.00	100	0.00
Foreign Portfolio Investor (Corporate)	16215	0.04	16215	0.03
Non Resident Indians (REPAT)	3708854	8.81	3708854	7.21
Non Resident Indians (NON REPAT)	99311	0.24	99311	0.19
Sub Total	3837630	9.12	3837630	7.46
Non- Institutions				
Bodies Corporate	3929569	9.34	3929569	7.64
Individuals (Public)	9957568	23.66	9957568	19.35
Clearing Member	54838	0.13	54838	0.11
Trust/Overseas corporate bodies	690	0.00	690	0.00
Sub Total	13942665	33.13	13942665	27.09
Total Shareholding	42082525	100.00	51463388	100.00

Assuming that all the warrants will be subscribed and exercised/converted into equity shares. The shareholding of public shareholders and various categories therein is assumed to be the same as of 30th September, 2016.

The proposed preferential allotment will not result in any change in management control of the Company as the proposed allottee belongs to Promoter / Promoter Group.

(g) Proposed time within which the allotment shall be completed.

As required under the SEBI ICDR Regulations, the allotment of the Warrants on preferential basis will be completed within a period of 15 days from the date of passing of the special resolution. Provided that where any approval or permission by any regulatory or statutory authority for allotment is pending, the allotment of the Warrants shall be completed within 15 days from the date of receipt of such approval or permission.

- (h) **Identity of the natural persons who are the ultimate beneficial owners of the shares proposed to be allotted and/or who ultimately control the proposed allottee, the percentage of post-preferential issued capital that may be held by the said allottee and change in control, if any, in the Company consequent to the preferential issue.**

Name of the allottee	Ultimate Beneficial Owners	Pre Issue Equity Holding		No. of Warrants to be allotted	Post Issue Holding # (After exercise of Warrants)	
		No. of Shares	%	No. of Shares	No. of Shares	%
Surat Textile Mills Limited	Praful A. Shah, Shilpa Praful Shah, Alok P. Shah, Suhail P. Shah and Praful Amichand Shah (HUF)	480878	1.14%	9380863	9861741	19.16

Assuming that all the warrants will be subscribed and exercised/ converted into equity shares.

The proposed preferential allotment will not result in any change in management control of the Company as the proposed allottee belongs to Promoter / Promoter Group.

(i) **Auditor's Certificate**

A copy of the certificate from M/s Natvarlal Vepari & Co., Chartered Accountants, Statutory Auditors of the Company, certifying that the proposed preferential issue of Warrants is being made in accordance with the requirements contained in Chapter VII of the SEBI ICDR Regulations, shall be available for inspection at the Registered Office of the Company during office hours on all working days, except Saturday/Sunday and other holidays, between 10.00 a.m. and 1.00 p.m. up to the date of declaration of results of Postal Ballot i.e. Friday, 16th December, 2016.

(j) **Lock-in Period**

The Warrants allotted on preferential basis and the Equity Shares to be allotted pursuant to exercise of option attached to Warrants shall be subject to lock-in from such date and for such periods as specified under Chapter VII of the SEBI ICDR Regulations.

As per Regulation 78(6) of the SEBI (ICDR) Regulation, the entire pre-preferential allotment shareholding of the Proposed Allottee shall be locked-in from the Relevant Date up to a period of 6 (six) months from the date of trading approval granted by the Stock Exchange(s).

(k) **Disclosure pertaining to wilful defaulters**

The Company or any of its promoters or directors are not wilful defaulters. Hence, disclosure as required under regulation 73(1)(h) of SEBI ICDR Regulation is not applicable.

Mr. Praful A. Shah, Chairman and Managing Director, Mr. Alok P. Shah, Mr. Suhail P. Shah, Mr. Sanjay S. Shah, Executive Directors along with Mrs. Shilpa Shah being the relative of Promoters of the Company may be deemed to be concerned or interested in the proposed Resolution.

Save and except the above, none of the other Directors, Key Managerial Personnel (KMPs) of the Company or any relatives of such Director or KMPs, are in any way concerned or interested financially or otherwise in the proposed Resolution.

The Board recommends the resolutions as set out at item No. 2 for approval of the shareholders.

Registered Office:
Tulsi Krupa Arcade,
Puna-Kumbharia Road,
Dumbhal, Surat 395010

**By Order of the Board of Directors,
FOR GARDEN SILK MILLS LIMITED**

**Kamlesh B. Vyas
Company Secretary**

Date: 14th November, 2016
Place: Surat