



Subhash Silk Mills Limited

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35th Annual Report 2004-2005

Subhash Silk Mills Limited

BOARD OF DIRECTORS

Mr. Subhash V. Mehra	Chairman / Managing Director
Mr. Sumeet S. Mehra	Director
Mr. Lav Kumar Vadehra	Director
Mr. Manohar Lal Kapur	Director
Mr. Radhe Mohan Malhotra	Director
Ms. Lalitha Sankaran	Nominee Director IDBI

AUDITORS :

M/s. S. M. Kapoor & Co.

BANKERS :

Bank of India
Citibank N.A.

REGD.OFFICE

Mehra Industrial Compound,
Andheri-Kurla Road,
Saki Naka, Andheri (E),
Mumbai - 400 072.

REGISTRAR & TRANSFER AGENT :

M/s. Purva Sharegistry (India) Pvt. Ltd.
33, Printing House,
28-D Police Court Lane,
Behind Old Handloom House,
Fort, Mumbai 400 001.

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Date :	27th December, 2005	Notice	2
Day :	Tuesday	Directors Report	6
Time :	11.30 a.m.	Auditor's Report	9
Place :	The Indian Merchants Chamber, Pravinchandra Gandhi Board Room, (Fourth Floor) Churchgate, Mumbai – 400 020.	Balance Sheet	12
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NOTICE

NOTICE is hereby given that the 35th Annual General Meeting of SUBHASH SILK MILLS LTD. will be held at Indian Merchants Chamber, Pravinchandra Gandhi Board Room (Fourth Floor), Churchgate, Mumbai - 400 020 on Tuesday, 27th December, 2005 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2005 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Lav Kumar Vadehra who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint M/s. S. M. Kapoor & Co. Chartered Accountants as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS :

4. To Consider, and, if thought fit, to pass with or without modifications, the following resolution as an ordinary Resolution :

“ **RESOLVED THAT** Mr. Manohar Lal Kapur, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 (“the Act”) is eligible for appointment and the Company has received notices in writing pursuant to the provisions of Section 257 of the Act from some members of the Company proposing his candidature for the office of Director of the Company, and who has consented, if appointed, to act as a director be and is hereby appointed a Director of the Company, liable to retire by rotation.”
5. To Consider, and, if thought fit, to pass with or without modifications, the following resolution as an ordinary Resolution :

“ **RESOLVED THAT** Mr. Radhe Mohan Malhotra, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 (“the Act”) is eligible for appointment and the Company has received notices in writing pursuant to the provisions of Section 257 of the Act from some members of the Company proposing his candidature for the office of Director of the Company, and who has consented, if appointed, to act as a director be and is hereby appointed a Director of the Company, liable to retire by rotation.”
6. To Consider, and, if thought fit, to pass with or without modifications, the following resolution as an ordinary Resolution :

“**RESOLVED** that pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956; read with Schedule XIII to the Companies Act, 1956; the consent of the members be and is hereby granted to the re-appointment of Shri Subhash Mehra as Chairman and Managing Director for a period of 5 years with effect from 1st April, 2005 on the terms and conditions as set out in the draft Agreement to be entered into between the Company and Shri Subhash Mehra placed before this meeting and initialed by the Chairman and Managing Director for the purpose of identification.”

“**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration, perquisites and any other entitlements including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorized in accordance with the provisions of the Companies Act, 1956 and the terms of the aforesaid agreement between the Company and Shri Subhash Mehra shall be suitably modified to give effect to such variation or increase as the case may be.”
7. To Consider, and, if thought fit, to pass with or without modifications, the following resolution as an ordinary Resolution :

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"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956; read with Schedule XIII to the Companies Act, 1956; the consent of the members be and is hereby granted to the re-appointment of Shri Sumeet Mehra as Executive Director for a period of 5 years with effect from 1st August, 2005 on the terms and conditions as set out in the draft Agreement to be entered into between the Company and Shri Sumeet Mehra placed before this meeting and initialed by the Executive Director for the purpose of identification."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration, perquisites and any other entitlements including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorized in accordance with the provisions of the Companies Act, 1956 and the terms of the aforesaid agreement between the Company and Shri Sumeet Mehra shall be suitably modified to give effect to such variation or increase as the case may be."

Regd. Office :

Mehra Industrial Estate Compound
Andheri-Kurla Road,
Saki Naka, Andheri (East),
Mumbai – 400 072.

BY ORDER OF THE BOARD
For **SUBHASH SILK MILLS LTD.**

Place : Mumbai

Date : 28th October, 2005

SUBHASH V. MEHRA
Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. THE FORM OF PROXY IS HERETO ANNEXED.
2. The instrument appointing a Proxy should be deposited at the Registered Office of the Company, duly completed not less than forty eight hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 21st December, 2005 to Tuesday 27th December, 2005 (Both days inclusive).
4. Shareholders seeking information on accounts published herein are requested to kindly furnish their queries to the Company at least ten days before the date of the meeting to facilitate satisfactory replies.
5. Members are requested to intimate the change in their address, if any, immediately to M/s.Purva Sharegistry (India) Pvt. Ltd, 33 Printing House, 22-D Police Court Lane, Behind Old Handloom House, Mumbai 400 001.
6. The shareholders who attend the meeting are requested to complete the attendance slip and delivery the same at the entrance of the meeting hall. The shareholders holding shares in dematerialized form, should indicate DP ID and Client ID numbers in the attendance slip.
7. The shareholders are requested to bring their copy of the Annual Report to the meeting.

Regd. Office :

Mehra Industrial Estate Compound
Andheri-Kurla Road, Saki Naka,
Andheri (East), Mumbai 400 072.

By Order of the board
For **SUBHASH SILK MILLS LTD.**

Place : Mumbai

Date : 28th October, 2005

SUBASH V. MEHRA
Managing Director

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 FORMING PART OF THE NOTICE DATED 28th OCTOBER, 2005****Item No. 4**

Mr. Manohar Lal Kapur was appointed as Additional Director by the Board of Directors of the Company ("The Board") at its meeting held on 27th October, 2005 with effect from 27th October, 2005 pursuant to the provisions of section 260 of the Companies Act, 1956 ("the Act"). Mr. Manohar Lal Kapur holds the office upto the date of 35th Annual General Meeting of the Company. Notices have been received from Members of the Company in pursuance of section 257 of the Act, alongwith deposit of Rs.500 proposing Mr. Manohar Lal Kapur as a candidate for the office of Director of the Company. Mr. Manohar Lal Kapur has given his consent, if appointed, to act as a Director of the Company.

None of the Directors other than Mr. Manohar Lal Kapur are concerned or interested in the passing of this resolution.

Item No. 5

Mr. Radhe Mohan Malhotra was appointed as Additional Director by the Board of Directors of the Company ("The Board") at its meeting held on 27th October, 2005 with effect from 27th October, 2005 pursuant to the provisions of section 260 of the Companies Act, 1956 ("the Act"). Mr. Radhe Mohan Malhotra holds the office upto the date of 35th Annual General Meeting of the Company. Notices have been received from Members of the Company in pursuance of section 257 of the Act, alongwith deposit of Rs.500 proposing Mr. Radhe Mohan Malhotra as a candidate for the office of Director of the Company. Mr. Radhe Mohan Malhotra has given his consent, if appointed, to act as a Director of the Company.

None of the Directors other than Mr. Radhe Mohan Malhotra are concerned or interested in the passing of this resolution.

Item No. 6

Shri Subhash Mehra was appointed as Chairman & Managing Director with effect from 1st April, 1999 for a period of 6 years as per the Agreement dated 17th September, 1999, on the terms and conditions as laid down in the Agreement. As the Agreement has expired on 31st March, 2005, a fresh Agreement on same terms and conditions is entered into for a further period of 5 years.

The terms of Appointment are as under :

- I. SALARY : Rs.30,000/- per month with such increments as may be decided by the Board of Directors (which includes any committee thereof) from time to time but subject to a maximum salary of Rs.75000/- per month.
- II. PERKS : Prerequisites stated below subject to the condition that the monetary value of those under part A shall be restricted to an amount equal to the annual salary or Rs.4,50,000.00 per annum, whichever is less.

CATEGORY A :

1. Housing I – the expenditure by the Company on hiring unfurnished accommodations will be subject to the following conditions :
 - a. At Mumbai, Calcutta & Madras 60% of Salary over and above 10% payable by the Executive Director.
 - b. other places 50% of Salary over and above 10% payable by the Executive Director.
2. Housing II – In case accommodation is owned by the Company 10% payable by the Executive Director.
3. Housing III – In case no accommodation is provided by the Company, the Executive Director shall be entitled to house Rent Allowance subject to the ceilings laid down in housing.
4. Medical Reimbursement : Expenses incurred for self and family, subject to a ceiling of one months salary in a year or 3 months salary over a period of 3 years.
5. Leave travel concession for self and family once in a year in accordance with the rules of the Company.
6. Club Fees : Fees of the clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
7. Personal Accident Insurance : Premium not to exceed Rs.25,000/- per annum.

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CATEGORY B :

Contribution to Provident Fund, Super Annuation Fund or Annuity Fund, so however that these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity will be limited to half a month's Salary for each completed year of service subject to a ceiling of Rs.1,00,000/-.

CATEGORY C :

Provision of Car with driver and telephone at the Executive Director's residence provided that personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Executive Director.

III. Commission @ 1% of the Net Profits of the Company, computed in accordance with sub-section (1) of Section 198 of the Companies Act, 1956, subject to, the amount being restricted to an amount equal to the annual salary.

None of the Directors of the Company is interested in the said Resolution, except Mr. Subhash Mehra and Mr. Sumeet Mehra. However, keeping in consideration the importance of the matter the Board recommends the Resolution for your Approval.

ITEM NO. 5

Shri Sumeet Mehra was appointed as an Executive Director with effect from 1st August, 2000 for a period of 5 years as per the Agreement dated 21st December, 2000 on the terms and conditions as laid down in the Agreement. As the Agreement has expired on 31st July, 2005, a fresh Agreement on same terms and conditions is entered into for a further period of 5 years.

The terms of Appointment are as under :

- I. SALARY : Rs. 20,000/- per month with such increments as may be decided by the Board of Directors (which includes any committee thereof) from time to time but subject to a maximum salary of Rs.75000/- per month.
- II. PERKS : Prerequisites stated below subject to the condition that the monetary value of those under part A shall be restricted to an amount equal to the annual salary or Rs.4,50,000.00 per annum, whichever is less.

CATEGORY A :

1. Housing I – the expenditure by the Company on hiring unfurnished accommodations will be subject to the following conditions :
 - a. At Mumbai, Calcutta and Madras 60% of Salary over and above 10% payable by the Executive Director.
 - b. At other places 50% of Salary over and above 10% payable by the Executive Director.
2. Housing II – In case accommodation is owned by the Company 10% payable by the Executive Director.
3. Housing III – In case no accommodation is provided by the Company, the Executive Director shall be entitled to house Rent Allowance subject to the ceilings laid down in housing.
4. Medical Reimbursement : Expenses incurred for self and family, subject to a ceiling of one months salary in a year or 3 months salary over a period of 3 years.
5. Leave travel concession for self and family once in a year in accordance with the rules of the Company.
6. Club Fees : Fees of the clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
7. Personal Accident Insurance : Premium not to exceed Rs.25,000/- per annum.

CATEGORY B :

Contribution to Provident Fund, Super Annuation Fund or Annuity Fund, so however that these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity will be limited to half a month's Salary for each completed year of service subject to a ceiling of Rs.1,00,000/-.

CATEGORY C :

Provision of Car with driver and telephone at the Executive Director's residence provided that personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Executive Director.

III. Commission @ 1% of the Net Profits of the Company, computed in accordance with sub-section (1) of Section 198 of the Companies Act, 1956, subject to, the amount being restricted to an amount equal to the annual salary.

None of the Directors of the Company is interested in the said Resolution, except Mr. Subhash Mehra and Mr. Sumeet Mehra. However, keeping in consideration the importance of the matter the Board recommends the Resolution for your Approval.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors hereby present the 35th Annual Report along with the Audited Accounts of the Company for the year ended 30th June, 2005.

I. FINANCIAL RESULTS :

	For the year Ended 30.06.05 Rs. (Lakhs)	For the year Ended 30.06.2004 Rs. (Lakhs)
1. Total Income	1972.68	1762.53
2. Profit / Loss Before Depreciation, Interest and Taxes	817.39	1320.33
3. Less : Interest	2.48	0.02
Depreciation	38.77	41.34
4. Profit / Loss Before Tax	776.14	1278.97
5. Less : Provision for Taxes	0.00	0.00
6. Profit / Loss After Tax	776.14	1278.97
7. Add : Balance b/f. from the Previous Year	(2475.49)	(3754.46)
8. Less : Impairment of Assets	(237.00)	(237.00)
9. Amount Available for Appropriation	(1936.35)	(2475.49)
APPROPRIATIONS :		
(i) Proposed Dividend on Equity	0.00	0.00
(ii) General Reserve	0.00	0.00
(iii) Balance carried to Balance Sheet	(1936.35)	(2475.49)

a) During the year, the Company's Plant & Machinery and Land & Building at Saki Naka were sold by the Bank under the provisions of the SARFAESI Act, 2002 in order to raise funds for recovery of dues to Bank of India and Dena Bank and payment of dues to its Saki Naka Employees in terms of the Memorandum of Understanding (MOU) entered into with them. Effect of the same on the profit for the year are as follows :

(i) Profit from Write Back of Bank Principal	Rs.84.39 Lakhs
(ii) Profit from Write Back of Bank Interest	Rs.626.37 Lakhs
(iii) Profit from Sale of Saki Naka Assets	Rs.1233.84 Lakhs

Accordingly, full payment has been deposited in the High Court towards payment to the employees. Also complete payment to the Banks as per One Time Settlement with them has been made. As on 30.06.2005 there was no outstanding amount payable to Bank of India, Dena Bank and the employees covered by the MOU.

b) The Company has during the year sold its Plant & Machinery at Khopoli for an amount of Rs.58.00 Lakhs to provide for funds for repayment of Term Loans of I.D.B.I. I.D.B.I. has approved a One Time Settlement (OTS) of its Dues at Rs.310 Lakhs and has given the Company time till November, 2005 to arrange for funds. The Company had already made payment of Rs.84 Lakhs to I.D.B.I. as on 30.06.2005 towards repayment of their dues and the Management is hopeful of completing all payments to I.D.B.I. on time. Effect of the same on the profit for the year are as follows :

(i) Profit from Write Back of IDBI Principal	Rs.258.85 Lakhs
(ii) Profit from Write Back of IDBI Interest	Rs.514.86 Lakhs
(iii) Loss from Sale of Khopoli Plant & Machinery	(-)Rs.159.96 Lakhs

Subhash Silk Mills Limited**II. DIVIDEND :**

Your Directors do not recommend any Dividend for the year ended 30th June, 2005 in view of the heavy accumulated losses.

III. FUTURE OPPORTUNITIES

Your Company is currently exploring new avenues of business in Textiles as well as new avenues of other business.

- (a) Government of India has introduced the new Textile Upgradation Fund as well as dismantled the Quota System for Exports to USA & Europe. This will help new investments in the Textile Business and a study report will be made to explore this line of activity.
- (b) Logistics and Supply Chain Management is the latest avenue for profit generation through improved profitability and economy is a must for all big companies. Your Company is exploring the possibility of a tie-up with one of India's largest textile groups to manage their logistics and supply chain management.

IV. DIRECTORS RESPONSIBILITY STATEMENT :

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with a proper explanation relating to material departures.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the period.
- (iii) The Directors of have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

V. STATUS OF LOCKOUT / SUSPENSION OF OPERATIONS

The Company has during the year settled all disputes with its employees at Saki Naka. In terms of the MOU signed in May, 2004, all amounts payable to the employees have been deposited with the Prothonotary & Senior Master, High Court, Mumbai. As on date, over 400 employees have already collected their dues and submitted their resignations. As such, the labour dispute with the employees has been settled.

VI. PERFORMANCE

Sales for the current period are only Rs.42.35 Lakhs which included sales of fabric as well as processing charges received for jobwork done at the Khopoli unit.

VI. SUBSIDIARY COMPANY :

Since there is no Subsidiary Company, hence the provisions of Section 212 of the Companies Act, 1956 is not applicable.

VII. PARTICULARS OF DISCLOSURE IN THE REPORT OF BOARD OF DIRECTORS PURSUANT OF COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988**A) Conservation of Energy**

Your Company has made efforts and implemented various steps recommended by technical experts to reduce the energy consumption at various levels.

Consumption of Energy at Khopoli this last year was 56 KW.

B) Foreign Exchange Earning and Outgo

There have been no foreign exchange earnings in the current year under review.

C) Research and Development

There has been no significant Research and Development during the year under review due to the lock-out.