



**Subhash Silk Mills Limited**

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**37th  
Annual Report  
2006-2007**

**BOARD OF DIRECTORS**

Mr. Subhash V. Mehra	Chairman / Managing Director
Mr. Sumeet S. Mehra	Director
Mr. Dhiraj S. Mehra	Director
Mr. Lav Kumar Vadehra	Director
Mr. Manohar Lal Kapur	Director
Mr. Radhe Mohan Malhotra	Director

**AUDITORS :**

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

**BANKERS :**

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.  
Shiv Shakti Industrial Estate,  
9, Sitaram Mills Compound,  
J.R. Boricha Marg, Lower Parel,  
Mumbai - 400011

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**Subhash** Silk Mills Limited

## NOTICE

NOTICE is hereby given that the 37th 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 Friday, 21st December, 2007 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, 2007 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 Luv Kumar Vadehra who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Radhe Mohan Malhotra who retires by rotation, and being eligible, offers himself for reappointment.
4. 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.

#### Regd. Office :

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

Place : Mumbai

Date : 24th October, 2007

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

**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 12th December, 2007 to 21st December, 2007 (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, Shiv Shakti Industrial Estate, 9 Sitaram Mills Compound, J.R. Boricha Marg, Lower Parel, Mumbai 400011.
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 : 24th October, 2007

**SUBHASH V. MEHRA**

Managing Director

**DIRECTOR'S REPORT****TO THE MEMBERS**

Your Directors hereby present the 37th Annual Report along with the Audited Accounts of the Company for the year ended 30th June, 2007.

**I. FINANCIAL RESULTS :**

	For the year Ended 30.06.07 Rs. (Lakhs)	For the year Ended 30.06.06 Rs. (Lakhs)
1. Total Income	159.12	243.02
2. Profit / Loss Before Depreciation, Interest and Taxes	110.36	243.09
3. Less : Interest	6.08	1.91
Depreciation	25.72	20.17
4. Profit / Loss Before Tax	78.56	221.01
5. Less : Provision for Taxes	0.92	5.90
6. Profit / Loss After Tax	77.64	215.11
7. Add : Balance b/f. from the Previous Year	(-) 950.55	(-) 1,165.66
8. Less : Prior Year Tax Adjustments	(-) 2.12	0.00
8. Add : Impairment of Assets	237.00	0.00
9. Amount Available for Appropriation	(-) 638.02	(-) 950.55
<b>APPROPRIATIONS :</b>		
(i) Proposed Dividend on Equity	0.00	0.00
(ii) General Reserve	0.00	0.00
(iii) Balance carried to Balance Sheet	(-) 638.02	(-) 950.55

The Company had entered into a temporary warehousing contracts with M/s. OEC Record Management Company Pvt. Ltd. for warehousing and storage of their goods in a portion of the Khopoli Plant. This arrangement has now been made permanent during the year and the Company has also added two new clients, M/s. Sterling Forms Panels Pvt. Ltd. and M/s. Elkem India Pvt. Ltd. The said warehousing contracts have yielded an income of Rs.33.12 Lakhs in the current year and will yield Rs.60 Lakhs in a complete financial year.

The Company has currently taken up an assignment with a Corporate for supervision and professional services in the construction business. These services have rendered an income of Rs.77.17 Lakhs in the current year.

**II. DIVIDEND :**

Your Directors do not recommend any Dividend for the year ended 30th June, 2007 in view of the brought forward 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) As our core business is of textiles, your Company is now making a foray into manufacture and trading in textiles. Also, we are making garment and uniform supplies to various corporate and retail customers. With our strong Textiles Background, the Directors feel these two ventures should yield good results.

Besides our core business of Textiles, your Company has also diversified its interests into several different projects. Firstly, the Company has taken a Professional Services assignment for management and supervision at all levels of property development for other Corporates in and around Mumbai.

We had used our manufacturing expertise to develop Storage Rack Systems for use in warehouses and have sold racks worth Rs.9.50 Lakhs in the current year.

**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.

**Subhash Silk Mills Limited**

- (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. PERFORMANCE**

Sales for the current period are Rs.91.45 Lakhs which includes Professional & Supervisory Charges of Rs.77.17 Lakhs. Further the Company has received Warehousing Charges of Rs.33.12 Lakhs.

**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.

**VIII. DEMATERIALISATION OF SHARES**

The agreement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for admitting the Equity Shares of the Company in the depository mode still continues. Many shareholders have already dematerialized their shares and Purvaa Shareregistry (India) Pvt. Ltd. continue to be the registrar and transfer agents of the Company for shares held in physical form as well as for providing connectivity in a Depository Mode with both NSDL & CDSL.

**IX. DIRECTORS**

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. Luv Kumar Vadehra and Mr. Radhe Mohan Malhotra retire by rotation in the forthcoming Annual General Meeting and are eligible for re-appointment.

**X. AUDITORS**

M/s. S.M. Kapoor & Co., Chartered Accountants are retiring as Statutory Auditors of the Company at the conclusion of the Annual General Meeting. They being eligible for reappointment as Statutory Auditors have furnished the required Certificate U/s. 224(1B) of the Companies Act, 1956. Your Directors recommend their reappointment as Statutory Auditors on remuneration to be approved by the Board.

**XI. PARTICULARS OF EMPLOYEES:**

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particularly of Employees) Rules, 1975 are not applicable.

**XII. ACKNOWLEDGEMENT :**

Your directors wish to place on record their appreciation for the Investors, Customers, Suppliers, Financial Institutions and Bankers.

For And on Behalf of the Board

**SUBHASH MEHRA**

Chairman

Place : Mumbai

Dated: 24th October, 2007

## CORPORATE GOVERNANCE REPORT

The Company pursuant to Clause 49 of the listing agreement with the Stock Exchanges furnishes its report on the code on Corporate Governance.

### 1. Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders.

The Company is committed to achieve the highest international standards of Corporate Governance.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

### 2. Board of Directors

#### 1. Composition and Category

The Board of the Company at present consists of five Directors, three being Non-Executive, three of whom are independent.

#### II.a Attendance of each Director at the Board Meetings, last Annual General Meeting

Name of the Director	Attendance particulars for 2006-2007		
	Board meetings held during tenure as Director	Board Meeting attended	Last AGM
Shri Subhash V. Mehra (C)	5	5	Yes
Shri Sumeet S. Mehra (ED)	5	5	Yes
Shri Dhiraj S. Mehra (ED)	4	4	Yes
Shri Lav Kumar Vadehra (I)	5	5	Yes
Shri Manoharlal Kapur (I)	5	5	Yes
Shri Radhe Mohan Malhotra (I)	5	5	Yes

#### II.b Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies

Name of the Director	No of other Directorship and committee membership / chairmanship		
	Other Directorship#	Other Committee **	
		Membership	Chairmanship
Shri Subhash V. Mehra (C)	0	0	0
Shri Sumeet S. Mehra (ED)	0	0	0
Shri Dhiraj S. Mehra (ED)	0	0	0
Shri Lav Kumar Vadehra (I)	0	0	0
Shri Manoharlal Kapur (I)	0	0	0
Shri Radhe Mohan Malhotra (I)	0	0	0

C – Chairman, ED – Executive Director, I – Independent.

\*\* Only membership / chairmanship of Audit and Shareholders / Investor Grievance Committee is taken into consideration as per clause 49 of the listing agreement.

# (excluding directorship held in Private Limited Companies and Section 25 Companies)

#### III. Number of Board Meetings held and the dates on which held

During the year ended 30<sup>th</sup> June, 2007, five Board Meetings were held as against the minimum requirement of four meetings. The meetings were held on, 31st July, 2006, 28th October, 2006, 19th December, 2006, 31st January, 2007 and 30th April, 2007.

The Company has held at least one meeting in every three months and the maximum time gap between any two Board meetings was not more than four months. None of the directors of the Company was a member of more than ten committees or the Chairman of more than five committees across all public limited companies in which he is a director.

For the purpose of considering the limit of the Committees as stated above, only Audit Committee and Shareholders / Investor Grievances Committee across all public limited companies has been considered in accordance with clause 49 of the Listing Agreement.

#### IV. Information on Directors Appointment / Re-appointment

Brief resume of Directors being re-appointed / appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of the companies in which they hold directorship (excluding directorship held in Private Limited companies and Section 25 Companies) and the membership of committees of the Board is furnished hereunder :

- (i) **Shri Luv Kumar Vadehra**, aged 64 years. He is a Graduate in Science and Foreign Trade. He worked in senior positions for the State Trading Corporation in New Delhi, New York and Mumbai for 12 years, eventually leaving to start his own pharma-chemical manufacturing and trading business. He has over 40 years experience.
- (ii) **Shri Radhe Mohan Malhotra**, aged 71 years is an expert in Human Resource Development and has honed his skills during his tenureship as General Manager of the Company for a number of years. His knowledge of various procedural issues and Government Departments and formalities are greatly appreciated by the Board from time to time.

### 3. Board Committees

#### A. Audit Committee

##### I. Composition, names of members and Chairperson

The Audit committee, during the year under review, comprised of three non-executive Directors, viz. Shri Manoharlal Kapur, Shri Lav Kumar Vadehra and Shri Radhe Mohan Malhotra. Shri Manoharlal Kapur is the Chairman of the Committee and all members of the Audit Committee possess financial/accounting expertise. The constitution of the Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956.

##### II. Terms of Reference

The terms of reference of the Audit Committee, as contained under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 are as follows :

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions, i.e. transactions of the company of material nature with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of Company at large.
- d. Reviewing with the management and auditors, the adequacy of internal control systems.
- e. Discussion with auditors any significant findings and following up there on.
- f. Reviewing the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- g. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- h. Reviewing the Company's financial and risk management policies.
- i. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

##### III. Meetings and attendance during the year

During the year ended 30th June, 2007, the Committee has met four times. The meetings were held on 31-July-2006, 28-October-2006, 31-January-2007 and 30-April-2007. All the members of the Committee were present at all the above meetings.

Representatives of the Auditors were invited to be present at the Audit Committee meetings.

**B. Remuneration Committee**

The Remuneration Committee comprises of Shri Radhe Mohan Malhotra and Shri Lav Kumar Vadehra. The Company needs to disclose all pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company.

*No significant material transactions have been made with the non-executive directors vis-à-vis the Company.*

The Company needs to make disclosures of the remuneration of directors.

Name of Director	Sitting Fees Paid	Commission Payable	Total Payments Paid/Payable in 2006-07	No. of Board Meetings Held		Attended Last AGM
	(in Rs.)	(in Rs.)	(In Rs.)	Held	Attended	
Shri Subhash V. Mehra	-	-	-	5	5	Yes
Shri Sumeet S. Mehra	-	-	-	5	5	Yes
Shri Dhiraj S. Mehra	-	-	-	4	4	Yes
Shri Lav Kumar Vadehra	-	-	-	5	5	Yes
Shri Manoharlal Kapur	-	-	-	5	5	Yes
Shri Radhe Mohan Malhotra	-	-	-	5	5	Yes

**Executive Directors**

Executive Director	Relationship with other Directors	Business Relationship with the Company, if any	Remuneration paid during 2006-07			
			All elements of remuneration package, i.e. salary, benefits, etc.	Fixed components & performance linked incentives etc.	Service contracts, notice period, severance fee.	Stock option details, if any.
Shri Subhash V. Mehra	Father of Sumeet Mehra & Dhiraj Mehra	Managing Director	Rs.3,60,000	Rs.3,60,000	See note (a)	See note (c)
Shri Dhiraj S. Mehra	Son of Shri Subhash Mehra	Executive Director	Rs.1,64,000	Rs.1,64,000	See note (b)	See note (c)

a) The appointment is subject to termination by three months notice in writing on either side. The appointment is for a period of five years w.e.f. 1-April-2005. No severance fees is payable to the Managing Director.

b) The appointment is subject to termination by three months notice in writing on either side. The appointment is for a period of five years w.e.f. 25-October-2006. No severance fees is payable to the Executive Director.

c) The Company did not grant any stock options to its Directors or Employees.

**C. Shareholders / Investor Grievance Committee**

The Board of the Company has constituted a Shareholders Grievance Committee comprising of non-executive Directors viz. Shri Lav Kumar Vadehra as Chairman of the Committee and Shri Radhe Mohan Malhotra.

The Committee oversees the performance of the Registrar and Share Transfer Agents and recommends measures to improve investor services.

The Company has authorized Directors severally to approve the share transfers.

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the Committee to implement and monitor the various requirements as set out in the Code.

The Board has designated Shri Dhiraj Mehra, Director as the compliance officer.