



Subhash Silk Mills Limited

**43rd
Annual Report
2012-2013**

In Memory of
Mr. Subhash Mehra
(Chairman & Managing Director)
02-October-1946 to 22-February-2013



*A heart of gold stopped beating
Two twinkling eyes closed to rest
God broke our hearts to prove he only took the best
Never a day will go by that you're not in our heart.*

BOARD OF DIRECTORS

Mr. Sumeet S. Mehra	Chairman
Mr. Dhiraj S. Mehra	Managing 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.
Axis Bank

REGD.OFFICE

G-15, Ground Floor, Prem Kutir,
177 Marine Drive,
Mumbai 400020

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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Day : Wednesday	Directors Report	4
Time : 11.30 a.m.	MDAR Report	7
	Corporate Governance Report	7
Place : The Indian Merchants Chamber, Jolly Conference Room, (Fourth Floor) Churchgate, Mumbai – 400 020.	Auditor's Report	14
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Important Communication to Members

The Ministry of Corporate Affairs has now permitted companies to send various notices / documents under the Companies Act, 1956, to its shareholders, through electronic mode. We request the Members to support this initiative and register their E-mail addresses in respect of the shares held in the Company with the M/s. Purva Sharegistry (India) Pvt. Ltd. (RTA). Please quote the following particulars in the E-Mail Registration Request : Folio No. / DP ID-Client ID, PAN, Name(s) of Registered Holder(s), Address, Telephone and E-mail Address (to be registered for sending future communications through E-Mail) and send the same under your signature(s).

NOTICE

NOTICE is hereby given that the 43rd Annual General Meeting of SUBHASH SILK MILLS LTD. will be held at Indian Merchants Chamber, Jolly Conference Room (Fourth Floor), Churchgate, Mumbai - 400 020 on Wednesday, 19th June, 2013 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 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 a Director in place of Shri Manoharlal Kapur 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.

SPECIAL BUSINESS:

5. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION, 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 appointment of Shri Sumeet Mehra as Chairman for a period of 5 years with effect from 22nd March, 2013 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 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 or re-enactment thereof and/or Rules or Regulations framed thereunder 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."

6. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION, 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 appointment of Shri Dhiraj Mehra as Managing Director for a period of 5 years with effect from 22nd March, 2013 on the terms and conditions as set out in the draft Agreement to be entered into between the Company and Shri Dhiraj 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 or re-enactment thereof and/or Rules or Regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Shri Dhiraj Mehra shall be suitably modified to give effect to such variation or increase as the case may be."

Regd. Office:

G-15 Prem Kutir,
177 Marine Drive,
Mumbai – 400 020.

Place: Mumbai
Date: 22nd May, 2013

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

DHIRAJ 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 13th June, 2013 to 19th June, 2013 (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.

EXPLANATORY STATEMENT PURSUANT TO SEC.173(2) OF THE COMPANIES ACT, 1956.**ITEM NO. 5**

Shri Sumeet Mehra was appointed as Chairman with effect from 22nd March, 2013 for a period of 5 years on the terms and conditions as laid down in the Agreement as detailed below:

- I. SALARY : Rs.50,000/- 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.1,50,000/- per month.
- II. PERKS : Prerequisites as stated below:

CATEGORY A :

- a. Housing I – The Company shall provide rent-free accommodation to the Chairman within Mumbai city limits or at any other place as may be required from time to time.
- b. Housing II – In case no accommodation is provided by the Company, the Chairman shall be entitled to house Rent Allowance subject to the ceilings laid down in housing.
- c. Medical Reimbursement : Expenses incurred for self and family, subject to a ceiling of three months salary in a year or nine months salary over a period of three years.
- d. Leave travel concession for self and family once in a year in accordance with the rules of the Company.
- e. Club Fees : Fees of the clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
- f. Personal Accident Insurance : Premium not to exceed Rs.1,00,000/- 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.

CATEGORY C :

Provision of Car with driver and telephone at the Chairman'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 Chairman.

- 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. Sumeet Mehra and Mr. Dhiraj Mehra. However, keeping in consideration the importance of the matter the Board recommends the Resolution for your Approval.

ITEM NO. 6

Shri Dhiraj Mehra was appointed as Managing Director with effect from 22nd March, 2013 for a period of 5 years on the terms and conditions as laid down in the Agreement as detailed below:

I. **SALARY** : Rs.1,50,000/- 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.2,00,000/- per month.

II. **PERKS** : Prerequisites as stated below:

CATEGORY A :

- a. **Housing I** – The Company shall provide rent-free accommodation to the Managing Director within Mumbai city limits or at any other place as may be required from time to time.
- b. **Housing II** – In case no accommodation is provided by the Company, the Managing Director shall be entitled to house Rent Allowance subject to the ceilings laid down in housing.
- c. **Medical Reimbursement** : Expenses incurred for self and family, subject to a ceiling of three months salary in a year or nine months salary over a period of three years.
- d. **Leave travel concession** for self and family once in a year in accordance with the rules of the Company.
- e. **Club Fees** : Fees of the clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
- f. **Personal Accident Insurance** : Premium not to exceed Rs.1,00,000/- 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.

CATEGORY C :

Provision of Car with driver and telephone at the Managing 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 Managing Director.

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

Regd. Office:

G-15 Prem Kutir,
177 Marine Drive,
Mumbai 400 020.

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

Place: Mumbai
Date: 22nd May, 2013

DHIRAJ MEHRA
Managing Director

DIRECTOR'S REPORT**TO THE MEMBERS**

Your Directors hereby present the 43rd Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2013.

I. FINANCIAL RESULTS:

	For the year Ended 31.03.13 Rs.(Lakhs)	For the year Ended 31.03.12 Rs.(Lakhs)
1. Total Income	460.25	183.93
2. Profit / Loss Before Depreciation, Interest and Taxes	316.74	67.36

3. Less : Interest	18.42	3.80
Depreciation	37.19	28.47
4. Profit / Loss Before Extraordinary Items	261.13	35.09
5. Extraordinary Items	290.27	0.00
6. Profit / Loss Before Taxes	551.40	35.09
5. Less : Provision for Taxes	116.00	4.19
6. Profit / Loss After Tax	435.40	30.90
7. Add : Balance b/f. from the Previous Year	(-) 619.66	(-) 650.56
8. Less : Prior Year Tax Adjustments	0.00	0.00
9. Amount Available for Appropriation	(-) 184.26	(-) 619.66
APPROPRIATIONS :		
(i) Proposed Dividend on Equity	0.00	0.00
(ii) General Reserve	0.00	0.00
(iii) Balance carried to Balance Sheet	(-) 184.26	(-) 619.66

The Company's property at Khopoli has been fully leased out. The said warehousing contracts have yielded an income of Rs.230.05 Lakhs (P.Y. Rs.123.52 Lakhs) in the current year under review.

Your Company has made sale of Readymade Garments to the service sector and of fabrics to various traders. Sales for the financial year have been Rs.13.41 Lakhs.

II. DIVIDEND:

Your Directors do not recommend any Dividend for the year ended 31st March, 2013 in view of the large brought forward accumulated losses.

III. DIRECTORS RESPONSIBILITY STATEMENT:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with a proper explanation relating to material departures.
- 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.
- 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.
- The Directors have prepared the annual accounts on a going concern basis.

IV. THE YEAR AT A GLANCE:

Mr. Subhash Mehra, Chairman and Managing Director of the Company and the founder Director of the Company breathed his last on 22nd February, 2013. He was a guiding light to the Company and steered it clear of its worst financial crisis in his long tenure as the Managing Director. He will long be remembered as the soul of our Company which bears his name.

Owing to the sad demise of Mr. Subhash Mehra, Mr. Sumeet Mehra has been appointed as the Chairman of the Company and Mr. Dhiraj Mehra as the Managing Director. They have the full support and confidence of the Directors, employees, banks, suppliers and customers of the Company.

During the Year, the Company entered into an Agreement with a Developer for land that the Company received by way of adverse possession. In return for this parcel of land, the Company received certain residential flats from the Developer which the Company proposes to sell in the next year to two years at suitable market prices.

Total Income for the current period has been Rs.460.25 Lakhs. This includes warehousing charges of Rs.230.05 Lakhs and sale of flats of belonging to the Company of Rs.213.77 Lakhs.

V. SUBSIDIARY COMPANY:

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

VI. 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 negligible.

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.

VII. 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 Sharegistry (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.

VIII. CORPORATE GOVERNANCE:

Your Company reaffirms its commitment to good Corporate Governance practices and endeavours to continuously maintain highest standards of corporate values and ethics. Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate confirming compliance of the conditions of Corporate Governance form a part of this Annual Report.

IX. DIRECTORS:

Mr. Sumeet Mehra has been appointed as Chairman of the Company and his appointment is to be ratified at the forthcoming Annual General Meeting.

Mr. Dhiraj Mehra has been appointed as Managing Director of the Company and his appointment is to be ratified at the forthcoming Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. Lav Kumar Vadehra and Mr. Manoharlal Kapur 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 (Particulars 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

SUMEET MEHRA

Chairman

Place : Mumbai

Dated: 22nd May, 2013

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Industry Structure & Development

Indian Textile Industry is one of the leading textile Industries in the world. The opening of the economy in 1991 had given a much-needed thrust to the industry in India. India's Textile Industry is largely dependent on textile manufacturing and export and India earns about 17% of its foreign exchange through Indian textile exports.

The Indian Textile Industry also contributes to 4% of the GDP and employs more than 35 million people, the second largest employment only after agriculture, and 14% of the industrial production of the country.

Opportunities & Threats

The potential size of the Indian textile industry is expected to reach US\$220 billion by 2020. With consumerism and disposable income on the incline, the retail sector has witnessed rapid growth in the past decade. Further, the Government has proposed the establishment of Centres of Excellence for training the workforce in the textile sector.

The threat of low-cost manufacturing and imports from neighbouring countries still exists in India, however with higher quality and better customer service, the Indian Textile Industry will weather this storm of low-cost imports.

Financial Performance

Total turnover of the Company during the year was 460.25 Lakhs as against 183.93 Lakhs in the previous year. The turnover increased by 150% compared to the previous year. Profit before interest, depreciation and taxes was Rs. 205.52 Lakhs.

Risks & Concerns

The primary risk for the Company is with the unorganized low cost sector. Having to compete with low cost, low quality manufacturers is always a concern. Secondly, import of fabrics is always a direct competitor to the Company. There are currently no significant borrowings and as such the Company is well isolated from financial risks & concerns, especially with the increasing interest rates.

Internal Control Systems

The Company has suitable internal control systems which ensure safeguarding the Company's assets, promote efficiency and ensure compliance with legal and regulatory provisions. The audit committee is headed by a chartered accountant with over 40 years of experience. The statutory auditors also discuss their comments and findings with the management as well as with the audit committee.

For and on behalf of the Board of Directors,

Place : Mumbai
Date : 22nd May, 2013

Sumeet Mehra
Chairman

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

I. 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