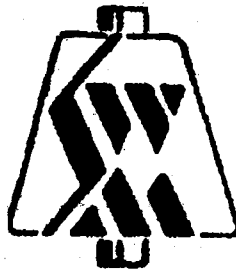


16th

**Annual Report
2003 - 2004**

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**SUPREME
YARNS LIMITED**

SUPREME YARNS LIMITED

Board of Directors

Shri. A.K. Mahajan

Chairperson

Shri. S.K. Ahuja

Shri. S.S. Chugh

Shri. S.K Duggal

Shri. B.K. Malhotra

Shri. R.C. Singal

Shri. J.V. Ramarao

Shri. Ram Lal Gupta

Shri. Ajay Gupta

Shri. Sanjay Gupta

Executive Director

Jt. Managing Director

Managing Director

Secretary Cum V.P. (Finance)

Shri Rajeev Bhambri

Auditors

M/s S.C. Vasudeva & Co.



Bankers

State Bank of India

Registered Office & Works

Village Kanganwal,

P.O. Juginana, Ludhiana

E-mail: swml@satyam.net.in

website: www@supremeyarns.com

Phone: 0161-2510320, 2510321, 2510097, 2510622

Fax : 0161-2510584

SUPREME YARNS LIMITED

NOTICE

NOTICE is hereby given that Sixteenth Annual General Meeting of the shareholders of SUPREME YARNS LIMITED will be held at the Registered Office of the Company at Village Kanganwal, P.O. Jugiana, Ludhiana on Monday, the 23rd day of August, 2004 at 11 A.M. to transact the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended on that date, together with Auditors' Report thereon.
2. To appoint Director in place of Sh. S.S. Chugh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Director in place of Sh. Ajay Mahajan, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Director in place of Sh. S.K. Ahuja, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors for the year 2004-2005 and fix their remuneration.

SPECIAL BUSINESS

6. TO CONSIDER AND IF THOUGHT FIT, TO PASS, WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS SPECIAL RESOLUTION:-
" WHEREAS the Equity Shares of the Company are listed on The Stock Exchange, Mumbai, The Ludhiana Stock Exchange Association Limited & The Delhi Stock Exchange Association Limited, it is hereby
RESOLVED THAT the Equity Shares of the Company be delisted from The Ludhiana Stock Exchange Association Limited & The Delhi Stock Exchange Association Limited. FURTHER RESOLVED THAT Mr. Sanjay Gupta – Managing Director and Mr. Rajeev Bhambri be and are hereby severally authorised to do all the acts and deeds to delist its shares as aforesaid."

BY ORDER OF THE BOARD

PLACE: CHANDIGARH
DATE: 26.06.2004

(RAJEEV BHAMBRI)
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. THE REGISTER OF MEMBERS AND THE SHARE TRANSFER BOOKS OF THE COMPANY SHALL REMAIN CLOSED FROM 16TH AUGUST, 2003 TO 21ST AUGUST, 2004 (BOTH DAYS INCLUSIVE).
3. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 6 IS ANNEXED HERETO AND FORMS PART OF THIS NOTICE.

SUPREME YARNS LIMITED

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

At present, no transaction of Company's shares is being done at The Ludhiana Stock Exchange Association Limited & The Delhi Stock Exchange Association Limited. Hence, Company has decided to delist its shares from the said Exchanges. Company will retain its listing of shares with The Stock Exchange, Mumbai. Shareholders will not face any problem as anyone can deal in our shares through The Stock Exchange, Mumbai at their various terminals located contrywide.

None of the directors is interested in this resolution.

BY ORDER OF THE BOARD

PLACE: CHANDIGARH

DATE: 26.06.2004

(RAJEEV BHAMBRI)
COMPANY SECRETARY

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SUPREME YARNS LIMITED

DIRECTORS' REPORT

Dear Members,

The Directors are hereby pleased to present their Sixteenth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

	2003-2004 (Rs.in lacs)	2002-2003 (Rs.in lacs)
Gross Turnover	9335.94	6823.87
Cash Profits	671.92	654.13
Net Profit before Tax	59.76	45.52
Add Depreciation Written back	00.17	0.00
Provision for Tax		
a) Current Tax	9.00	6.15
b) Deferred Tax	12.89	8.61
Income Tax of earlier years written back	-1.26	1.47
Profit after Tax	36.78	32.23

REVIEW OF OPERATIONS

Production increased from 68.35 lacs kgs. to 76.78 lacs kgs. showing an increase of 12% as compared to previous year. This increase is due to implementation of new plant. Turnover during the year under review, is increased by 36.81%. Net Profits before Tax increased by 31%.

DIVIDEND

Due to on going expansion, Company is unable to declare any dividend.

EXPANSION PLAN

Company has successfully completed the installation of 7232 spindles in its expansion plan on 31.03.2004. During the year to part finance the above said project Company had taken term loan of Rs.538 lacs.

AUDITORS

The Auditors, M/s.S.C.Vasudeva & Co., Chartered Accountants, New Delhi will retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

Auditors' report on the Accounts is self-explanatory and requires no comments.

COST AUDITORS

The Board of Directors have appointed M/s.Khushwinder Kumar & Co., Cost Accountants, as the Cost Auditors of the Company under Section 233-B of the Companies Act, 1956 for the year 2004-2005.

SUPREME YARNS LIMITED

DIRECTORS

Mr. Ajay Mahajan, Mr. S.K. Ahuja & Mr. S.S. Chugh retire by rotation at the conclusion of the forthcoming Annual General Meeting.

PERSONNEL

Since there is no employee receiving salary more than Rs.24 Lacs P.A. or Rs.2.00 Lacs P.M., there is no information required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particular with respect to conservation of energy and other areas as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are annexed hereto and form part of this report.

CORPORATE GOVERNANCE

Company was required to comply with the provision of Clause 49 of the of the Listing Agreements with Stock Exchanges and Company has complied all the required provisions as detailed in annexure of Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, confirm that

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) that have, in the selection of the Accounting Policies, consulted the Statutory Auditors and have 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 profit of the Company for that period;
- iii) they have taken proper and sufficient care to the best of their knowledge and ability 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) they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors express their sincere appreciation of the co-operation extended by Stat Bank of India, Industrial Development Bank of India, Punjab State Industrial Development Corporation Limited & The Jammu & Kashmir Bank Limited.

The Board place on record its appreciation of the co-operation received from all section of the employees.

FOR AND ON BEHALF OF THE BOARD

PLACE : CHANDIGARH
DATED : 26.06.2004.

(SANJAY GUPTA)
MANAGING DIRECTOR

SUPREME YARNS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004 :-

1. CONSERVATION OF ENERGY:

With continuous efforts, the consumption of fuel has been controlled and consumption of electricity has been significantly reduced.

FORM A:

A) POWER AND FUEL CONSUMPTION:

Electricity - Own Generation	<u>2003-2004</u>	<u>2002-03</u>
a) Unit Produced - (KWH IN LACS)	43.23	14.51
b) Unit Produced /Ltr. of Diesel (KWH)	3.16	3.05
c) Cost Per Unit (RS.)	6.09	5.30

B) CONSUMPTION PER UNIT OF PRODUCTION

Electricity Consumed Per Kg of Production (KWH/KG)	2.16	1.96
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2. TECHNOLOGY ABSORPTION:

Technology absorption, Innovation and Research & Development (R & D) is a continuing Process and a continued emphasis is given on quality improvement and product upgradation. Information as per Form-B of the Annexure to the Rules is given below :

RESEARCH & DEVELOPMENT (R & D)

(a) Specific Areas in which R & D carried by the Company :

The Company has adopted latest new technology. However, R & D has been carried in the areas of new product development, improvement in the production process and quality of products.

(b) Benefits desired as a result of above R & D :

The efforts have resulted in cost competitiveness. The product range has been employed.

(c) Future Course of action :

The management is committed to continued R&D to increase market competitiveness.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs.in Lacs)

Foreign Exchange Earned	1084.28
Foreign Exchange Used (CIF Value of Imports)	433.53

SUPREME YARNS LIMITED

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance:

The Company, while conducting its business has been upholding the core values of SUPREME i.e. transparency, integrity, honesty, accountability and compliance of laws. In continuation of its efforts towards performance, the Company intends to seize opportunities of tomorrow and create a future that will make it the best Company in its area of operations. This in turn will help to improve the quality of life of the communities it serves, e.g. customers, suppliers, Government, shareholders, local community, etc. Your company is committed to follow the best & established Corporate practices. We are happy to inform you that your company's practices and policies are significantly in conformity with the requirements stipulated by the SEBI.

2. BOARD OF DIRECTORS

a) Size & Composition of Board

The Board presently comprises of the directors including the Non-Executive Independent Chairman and three executive directors and the majority of directors on the board are Independent.

The detail of the Composition of the Board, number of directorship and committee position held by each of the directors are given here under:

NAME	DESIGNATION	CATEGORY	NO. OF DIRECTORSHIP HELD IN OTHER COMPANIES	NO. OF BOARD COMMITTEE MEMBERSHIP HELD IN OTHER COMPANIES	NO. OF BOARD COMMITTEE CHAIRMAN HELD
1. Ajay Mahajan	Chairman	Non-Executive Independent Representing PSIDC	10	6	—
2. S.K. Ahuja	Director	Non-Executive Independent Representing PSIDC	13	4	—
3. S.S.Chugh	Director	Non-Executive Independent Representing PSIDC	4	2	—
4. S.K.Duggal	Director	Non-Executive Independent	12	4	4
5. B.K.Malhotra	Director	Non-Executive Independent	—	—	—
6. R.C. Singal	Director	Non-Executive Independent	14	5	4
7. S.C. Popli	Director	Non-Executive Independent Representing IDBI	1	—	—
8. Ram Lal Gupta	Executive Director	Executive	—	—	—
9. Ajay Gupta	Jt.Mg. Director	Executive	—	—	—
10. Sanjay Gupta	Managing Director	Executive	—	—	—

SUPREME YARNS LIMITED

b) Board Meeting:

During the year ended 31st March, 2004 Six Board Meeting were held on the following dates:

22.04.2003, 27.06.2003, 29.07.2003, 29.10.2003, 30.01.2004 & 26.03.2004.

c) Directors Attendance Record :

Attendance of Directors at Board Meeting and at Annual General Meeting (AGM).

NAME OF DIRECTORS	NO. OF BOARD MEETING HELD	NO. OF BOARD MEETING ATTENDANCE	WHETHER ATTENDED THE AGM HELD ON 21.08.2003
Ajay Mahajan	6	4	No
S.K. Ahuja	6	4	No
S.S.Chugh	6	3	No
S.K.Duggal	6	6	Yes
B.K.Malhotra	6	2	No
R.C. Singal	6	4	No
S.C. Popli	6	-	No
Ram Lal Gupta	6	2	Yes
Ajay Gupta	6	3	Yes
Sanjay Gupta	6	6	Yes

3. AUDIT COMMITTEE

The audit committee has been constituted as per section 292A of the Companies Act, 1956 and the guidelines set out the in the Listing Agreement with the stock exchange.

Composition and Attendance

During the year ended 31st March, 2004, four meetings of the audit committee were held on the following dates 23.06.2003, 26.07.2003, 22.10.2003 & 28.01.2004.

NAME OF THE MEMBER	NO. OF MEETING HELD	NO. OF MEETING ATTENDED
S.K. DUGGAL	4	3
S.S. CHUGH	4	3
S.C. POPLI	4	0
SANJAY GUPTA	4	3

The terms of reference stipulated by the Board of Director to the audit committee are as contained the section 292A of the Companies Act, 1956 and clause 49 of the listing agreement. All the members have requisite financial and management expertise. The Company Secretary acts as the Secretary to the Committee. Minutes of meeting of audit committee are circulated to members of the committee and Board kept apprised.