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SUPREME YARNS LIMITED

18th Annual Report 2005-2006

SUPREME YARNS LIMITED



Board of Directors

Mr. Ajay Mahajan
Mr. Sanjay Ahuja
Mr. S.S.Chugh
Mrs. Neeta Sood
Mr. R.C.Singal
Mr. S.K.Duggal
Mr. B.B.Goel
Mr. Ram Lal Gupta
Mr. Sanjay Gupta
Mr. Ajay Gupta

Chairman

Executive Director

Managing Director

J.L. Managing Director

Secretary Cum V.P. (Finance)

Mr. Rajeev Bhambri

Auditors

M/s S.C. Vasudeva & Co.

Bankers

State Bank of India

Registrar & Transfer Agent

M/s. Beetal Financial & Computer Services (P) Limited,
Beetal House, 3rd Floor,
99, Madangir, Bh-Local Shopping Complex
Near Dada Harsukhdas Mandir,
New Delhi - 110 062.

Scrip Code No. at Bombay Stock Exchange Limited
531934

Demat At CDSL & NSDL
ISIN-INE651G01019

Registered Office

Village Kanganwal, P.O.Jugiana,
Ludhiana.
Website: www.supremeyarns.com
Email: info@supremeyarns.com
Phone: 0161-2510320, 2510389, 2510097, 2510622
Fax: 0161-2510584

Works

1. Spinning Unit
Village Kanganwal,
P.O.Jugiana, Ludhiana.
2. Proposed Spinning Unit
Near TPM, Village Kanganwal,
P.O.Jugiana, Ludhiana.
3. Dyeing Unit
B-72, Phase VIII, Focal,
Point, Ludhiana

SUPREME YARNS LIMITED**DIRECTORS' REPORT**

Dear Members,

The Directors are hereby pleased to present their Eighteenth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS**(Rs. in Lacs)**

Particulars	Year ending 31.03.2006	Year ending 31.03.2005
Gross Turnover	11584.48	11163.91
Profit before Depreciation	1093.63	632.45
Profit before Tax	632.01	57.21
Add Excess provision of depreciation Written back	998.94	0.00
Less Provision for Tax (including deferred and fringe benefit tax)	223.17	21.65
Less Deferred Tax Adjustment	336.24	-6.08
Profit after Taxes	1071.54	41.64

OPERATIONS

Production increased from 87.12 lacs kgs. to 87.32 lacs kgs. Turnover during the year under review, is increased from Rs.111.64 crores to Rs.115.84 crores. Net Profits after Tax but after extra-ordinary items increased from Rs.41.64 lacs to Rs.1071.54 lacs. The increased profit is due to the change in the product mix and increased production of dyed yarn.

DIVIDEND

The directors have recommended a dividend of 10% to be appropriated from the profits of the year 2005-06 subject to the approval of shareholders at the forthcoming Annual General Meeting and the dividend will be paid to those shareholders whose names appear on the Register of Members as on 17.07.2006.

EXPANSION PLAN

Company has planned to establish the following projects with estimated cost of Rs.237 crores, which will be financed by raising capital & term loans and by internal accruals.

a) Spinning Project

The project will be located at Village Kanganwal, Ludhiana at a plot measuring 9.5 acres. It will be a EOU comprised of the best machines available in India and abroad with capacity of 25 Ring Frame (30000 spindles) and 720 Rotors capable of aggregate production of 134 lacs kg. of yarn per annum. One-fourth of this unit will be operational by March 2007 and the balance will be operational in phases from April 2007 to March 2008. After implementation of this unit our capacity will increase to 63216 spindles and 720 rotors.

b) Garment Knitting Unit

This project will also be located in the periphery of Ludhiana. This will be an integrated unit of knitted garments having facilities of knitting and manufacturing of garments with capacity of 30000 pcs. per day. This unit will also be a 100% EOU. It will be a forward integration as its spun yarn is already available with us in full range covering from cotton, acrylic and polyester both grey and dyed. This will be established in phases commencing from March 2007 to March 2008.

c) Dyeing Unit-Expansion

The existing capacity of our Dyeing unit is 8000 kgs.per day and expansion therein for installation of 9000kgs. per day is in process. Now company has planned to install another 12500 kgs. which will raise our aggregate capacity to 29500 kgs. per day. This unit will help us to cater the needs of our proposed garment-knitting unit. There is a great scope of value addition in this unit. This project will be implemented in phases between March 2007 and March 2008.

SUPREME YARNS LIMITED**d) Existing Spinning Unit - Value Addition Project**

It is proposed to install 3 Autoconers to be purchased from Schlafhorst, Germany and 1 set of Combers from Reiter, Switzerland. Whereas Autoconers will help us in quality improvement and saving in labour cost, Combers will help in increase our capacity of combed yarn, which is a value added product. This project will be implemented by March 2007.

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.

DIRECTORS

Mr Ajay Gupta, Mr.S.K.Duggal and 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

Particulars 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 judgments 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 State Bank of India, Industrial Development Bank of India & Punjab State Industrial Development Corporation Limited.

The Board of Directors 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 : 28.04.2006

(SANJAY GUPTA)
MANAGING DIRECTOR

(AJAY GUPTA)
JT. 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, 2006 :-

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>2005-06</u>	<u>2004-05</u>
a) Unit Produced - (KWH IN LACS)	34.64	90.60
b) Unit Produced /Ltr. of Diesel (KWH)	3.51	3.84
c) Cost Per Unit (RS.)	7.70	6.20

B) CONSUMPTION PER UNIT OF PRODUCTION :

Electricity Consumed Per Kg. of Production (KWH/KG)	3.04	2.55
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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	2645.66
Foreign Exchange Used (CIF Value of Imports)	590.44

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 such as 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 IN OTHER COMPANIES
1. Ajay Mahajan	Chairman	Non-Executive Independent Representing PSIDC	8	2	—
2. S.K.Ahuja	Director	Non-Executive Independent Representing PSIDC	9	4	—
3. S.S.Chugh	Director	Non-Executive Independent Representing PSIDC	3	1	1
4. S.K.Duggal	Director	Non-Executive Independent	13	4	4
5. R.C. Singal	Director	Non-Executive Independent	13	5	4
6. B.B.Goel	Director	Non-Executive Independent	—	—	—
7. Neeta Sood	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, 2006 five Board Meetings were held on the following dates: 30.04.2005, 30.06.2005, 29.07.2005, 28.10.2005 and 13.01.2006

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 12.08.2005
Ajay Mahajan	5	4	No
S.K. Ahuja	5	4	No
S.S.Chugh	5	3	No
S.K.Duggal	5	5	Yes
B.B.Goel	5	4	No
R.C. Singal	5	0	No
Neeta Sood	2	2	No
Ram Lal Gupta	5	3	Yes
Ajay Gupta	5	3	Yes
Sanjay Gupta	5	5	Yes
J.V.Ramarao	3	0	No

Mr. J.V. Ramarao resigned from the Board during the year and Mrs. Neeta Sood was appointed in his place.

3. AUDIT COMMITTEE

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

Composition and Attendance

The meetings of the audit committee were held on the following dates

28.06.2005, 27.07.2005, 27.10.2005, 12.01.2006.

NAME OF THE MEMBER	NO. OF MEETING HELD	NO. OF MEETING ATTENDED
S.K. DUGGAL	4	4
S.S. CHUGH	4	3
SANJAY GUPTA	4	4
J.V.RAMARAO	4	0

The terms of reference stipulated by the Board of Director to the audit committee are as contained in 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.

4. REMUNERATION OF DIRECTORS:

Remuneration of Executive Directors for the services rendered by them:

Executive Directors are not being paid any remuneration.

Remuneration to Non-Executive Independent directors:

The company pays sitting fee to all the non-executive directors at rate of Rs. 5000/- for attending each meeting of the Board and/or committee thereof.

SUPREME YARNS LIMITED



5. SHAREHOLDERS/INVESTORS GRIEVANCE AND SHARE TRANSFER COMMITTEE

The Board of Directors constituted an Investors Grievance committee comprising of Sh. S.S. Chugh (Chairman), Sh R.C. Singal and Sh. Sanjay Gupta.

The objective of the Investor Grievance Committee is to focus on the shareholders Grievance and to strengthen the investor relations.

During the year ended 31st March, 2006, the company has not received any shareholders complaint from Stock Exchange/SEBI/Department of Company Affairs/Registrar of Companies. Six meetings of Shareholders/Investors Grievance and Share Transfer Committee were held on 22.07.2005, 19.07.2005, 21.11.2005, 26.12.2005, 25.01.2006 and 22.03.2006.

No requests for share transfer are pending with the company.

Name and Address of the Compliance Officer:

Mr. Rajeev Bhambri
Company Secretary
Village Kanganwal,
P.O. Jugiana,
Ludhiana.

6. GENERAL BODY MEETINGS

The last three Annual General Meetings were held at Village Kanganwal, P.O. Jugiana, Ludhiana as per detail given below:

YEAR	DATE	DAY	TIME
2005	12.08.2005	FRIDAY	11.00 A.M.
2004	23.08.2004	MONDAY	11.00 A.M.
2003	21.08.2003	FRIDAY	11.00 A.M.

Postal Ballot :

During the year ended 31st March, 2006, the company has not passed any resolution through postal ballot.

7. DISCLOSURES

A. Related Party Transactions

During the year under review the company has not entered into any transaction of the material nature with its promoters, the directors or the management, or their relatives etc. that may have potential conflict with the interest of the company at large.

B. Compliances by the Company

During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any other statutory authorities on matters related to capital markets.

8. SHAREHOLDER INFORMATION

Annual General Meeting :

The Annual General Meeting will be held on Saturday the 22nd of July, 2006 at Regd. Office of the company at Village Kangawal, P.O. Jugiana, Ludhiana.

Date of Book Closure :

17th day of July, 2006 to 22nd day of July, 2006 (both days inclusive)

Listing :

The shares of the company are listed on the Bombay Stock Exchange Limited, Mumbai and scrip code is **531934**

SUPREME YARNS LIMITED**Registrar and Transfer Agent:**

Beetal Financial & Computer Services (P) Limited,
Beetal House, 3rd Floor,
99, Madangir, BH-Local Shopping Complex
Near Dada Harsukhdas Mandir,
New Delhi - 110 062.
Ph. : 011-29961281, Fax : 011-29961284

Market Price Data for the year 2005-06:

Minimum Price Quoted	RS. 9.00 Per Share
Maximum Price Quoted	RS. 50.50 Per Share

Shareholding Pattern as on 31st March, 2006.

Category	No. of Shares	%age of Shareholding
Promoters		
Private	94,00,000	60.06
PSIDC	22,50,000	14.38
Indian Public	40,00,900	25.56
Grand Total	1,56,50,900	100.00

Plant Location: Village Kanganwal, P.O. Jugiana, Ludhiana, & B-72, Phase VIII, Focal Point, Ludhiana

Address for the Correspondence : Supreme Yarns Limited, Village Kanganwal, P.O. Jugiana, Ludhiana.

Phones: 0161-2510320, 2510622, 2510389 Fax: 0161-2510584

CERTIFICATE

We hereby confirm that Company has not denied any personnel, access to Audit Committee for informing unethical or improper practice.

We hereby certify that

we have presented True & Fair Accounting Statement in Balance Sheet, Financial disclosures;

we have effective internal audit & control system commensurate with the size & nature of our business;

we have adopted all the accounting standards;

we have disclosed all the requisite information to Audit Committee & Auditors;

there was no matter regarding non-compliance by the company, also there were no penalties, strictures imposed on the company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years;

Secretarial Audit Report regarding reconciliation of shares is being sent regularly to Stock Exchanges.

For Supreme Yarns Ltd.

Sd/-
Managing Director

Sd/-
Accounts Head

Ludhiana : 28.04.2006