



22nd Annual Report 2009-2010

Supreme Tex Mart Limited

SUPREME TEX MART LIMITED

(Formerly Supreme Yarns Limited)

Board of Directors

Mr. Ajay Mahajan
Mr. Sanjay Ahuja
Mr. S.S. Chugh
Mr. R.C. Singal
Mr. B.B. Goel
Mr. Alok Goel
Mr. Sanjay Gupta
Mr. Ajay Gupta
Mr. Gautam Gupta

Chairman

Managing Director
Jt. Managing Director

Secretary Cum V.P. (Finance)

Mr. Rajeev Bhambri

Auditors

M/s S.C. Vasudeva & Co.

Bankers

State Bank of India
Punjab National Bank
UCO Bank
Allahabad Bank

Registrar & Share 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.

Demat At CDSL & NSDL ISIN-INE651G01027

Registered Office

424, Industrial Area-A, Ludhiana-141003
E-mail : info@supremetexmart.com
Website : www.supremetexmart.com
Phone : 0161-2600593, 2222719, 6614400
Fax : 0161-2609949

Works

1. Spinning Unit-1
Village Kanganwal,
P.O. Jugiana, Ludhiana.
2. Spinning Unit-2
Village Kanganwal,
P.O. Jugiana, Ludhiana.
3. Dyeing Unit B-72, Phase VIII,
Focal Point, Ludhiana.
4. Apparels & Knits Unit
Village Paharuwal, P.O. Budhewal
Chandigarh Road, Ludhiana.
5. Hand Knitting Yarn Unit
B-72, Phase-VIII,
Focal Point, Ludhiana

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DIRECTORS' REPORT

Dear Members,

The Directors hereby present their Twenty-second Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

Particulars	(Rs. In Crore)	
	Year ending 31.03.2010	Year ending 31.03.2009
Net Turnover	367.06	314.81
Profit before Depreciation	21.27	6.94
Profit / Loss (-) before Tax	7.51	-6.51
Provision for Tax (including deferred and FBT)	3.04	-2.47
Profit / Loss (-) after Taxes	4.47	-4.04

OPERATIONS

Production in both the spinning units was 144.76 lacs kgs. as compared to the figure of 129.59 lacs kgs. In the garment unit, 21.07 lacs pieces of garments & 961 MT Fabric were produced as compared to the figure of previous year of 12.03 lac pieces of garments and 370 MT of fabric. Net Turnover during the year under review has shown an increase of 17%. There is net profit of Rs.4.47 crore as compared to net loss of Rs.4.04 crore in the previous year. Cash profit during the current year ending on 31.03.2010 increased to Rs.21.27 crore from the figure of Rs.6.94 crore in the previous year ending on 31.03.2009.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Outlook

There has been a discernable improvement in economic and financial conditions in India. Industrial production is rebounding; consumers who held back on spending out of fear of job loss have begun to spend more freely as they see job creation begin to take hold. Improvement in global demand is generating a robust rebound in exports while the financial markets are in better shape as evidenced by the continued rally in equities. The collective impact of monetary and fiscal policies, as well as targeted structural measures has been crucial in containing the effects of the global economic downturn on domestic economic activity. The business landscape has changed significantly in the past one year. The difficult economic scenario compelled companies to re-look at the manner in which they conducted their businesses. Companies that demonstrated cost leadership without losing sight of the needs of the customers have emerged as true leaders in an economy that has turned extremely price sensitive. New business models have emerged, as companies took the path of innovation to stay tuned to customer needs and remain competitive. The crisis has reinforced the importance of good risk management practices. With companies carrying over the lessons of the past year into 2010, the expectation is that it will be a more mature India Inc that will emerge from the existing scenario.

Opportunities, Threats & Outlook

Newly added capacities of company are fully operational now. STML has established unit for manufacturing recycled fibre, which expects to provide heavy value addition. State of the art technology added in our fabric dyeing and garment unit have started showing results. World leaders in knitted T shirts like Reebok and Adidas are outsourcing their demand from us and their orders are expected to increase significantly in near future. The Company has consolidated its position after capital investment in last few years.

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Rising prices of yarn is posing threat for the garment sector, since the said price increased is not being absorbed in the garment prices.

In view of our quality products being supplied to high end customers, company expects to increase its margins in coming future. Recycled fiber unit of company would also add to the bottom line of the company.

Financial / Operational Performance

Supreme is manufacturer and exporter of cotton yarn, synthetic yarn, blended yarn, knitted fabric (both grey and processed) and knitted garments. During the year under review, the Company's exports (FOB value) were to the tune of Rs.65.24 crore and accounts for about 18% of company's revenues. The company has identified two segment yarn segment and garments segment. The yarn segment comprises production of various types of yarn (from cotton, man made fibres and blend thereof) and yarn processing activities. Garment segment comprises of knitted garments. Detailed segment wise performance is given in Notes to the accounts attached in this Annual Report

Risk Management

Risk of rising pricing, fluctuation in foreign currency, change in Government policies and changing demand pattern are some of the examples of risks being faced by companies. Company is taking adequate steps to mitigate such risk by buying raw material in big quantities at lower prices, hedging its currency by forward booking, keep sharp track of Government policies and by expanding its suppliers range.

Internal Control Systems and their adequacy

Supreme has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transaction are authorised, recorded and reported correctly. The Company has internal control system, which covers cost saving aspects, system and procedure improvement. Such reports are regularly reviewed by the management and corrective measures are timely taken for improving efficiency.

Human Resources

During the year under review, your Company continued its concern for development of its personnel through various training programmes. Besides, Management has laid special emphasis on strengthening HR activities for all levels in the Organization. Industrial relations during the year were cordial.

Corporate Social Responsibility

STML is fulfilling its Corporate Social Responsibility in true spirit. STML has a strong sense of Corporate Social Responsibility towards various stakeholders' viz. employees, shareholders, Government, customers, suppliers, competitors, society & environment.

Cautionary Statement

Certain statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable laws and regulations. Forward-looking statements are identified in this report by using words like 'anticipates', 'believes', 'expects', 'intends' and similar expressions in such statements. Although we believe our expectations are based on reasonable assumptions, these forward-looking statements may be influenced by numerous risks and uncertainties that could cause actual outcomes and results to be materially different from those expressed or implied. Some of these risks and uncertainties have been discussed in the section on 'Risk Management'. The Company takes no responsibility for any consequence of decisions made based on such statements, and holds no obligation to update these in the future.

DIVIDEND

In view of ensuing expansions, company has decided not to declare any dividend.

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EXPANSION PLAN

The projects for 1920 Rotors and recycled fibre machines are fully installed.

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

The Statutory Auditors of the company in their Report have made an observation that the possible loss, if any, on valuation of open derivative options could not be determined by the company due to certain reasons as specified in Note 21 of the Notes to Accounts. The ultimate outcome of these transactions and their effect on the financial statement cannot be ascertained at this stage.

The Company hedges its foreign currency fluctuation exposure in export sales by way of foreign currency derivative options. The Company has taken one USD/INR put and call option from a bank and having a maturity period upto Dec.2012. This derivative option is proprietary product of bank which does not have a ready market and such are marked to a model, which is usually bank specific instead of being marked to market. However in the view of significant uncertainty associated with the above derivative options whose ultimate outcome depends on future events, which is not in the control of the company, the loss if any, on such open derivative options cannot be determined at this stage and accordingly not been provided in the books of account. The other points of Auditors' report on the Accounts are self-explanatory and needs no comments.

DIRECTORS

Mr.Ram Lal Gupta – Vice Chairman and Mr.S.K.Duggal – Director died in the year under review. The services rendered by them for the company were extremely useful. Your directors on behalf of company convey their deep condolences to their family members.

Mr.Gautam Gupta was appointed additional Director to hold office up to the conclusion of the ensuing Annual General Meeting. Company has received notice proposing his candidature for the continuation of office of the Director.

Mr.S.K.Ahuja, Mr.Ajay Mahajan & Mr. B.B. Goel retire by rotation at the conclusion of the forthcoming Annual General Meeting. They all are eligible for reappointment.

PERSONNEL

Since there is no employee receiving salary not less than Rs.24 Lac, P.A. or Rs.2 Lacs P.M., there is no information requires 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 Listing Agreements with Stock Exchanges and Company has complied with all the required provisions as detailed in annexure of Annual Report.

LISTING

Shares of the company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). Recently, additional shares numbering 4807143 equity share of Rs.5 each were also listed at NSE & BSE.

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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 viz. 31.03.2010 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.

APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors take this opportunity to express gratitude for valuable assistance and co-operation extended to the Company by Financial Institutions, Employees, Commercial Banks and other authorities.

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA
DATED : 21.05.2010

(SANJAY GUPTA)
MANAGING DIRECTOR

(AJAY GUPTA)
JT.MANAGING DIRECTOR

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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, 2010 :-

1. CONSERVATION OF ENERGY:

With continuous efforts, company keeps on trying to reduce and control the consumption of fuel & electricity.

FORMA:

A) POWER AND FUEL CONSUMPTION:

		<u>2009-10</u>	<u>2008-09</u>
1. Electricity - Own Generation			
a) Unit Produced -	(KWH IN LACS)	34.02	12.19
b) Unit Produced /Ltr. of Diesel	(KWH)	3.41	3.70
c) Cost Per Unit	(RS.)	9.98	7.27
2. Electricity-Purchased			
a) Unit Purchased	(KWH IN LAC)	438.01	423.96

B) ELECTRICITY CONSUMED PER KG OF PRODUCTION

a) Yarn	(KWH/KG)	2.57	2.79
b) Dyeing	(KWH/KG)	1.05	0.90
c) Garment	(KWH/KG)	0.27	1.24

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.

(c) Future Course of action:

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

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs.in Crore)

Foreign Exchange Earned	65.24
Foreign Exchange Used (CIF Value of Imports)	40.08

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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 is in conformity with clause 49 of listing agreement and the composition as on 31.03.2010 was as under:

One Non-Executive Independent Chairman

Two executive directors

One Non-executive Director

Four Independent directors

One Non-executive not independent director

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii)) across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies.

The detail of the Composition of the Board, number of directorship and committee position held by each of the directors are given here under: 2010

NAME OF DIRECTORS	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
Ajay Mahajan	Chairman	C-NE-I	10	2	2
S.K. Ahuja	Director	NED-I	10	2	2
S.S.Chugh	Director	NED-I	10	--	--
R.C. Singal	Director	NED-I	13	5	3
B.B.Goel	Director	NED-I	--	--	--
Ajay Gupta	Jt.MD	EXE	2	--	--
Sanjay Gupta	MD	EXE	2	--	--
Alok Goel	Director	NENI	--	--	--
Gautam Gupta	Director	NED	1	--	--

"C-NE-I" Chairman — Non Executive-Independent

"EXE" Executive

"NED-I" Non Executive –Independent

"NENI" Non Executive Not Independent

"NED" Non Executive

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b) Board Meeting:

During the year ended 31st March, 2010 Six Board Meetings were held on the following dates: 09.05.2009, 27.06.2009, 10.07.2009, 29.07.2009, 31.10.2009 & 28.01.2010.

c) Directors Attendance Record :

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

NAME OF DIRECTORS	NO. OF BOARD MEETING ATTENDANCE	WHETHER ATTENDANCE THE AGM HELD ON 05.09.2009
Ajay Mahajan	0	No
S.K. Ahuja	0	No
S.S.Chugh	2	No
S.K.Duggal	5	Yes
B.B.Goel	6	No
R.C. Singal	6	No
Ram Lal Gupta	0	No
Ajay Gupta	3	No
Sanjay Gupta	6	No
Alok Goel	6	Yes

d) BOARD PROCEDURE

The annual calendar of Board Meetings is the beginning of the financial year. The Agenda is circulated in advance to the Board members. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. The Board is also kept informed of major events/items and approvals taken wherever necessary. The Managing Director at the Board Meetings keeps the Board apprised of the overall performance of the Company.

e) SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS

None of the Non-executive director as on March 31, 2010 was holding shares of the company. However, Mr.Ajay Mahajan, Mr.S.K.Ahuja & Mr.S.S.Chugh are nominee director of a shareholder namely PSIDC (holding 4500000 equity shares) and Mr.Alok Goel is an alternate director to Mr.Marcel Menda who represents another shareholder namely Chic-Tex Inc. (holding 3870000 equity shares).

3. CODE OF CONDUCT

The Company had adopted the Code of Conduct for all the Board members and senior management personnel. Further all the Board members and senior management personnel (as per Clause 49 of the listing Agreement) have affirmed the compliance with the respective Code of Conduct. A declaration to this effect signed by the Managing Director forms part of this report.

4. 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.

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Composition and Attendance

During the year ended 31st March, 2010, five meetings of the audit committee were held on the following dates:

18.04.2009, 25.06.2009, 29.07.2009, 13.10.2009 & 27.01.2010

<u>NAME OF THE MEMBER</u>	<u>CATEGORY</u>	<u>NO. OF MEETING ATTENDED</u>
S.K. Duggal- Chairman*	Non-executive Director	4
S.S. Chugh	Non-executive Director	3
Sanjay Gupta	Executive Director	5
B.B Goel	Non-executive Director	5
R.C. Singal - Chairman*	Non-executive Director	1

*After the death of Mr.S.K.Duggal, w.e.f. 25.01.2010, Mr.R.C.Singal was appointed as Chairman of the Audit Committee.

There 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 are non-executive Directors except Mr.Sanjay Gupta, who is Managing Director, and 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.

5. REMUNERATION OF DIRECTORS:

Remuneration of Managing/Executive Directors for the services rendered by them:
Managing/Executive directors have drawn their monthly remuneration (all inclusive) consisting of Basic salary, Allowances and bonus as approved by the Board and shareholders as given below:

Mr. Ram Lal Gupta	Rs.144701
Mr. Sanjay Gupta	Rs.172780
Mr. Ajay Gupta	Rs.172780

Salary was paid to Mr.Ram Lal Gupta till the date of his death i.e.21.01.2010.

Detail regarding total amount of remuneration paid and its eligibility under Companies Act, 1956 has been provided in the notes on Annual Accounts for the year

Remuneration to Non-Executive Independent directors:

The Company pays sitting fee to all the non-executive directors for attending meetings of the Board and/or committee thereof.

The Company did not have any pecuniary relationship or transactions with the Non Executive Directors during the financial year 2009-2010.

6. SHAREHOLDERS/INVESTORS GRIEVANCE AND SHARE TRANSFER COMMITTEE CUM MANAGEMENT REMUNERATION COMMITTEE.

This committee comprises of Sh.R.C.Singal (Chairman), Sh.S.S.Chugh, Sh.B.B.Goel and Sh.Sanjay Gupta.

The objective of the Shareholders / Investors Grievance and Share Transfer Committee Cum Management Remuneration Committee is to focus on the shareholders Grievance and to strengthen the investor relations. It also decides the matters regarding Management Remuneration.

During the year ended 31st March, 2010, the company has not received any shareholders complaint from Stock Exchange/SEBI/Department of Company Affairs/Registrar of Companies. Three meetings of Shareholders/Investors Grievance and Share Transfer cum Management Remuneration Committee were held on 20.06.2009, 26.10.2009 & 27.03.2010. No requests for share transfer are pending with the company.