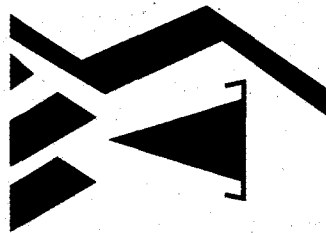


Supreme Tex Mart Limited





23rd Annual Report 2010-2011

SUPREME TEX MART LIMITED

(Formerly Supreme Yarns Limited)

Board of Directors

Mr. Ajay Mahajan
Mr. Sanjay Ahuja
Mr. A.P. Gupta
Mr. R.C. Singal
Mr. B.B. Goel
Mr. Marsel Menda
Mr. Sanjay Gupta
Mr. Ajay Gupta
Mr. Gautam Gupta

Chairman

**Managing Director
Jt. Managing Director**

Company Secretary

Mr. Robin Vijan

Bankers

State Bank of India
Punjab National Bank
UCO Bank
Allahabad Bank
Oriental Bank of Commerce
IDBI Bank Limited

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.

DematAt CDSL & NSDL ISIN-INE651G01027

Registered Office

424, Industrial Area-A, Ludhiana-141003
E-mail : info@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

DIRECTORS' REPORT

Dear Members,

The Directors hereby present their Twenty-third Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended March 31, 2011.

FINANCIAL RESULTS

Particulars	Year ending	(Rs. In crore)
	31.03.2011	Year ending 31.03.2010
Net Turnover	568.19	367.06
Profit before Depreciation	34.76	21.27
Profit / Loss(-) before Tax	17.63	7.51
Less Provision for Tax (including deferred and fringe benefit tax)	8.06	3.04
Profit / Loss(-) after Taxes	9.57	4.47

OPERATIONS

Production in both the spinning units was 204.47 lacs kgs. as compared to the figure of 144.76 lacs kgs. In the garment unit, 23.95 lacs pieces of garments & 2611 MT Fabric were produced as compared to the figure of previous year of 21.07 lacs pieces of garments and & 961 MT of fabric. Net Turnover during the year under review has shown an increase of 54.80%. There is net profit of Rs.9.57 Crores as compared to net profit of Rs.4.47 Crores in the previous year. Cash profit during the current year ending on 31.03.2011 increased to Rs.34.07 Crores from the figure of Rs. 21.25 Crores in the previous year ending on 31.03.2010.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Industry Outlook**

The performance of the global economy in 2010 has exceeded expectations considering the all round gloom that set in 2009. For India and many emerging economies, the challenge is to ensure that boom-like conditions do not yield to overheating in the coming year. Global Trade in Textiles and Clothing, depicting similar trends had recorded its sharpest decline of (-) 14.54 per cent in 2009 and as per WTO estimates is expected to achieve 14.46 per cent growth in 2010 reaching about US \$ 600 billion. The Textiles Industry plays a vital role in the Indian economy as it accounts for 14% of its Industrial production and around 13% of its export earnings. At present, the contribution of the Textiles Industry to GDP is about 4% and it provides direct employment of to about 35 million jobs. India is uniquely endowed with a rich variety of resources making it a key player within the entire textile value chain from Farm to Fashion. Production of all varieties of yarns, fabrics and a wide range of home textiles and garments adorns the Indian basket of exports. The spinning sector is amongst the most vibrant and strong segments of the Indian textiles Industry. Cotton spinning Industry is the largest yarn manufacturing Industry compared to manufacturing industry of other spun yarns and man-made filament yarn.

Opportunities, Threats & Outlook

STML has established unit for manufacturing recycled fiber, 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 order are expected to increase significantly in near future. The Company has consolidated its position after capital investment in last few years. Revised TUFS schemes, which has now been extended up to 31-03-2012, has been fine tuned to give a fillip to new projects of the Company.

Recently Turkey has increased the import duties on Fabrics & Garments from present level of 8 per cent & 9.6 per cent to 28 per cent and 36.4 per cent, the level of increase is matter for concern for us.

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.129.21 crore and accounts for about 22.74% 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, manmade fibers 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

Your Company has a comprehensive risk management policy. The risk management policy inter alia provides for risk identification, assessment, reporting and mitigation procedure. The risk management framework actively supports the Board in its strategic decision making. During the year, the Board, reviewed the adequacy of the risk management framework of the Company, the key risks associated with the different businesses and the measures in place to mitigate the same.

An analysis of the Company's key business risks and mitigation plans is as follows:

Risk of Raw Material: -

The Company is engaged in the business of manufacturing & trading of Yarns, Fabrics & Garments. The main Raw Material for the Company is Cotton & which is seasonal in nature. The risk of seasonal nature of Raw Material is covered through procurement of Raw Material for major part of the year.

Financial Risks:-

Financial Risks can be classified as follow:-

- a. Debt
 - b. Liquidity
 - c. Credit Policy
-
- a) Our Company enjoys the Working Capital Limits and the same is properly utilized by the Company. The Company has policy of paying loan installments as well as Interest thereon in time to avoid the penal Interest.
 - b. The company makes continue efforts to strengthen its liquidity through various initiatives such as accelerating receivable and shrinking inventory.
 - c. The company has well defined credit policy approved and reviewed by the management from time to time. Credit rating of all major customer is done in a systematic manner. In most of the case dispatch is made after adequate scrutiny and any default is not likely to have any significant effect on the company's overall financial position.

Foreign Exchange Risks:-

Around 20% of the Total Revenue of the Company is generated through Export sales. In this way the Company has to deal with foreign currency from time to time. The Company uses various types of foreign currency forward & option contracts to hedge the risks associated with fluctuations in the foreign currency.

Risk related to Personnel:-

Our business is increasingly dependent on the skills and competencies of our employees and management team. The general war for talent in our growing economy has created a substantial risk related to the

retention of key personnel both in manufacturing and managerial levels. This risk is mitigated through effective HR policies relating to recruitment and retention and a proactive remuneration and rewards policy that is periodically reviewed at the highest management level.

With excellent performance track as well as best HR practices we are able to attract and retain people for growth of our business.

Risk related to Safety:-

The company has taken adequate insurance covers to indemnify the risks associated with the safety of personnel, building, stock and other infrastructure of the Company. These include:

1. Fire Insurance Policies.
2. Marine/ Transit Insurance Policies.
3. Theft Insurance Policies.
4. Other Miscellaneous Policies.

The company has also taken steps to strengthen IT security system as well as physical security system at all our locations

Compliance Related Risks:-

The Company is committed to being a responsible corporate citizen and respects the laws and regulations of the country. All the compliances under various laws applicable to the Company, including under Companies Act 1956, Factories Act, Income Tax Act 1961 etc., are followed in Letter & Spirit.

Internal Control Systems and their adequacy

STML has appropriate internal control systems for business processes, with regard to efficiency of operations, financial reporting and controls, compliance with applicable laws and regulations, etc. Clearly defined roles & responsibilities down the line for all managerial positions have also been institutionalized. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them from time to time.

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

Statement in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour negotiations. The Company assumes no

responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

DIVIDEND

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

EXPANSION PLAN

The projects for 1440 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 23 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. Alok Goel resigned during the year since he was acting as an Alternate director, Mr. Marsel Menda again become the Director. Mr. S.S Chugh- Nominee Director of Punjab State Industrial Development Corporation Ltd (PSIDC) was replaced by their new Nominee Director Mr. A.P Gupta. Your Directors on the behalf of the Company convey their thanks to the outgoing Directors for the services rendered by them.

Mr. A.P Gupta (Nominee Director of PSIDC) was appointed during the year as an 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. R. C Singal, Mr. Sanjay Gupta & Mr. Ajay Gupta 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 more than Rs.60 Lacs, P.A. or Rs.5.00 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

SUPREME TEX MART LIMITED

(Formerly Supreme Yarns Limited)

Exchanges and Company has complied 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).

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) 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. 31.03.2011 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 : 27.05.2011

(SANJAY GUPTA)

MANAGING DIRECTOR

(AJAY GUPTA)

JT. MANAGING DIRECTOR

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, 2011 :-

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****1. Electricity - Own Generation**

		<u>2010-11</u>	<u>2009-10</u>
a)	Unit Produced- KWH in Lac	11.69	34.02
b)	Unit Produced /Ltr. of Diesel KWH	3.64	3.41
c)	Cost Per Unit Rs.	9.89	9.98

2. Electricity - Purchased

a)	Unit Purchased KWH in Lac)	610.16	438.01
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B) Electricity Consumed Per Kg of Production

a)	Yarn KWH/Kg	2.54	2.57
b)	Dyeing KWH/Kg	0.86	1.05
c)	Garment KWH/Kg	1.17	0.27

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	136.49
Foreign Exchange Used (CIF Value of Imports)	55.23

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 31.03.2011 was as under:

One Non-Executive Independent Chairman

Three Executive Directors

Five Non-executive Independent directors

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:

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
1. Ajay Mahajan	Chairman	C-NE-I	10	2	2
2. S.K. Ahuja	Director	NED-I	10	2	2
3. A.P Gupta	Director	NED-I	5	-	-
4. R.C. Singal	Director	NED-I	12	5	4
5. B.B. Goel	Director	NED-I	2	2	-
6. Ajay Gupta	Jt.MD	EXE	3	-	-
7. Sanjay Gupta	MD	EXE	3	-	-
8. Marsel Menda	Director	NED-I	--	-	-
9. Gautam Gupta	Director	EXE	2	-	-

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

"EXE" Executive

"NED-I" Non Executive -Independent