



# **Supreme Tex Mart Limited**

24<sup>th</sup> Annual Report 2011-2012

# SUPREME TEX MART 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  
Punjab & Sind Bank  
Central Bank of India

## 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-141 003  
E-mail : info@supremetextmart.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-fourth Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended March 31, 2012.

## Financial Performance

Amount in Crores

Particulars	Year ending 31.03.2012	Year ending 31.03.2011
Net Turnover	846.56	588.15
Profit before Depreciation	41.09	34.76
Profit / Loss(-) before Tax	23.76	17.63
Less Provision for Tax (including deferred and fringe benefit tax)	7.92	8.06
Profit / Loss(-) after Taxes	15.84	9.57

## Operations Detail

Production in both the spinning units was 222.51 lacs kgs. as compared to the figure of 204.47 lacs kgs. In the garment unit, 17.24 lacs pieces of garments & 2393 MT Fabric were produced as compared to the figure of previous year of 23.95 lacs pieces of garments and 2611 MT of fabric. Net Turnover during the year under review has shown an increase of 48.97%. There is net profit of Rs. 15.84 Crores as compared to net profit of Rs. 9.57 Crores in the previous year. Cash profit during the current year ending on 31.03.2012 increased to Rs. 41.05 Crores from the figure of Rs. 34.07 Crores in the previous year ending on 31.03.2011

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Outlook

The fortune of Textiles Industry in the recent past has been characterized by frequent swings. This is true for both Cotton as well as Synthetic sectors of the business. Consequently, the industry has been constantly occupied in coping with these ups and downs. This has coupled with the instability of rates of foreign currencies. This constant turmoil has required the industry to involve itself in restructuring its operations to make it more responsive to the rapid market changes.

The problem affecting the textile sector have been originating from two directions- one is frequent changes in fiber cost (mainly cotton) and the other being the economic turmoil in major purchasing countries resulting in poor off take of yarn, fabric and garments. Even the domestic market has seen very difficult times in last year reflecting the pessimistic mood of customers. Consequently, the biggest issue has been that of maintaining price levels in an environment of rising costs.

Opportunities, Threats & Outlook

In spite of instability in the industry, company has been able to sail through the turmoil. This has been achieved because of diversified activities of the company which has a complete value chain. State of the art technology added in our Recycled Fibre unit, fabric dyeing and garment unit have started showing results. We already have big names in our profile and recently we have been successfully roped in Mark and Spenser for supply of knitted garments.

In the current year and years to come, the diversified activity of company will not only save from the industry turmoil but also will be able to garner handsome revenues.

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. 133.80 crore and accounts for about 15.80% 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.

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**

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**

Company is in process of implementing a project in its existing Spinning and Garment units. This project in garment section has been conceived keeping in mind the demand of high-end customers like Mark & Spencer (M&S) and is a very remunerative project. In spinning section, with a small investment in balancing machines, there will be an additional production of 8MT. Company will install 66 KVA sub-station which will save a good amount in electricity cost. Term Loans has already been sanctioned and are eligible under TUFS

## **AUDITORS**

The Auditors, M/s. Ashish Agarwal & Co., Chartered Accountants, Ludhiana 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



37 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. Gautam Gupta, Mr. A P Gupta & Mr. B. B Goel- Directors of the Company 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 of Rs.60 Lacs or more P.A. or Rs.5.00 Lacs or more 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 is required to comply with the provision of Clause 49 of the Listing Agreements with Stock Exchanges and Company has accordingly 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) 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. 31.03.2012 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 : 30.05.2012

(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, 2012 :-

### 1. CONSERVATION OF ENERGY:

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

#### FORM A :

A Power and Fuel Consumption		2011-12	2010-11
1 Electricity - Own Generation			
Unit Produced	KWH in Lac	9.94	11.69
Unit Produced /Ltr. of Diesel	KWH	3.52	3.64
Cost Per Unit	Rs.	10.51	9.89
2 Electricity - Purchased			
Unit Purchased	KWH in Lac	586.88	610.16
B Electricity Consumed Per Kg of Production		2011-12	2010-11
Yarn	KWH/Kg	2.26	2.54
Dyeing	KWH/Kg	0.87	0.86
Garment	KWH/Kg	1.21	1.17

### 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	143.05
Foreign Exchange Used (CIF Value of Imports)	69.16



## 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 &amp; Composition of Board

The Board is in conformity with clause 49 of listing agreement and the composition as on 31.03.2012 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	Name of Directorship Held in other Companies	Name 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	9	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

**b) Board Meeting**

During the year ended 31st March, 2012 Seven Board Meetings were held on the following dates:

27.05.2011, 09.06.2011, 11.08.2011, 12.11.2011, 24.01.2012, 14.02.2012, 30.03.2012

**c) Directors Attendance Record**

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

Name of Directors	No. of Board Meeting Attended	Whether Attended The Age Held on 06.08.2011
1. Ajay Mahajan	0 (Zero)	No
2. S.K. Ahuja	0 (One)	No
3. S.S.Chugh/ Mr. A.P Gupta	0 (Zero)	No
4. B.B.Goel	7 (Seven)	No
5. R.C. Singal	7 (Seven)	Yes
6. Ajay Gupta	7 (Seven)	Yes
7. Sanjay Gupta	7 (Seven)	Yes
8. Mr. Gautam Gupta	7 (Seven)	Yes
9. Mr. Marsel Menda	0 (Zero)	No

**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) SHAREHOLDING OF NON-EXECUTIVE DIRECTORS**

None of the Non-executive director as on March 31, 2012 was holding shares of the company. However, Mr.Ajay Mahajan, Mr.S.K.Ahuja & Mr. A.P Gupta are nominee Directors of a shareholder namely PSIDC (holding 4500000 Equity Shares) Mr. Marsel Menda who represents another shareholder namely Chic-Tex Inc. (holding 3840965 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 the in the listing Agreement with the stock exchange.



**Composition and Attendance**

During the year ended 31st March, 2012, Six meetings of the audit committee were held on the following dates:

27.05.2011, 14.07.2011, 11.08.2011, 12.11.2011, 14.02.2012, 30.03.2012

NAME OF THE MEMBER	CATEGORY	NO. OF MEETING ATTENDED
1. Sanjay Gupta	Executive Director	6 (Six)
2. B.B.Goel	Non-executive Director	6 (Six)
3. R.C.Singal- Chairman	Non-executive Director	6 (Six)

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. Sanjay Gupta	Rs.172780
Mr. Ajay Gupta	Rs.172780
Mr. Gautam Gupta	Rs. 95,780

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 2011-2012.

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

This committee comprises of Sh.R.C.Singal (Chairman), 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, 2012, 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 09.08.2011, 09.11.2011, 26.03.2012. No requests for share transfer are pending with the company.

# SUPREME TEX MART LIMITED

## 7. Name and Address of the Compliance Officer

Mr. Robin Vijan  
Company Secretary  
424, Industrial Area-A, Ludhiana.  
Ph. 0161-6614400, 2222719, 9915700175  
E-mail - robinvijan@supremetextmart.com

## 8. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as per detail given below:

<u>FY ending</u>	<u>Date</u>	<u>Day</u>	<u>Time</u>	<u>Held At</u>
31.03.2011	06.08.2011	Saturday	12.00 Noon	424, Industrial Area-A, Ludhiana
31.03.2010	06.08.2010	Friday	12.00 Noon	424, Industrial Area-A, Ludhiana
31.03.2009	05.09.2009	Saturday	12.00 Noon	424, Industrial Area-A, Ludhiana

Special Resolutions passed in the previous three AGM:

21<sup>st</sup> AGM in 2009: No special Resolution was passed.

22<sup>nd</sup> AGM in 2010 One Special Resolution regarding appointment of Mr. Gautam Gupta as an Executive Director was passed.

23<sup>rd</sup> AGM in 2011 No special Resolution was passed.

During the year ended 31st March, 2012, three Extra-ordinary General Meetings was held on 27.04.2011, 09.07.2011, 05.03.2012.

## 9. Postal Ballot

During the year ended 31st March, 2012, the company has not passed any resolutions through postal ballot.

## 10. DISCLOSURES

### A. Related Party Transactions

During the year under review the company has entered into the following transaction, however these are not in conflict with the interest of the company:

- Contract was entered with company's sister concern which is a limited company for sale/purchase of goods at market price.
- Building of a sister concern is being used by the company as Registered Office of the company at a very nominal annual rent of Rs.2.4 lacs.

Except as aforesaid, during the financial year 2011-2012 there were no materially significant transactions entered into between the Company and its promoters, directors or the management or relatives, etc. that may have potential conflict with the interests of the Company. Declarations have been received from the senior management personnel to this effect. Company does not have any subsidiary.

### 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.
- Company has not denied any personnel, access to Audit Committee for informing unethical or improper practice.
- Company has complied with all the mandatory requirements of corporate governance.