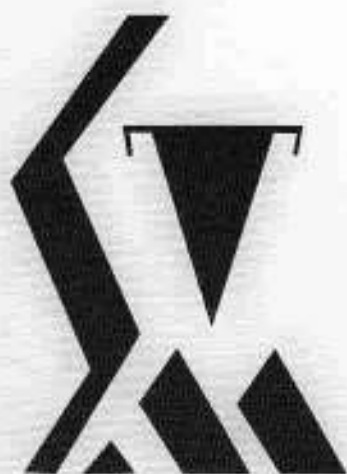


25th **ANNUAL**  
**REPORT**  
2012-2013



**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  
IDBI Bank Limited  
Punjab & Sind Bank  
Central Bank of India  
Union Bank of India

## Register & Share Transfer Agent

Ms/. 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-fifth Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended March 31, 2013.

### Financial Performance

Amount in Crores

Particulars	Year ending 31-03-13	Year ending 31-03-12
Net Turnover	894.19	846.56
Profit before Depreciation	42.14	41.09
Profit / Loss (-) before Tax	25.10	23.76
Less Provision for Tax (including deferred and fringe benefit tax)	9.05	7.92
Profit / Loss(-) after Taxes	16.05	15.84

### Operations Detail

Production in both the spinning units was 334.05 lacs kgs. as compared to the figure of 222.51 lacs kgs. In the garment unit, 9.46 lacs pieces of garments & 749.95 MT Fabric were produced as compared to the figure of previous year of 17.24 lacs pieces of garments and 2393 MT of fabric. Net Turnover during the year under review has shown an increase of 5.84%. There is net profit of ₹16.05 Crores as compared to net profit of ₹15.84 Crores in the previous year. Cash profit during the current year ending on 31.03.2013 increased to ₹41.39 Crores from the figure of ₹41.05 Crores in the previous year ending on 31.03.2012.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Industry Outlook

The Textiles industry has witnessed an incipient turn around in financial year 2012-13 as cotton yarn prices have picked up and rupee depreciation has enhanced competitiveness. The prospect of the Textiles Industry seems to be bright in all aspects. Government places all its trust and relies on textile sector for its strong employment creation capability. The industry provides direct employment to over 35 million people and is the second largest provider of employment after agriculture. Textile Industry has gone through various stages from a historical perspective - where the textile industry evolved from being a domestic small-scale industry, to the status of supremacy it currently holds. Even customers are now more of quality concern than price concern with the increase in standard of living. Modernization has enabled the companies to provide quality and volume solutions which is in constant demand by international buyers.

### Opportunities, Threats & Outlook

Indian textiles industry is a well-established with showing strong features and a bright future. In fact, the country is the second biggest textiles manufacturer worldwide, right after China. Experts are of the opinion that the era of domination of the world's textile and apparel market by goods originating in China has reached its zenith and that the base is gradually shifting to India and Pakistan. Cotton prices which have been highly volatile are of major concern for textile manufacturers along with ever increasing energy prices.

### 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 ₹184.72 Crore and accounts for about 20.66% 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.



## **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**

Supreme Tex Mart Limited ("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 related to Knitted Garments, 66 KVA and expansion in Spinning Unit are fully installed.

## **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 Company has not provided

for doubtful debts in respect of debtors outstanding for over 2 years as indicated in Note No. 17 and they have relied on the representations received from the management with respect to the recoverability of these debtors.

The Management of the Company is confident about the recoverability of the said Debtors amounting to ₹1.57 crore as a result they haven't shown these debtors in doubtful debts. The other points of Auditors' report on the Accounts are self-explanatory and needs no comments.

## **DIRECTORS**

Mr. S.K.Ahuja, Mr. Ajay Mahajan & Mr. R. C Singal - 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 ₹ 60 Lacs or more P.A. or ₹ 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**

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 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) they 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. 31.03.2013 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 ACKNOWLEDGMENTS**

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

LUDHIANA  
May 30, 2013

sd/-	sd/-
(AJAY GUPTA)	(GAUTAM GUPTA)
Managing Director	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, 2013 :-

### 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		2012-13	2011-12
1.	<b>ELECTRICITY - Own Generation</b>			
	Unit Produced	KWH in Lac	14.54	9.94
	Unit Produced /Ltr. of Diesel	KWH	3.61	3.52
	Cost Per Unit	Rs.	11.62	10.51
2.	<b>Electricity - Purchased</b>			
	Unit Purchased	KWH in Lac)	623.03	586.88
B.	<b>Electricity Consumed Per Kg of Production</b>			
	Yarn	KWH/Kg.	2.30	2.26
	Dyeing	KWH/Kg.	0.64	0.87
	Garment	KWH/Kg.	1.29	1.21

### 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:

(Amount in Crore)

Foreign Exchange Earned (FOB Value of Export)	184.72
Foreign Exchange Used (CIF Value of Imports)	53.52



## 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 31.03.2013 was as under:

One Non-Executive Independent Chairman

Four 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:

S. No.	Name of Director	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	7	2	2
2.	S.K. Ahuja	Director	NED-I	10	2	2
3.	A.P. Gupta	Director	NED-I	6	--	--
4.	R.C. Singal	Director	NED-I	9	5	4
5.	B.B. Goel	Director	NED-I	2	2	--
6.	Ajay Gupta	Managing Director	EXE	3	--	--
7.	Sanjay Gupta	Whole-time Director	EXE	3	--	--
8.	Marsel Menda	Director	NED-I	--	--	--
9.	Gautam Gupta	Jt. Managing Director	EXE	3	--	--
10.	Kuldeep Singh	Whole-time Director	EXE	--	--	--
"C-NE-I" Chairman — Non Executive-Independent "EXE" Executive "NED-I" Non Executive –Independent						

## b) Board Meeting:

During the year ended 31<sup>st</sup> March, 2013 Six Board Meetings were held on the following dates:

30.05.2012, 21.07.2012, 14.08.2012, 09.11.2012, 13.02.2013, 14.03.2013

## c) Directors Attendance Record:

### Attendance of Directors of Board Meeting & at Annual General Meeting (AGM)

NAME OF DIRECTOR	NO. OF BOARD MEETING ATTENDED	WHETHER ATTENDED THE AGM HELD ON 18.08.2012
1. Ajay Mahajan	0 (Zero)	No
2. S.K. Ahuja	0(One)	No
3. A.P Gupta	0 (Zero)	No
4. B.B.Goel	6 (Six)	No
5. R.C. Singal	6 (Six)	Yes
6. Ajay Gupta	6 (Six)	Yes
7. Sanjay Gupta	6 (Six)	Yes
8. Gautam Gupta	6 (Six)	Yes
9. Marsel Menda	0 (Zero)	No
10. Kuldep Singh	5 (Five)	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, 2013 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 1645222 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.

### Composition and Attendance

During the year ended 31<sup>st</sup> March, 2013, Four Meetings of the Audit Committee were held on following dates:

30.05.2012, 14.08.2012, 09.11.2012, 13.02.2013

NAME OF THE MEMBER	CATEGORY	NO. OF MEETING ATTENDED
1. R.C.Singal- Chairman	Non-Executive Director	4 (Four)
2. B.B.Goel	Non-Executive Director	4 (Four)
3. Sanjay Gupta	Executive Director	4 (Four)



These 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	₹172780
Mr. Ajay Gupta	₹172780
Mr. Gautam Gupta	₹ 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 2012-2013.

## **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 31<sup>st</sup> March, 2013, the Company has not received any shareholders complaint from Stock Exchange/SEBI/Department of Company Affairs/Registrar of Companies. Five meetings of Shareholders/Investors Grievance and Share Transfer cum Management Remuneration Committee were held on 21.05.2012, 21.07.2012, 03.11.2012, 05.01.2013, 13.02.2013. No requests for share transfer are pending with the Company.

## **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](mailto:robinvijan@supremetextmart.com)

## **8. GENERAL BODY MEETINGS**

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

<b>FY ending</b>	<b>Date</b>	<b>Day</b>	<b>Time</b>	<b>Held at</b>
31.03.2012	18.08.2012	Saturday	12.00 Noon	424, Industrial Area-A, Ludhiana

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

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.
24 <sup>th</sup> AGM in 2012	No special Resolution was passed.

During the year ended 31<sup>st</sup> March, 2013, none Extra-ordinary General Meetings was held.

## **9. Postal Ballot:**

During the year ended 31<sup>st</sup> March, 2013, 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 ₹2.4 Lacs.

Except as aforesaid, during the financial year 2012-2013 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. Compliance 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.

## **11. GENERAL INFORMATION FOR SHAREHOLDER**

### **a) Annual General Meeting**

The Annual General Meeting will be held on Friday the 30<sup>th</sup> August, 2013 at 12.00 noon at Registered Office of the Company at 424, Industrial Area - A, Ludhiana.

### **b) Date of Book Closure**

26<sup>th</sup> day of August, 2013 to 30<sup>th</sup> day of August 2013.  
(Both days inclusive - for the purpose of AGM/Annual closure of books).

### **c) Listing**

The shares of the Company are listed on  
Bombay Stock Exchange Limited, Mumbai  
National Stock Exchange of India Limited

Scrip code	531934
Symbol Series	SUPREMETEX EQ