

DIRECTORS' REPORT

Dear Members,

The Directors hereby present their Twenty-sixth Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended March 31, 2014.

Financial Performance

Particulars	Amount in Crores	
	Year ending 31.03.2014	Year ending 31.03.2013
Net Turnover	830.66	894.19
Profit before Depreciation	26.91	42.14
Profit / Loss(-) before Tax	0.31	25.10
Less Provision for Tax (including deferred and fringe benefit tax)	(0.84)	9.05
Profit / Loss(-) after Taxes	1.15	16.05

Operations Detail

Production in both the spinning units was 239.85 lacs kgs. as compared to the figure of 334.05 lacs kgs. In the garment unit, 5.96 lacs pieces of garments & 678.96MT Fabric were produced as compared to the figure of previous year of 9.46 lacs pieces of garments and 749.95MT of fabric. Net Turnover during the year under review has shown decrease of 7.11%. There is net profit of Rs.1.15 Crores as compared to net profit of 16.05 Crores in the previous year. Cash profit during the current year ending on 31.03.2014 decreased to Rs.26.50 Crores from the figure of Rs. 41.39 Crores in the previous year ending on 31.03.2013.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry and Economic Scenario

The Indian economy further slowed down with GDP growth in FY 13-14 estimated to be less than 5%. Industrial growth rate continued to stay weak at 0.5%. The economic slowdown has impacted the performance of your Company as well. Though demand continued to grow globally, margins contracted given rising raw material prices coupled with subdued realisation in line with the global scenario due to the large surplus capacities in China. It is expected that the economy should grow in the coming years and the demand for and prices of textile products should improve which will enable the Company to regain steady or better performance.

Opportunities, Threats & Outlook

There is good scope for growth for the textile industry as India's share in the global trade in textiles is weak compared to other countries. The free trade environment is a great opportunity for the Indian textile industry to increase its share in the global market. Chinese exports are slowing down on account of various factors inclusive of increase in domestic demand and rising costs. This is a good opportunity of which our textile industry should make use but smaller countries like Bangladesh, Sri Lanka, Pakistan, Turkey and Vietnam etc. are becoming formidable challengers.

Lack of uninterrupted power, increased power costs, higher transaction costs, high cost of labour are hindering the progress. However, we are making all out efforts to cope with all these challenges by continuous efforts at cost reduction, process improvements, diversification of products and improving productivity by improving efficiencies.

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.229.87 crore and accounts for about 27.67% 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

Risk Management is an integral part of the Company's business strategy. The risk management process is governed by the Enterprise Wide Risk management framework. The Board reviews compliance with risk policies, monitors risk tolerance limits, reviews and analyzes risk exposure related to specific issues and provides oversight of risk across the organization. The Board nurtures a healthy and independent risk management function to inculcate a strong risk management culture in the Company.

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

The Company's internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with laws and regulations. The internal control system is supported by an internal audit process for reviewing the adequacy and efficacy of the Company's internal controls, including its systems and processes and compliance with regulations and procedures. 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

The Company recognizes people as its most valuable asset and it has built an open, transparent and meritocratic culture to nurture this asset. Talent Management is a key people planning tool that provides an integrated means of identifying, selecting, developing and retaining top talent within our organization. STML has kept a sharp focus on Employee Engagement.

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 low profits company has decided not to declare any dividend

EXPANSION PLAN

No expansion was done during the Financial Year 2013-14.

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 *undisputed income tax payable of Rs. 4,80,12,000/- for previous year ended on 31.03.2013 has not been deposited with Income Tax Authorities & has been outstanding for more than six months.*

The Management of the Company in this regard has explained that due to cash crunch the amount of Income Tax could not be paid the same will be paid in the current Financial Year. The other points of Auditors' report on the Accounts are self-explanatory and needs no comments.

DIRECTORS

Mr. Sanjay Gupta, Whole time Director, Mr. B.B Goel and Mr. R. C Singal – Independent Directors resigned during the year. Office of Director of Mr. Marcel Menda was also vacated pursuant to the provisions of Section 283 of the Companies Act, 1956. Your Directors on behalf of the Company convey their thanks to the outgoing Directors for the services rendered by them. Mr. Daljeet Singh Sandhu and Mr. Rajeev Bhambri was appointed as an additional Director during the year to hold the office up to the conclusion of the ensuing Annual general Meeting. In the month of May Mr. Rajeev Bhambri also resigned from the office of Director and Mr. Ashok Kumar Singla was appointed as additional director on the Board of the Company.

Mr. Ajay Gupta and Mr. Kuldeep Singh- Directors are liable to retire by rotation at the ensuing Annual General Meeting of the Company. In accordance with the provisions of Section 149 of the Companies Act, 2013 and the Rules made there under, which came into effect from April 1, 2014, approval of the Members will be sought at the ensuing Annual General Meeting of the Company for formalizing the appointment of Mr. Daljeet Singh Sandhu, and Mr. Ashok Kumar Singla- Director as an Independent Director of the Company not liable to retire by rotation, for a term of five years.

PERSONNEL

Since there is no employee receiving salary 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) 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. 31.03.2014 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: 30.05.2014

S/d-
(AJAY GUPTA)
Managing Director

S/d-
(GAUTAM 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, 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	2013-14	2012-13
1	Electricity - Own Generation		
	Unit Produced KWH in Lac	4.96	14.54
	Unit Produced /Ltr. of Diesel KWH	3.68	3.61
	Cost Per Unit Rs.	14.11	11.62
2	Electricity – Purchased		
	Unit Purchased KWH in Lac)	644.13	623.03
B	Electricity Consumed Per Kg of Production	2013-14	2012-13
	Yarn KWH/Kg	2.29	2.30
	Dyeing KWH/Kg	1.01	0.64
	Garment KWH/Kg	2.66	1.29

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 (FOB value of export)	229.87
Foreign Exchange Used (CIF Value of Imports)	2.04

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 31.03.2014 was as under:

One Non-Executive Independent Chairman

Three Executive Directors

Four 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	8	-	-
2.S.K. Ahuja	Director	NED-I	10	—	—
3.A.P Gupta	Director	NED-I	6	--	--
4.Rajeev Bhambri	Director	NED-I	1	—	—
5.Daljeet Singh Sandhu	Director	NED-I	—	-	-
6.Ajay Gupta	Managing Director	EXE	3	—	—
7.Gautam Gupta	Joint Managing Director	EXE	4	—	—
8. 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 31st March, 2014 Five Board Meetings were held on the following dates: 30.05.2013, 14.08.2013, 20.09.2013, 14.11.2013, 13.02.2013

c) Directors Attendance Record:

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

NAME OF DIRECTORS	NO. OF BOARD MEETING(S) ATTENDED	WHETHER ATTENDED THE AGM HELD ON 30.08.2013
1. Ajay Mahajan	0 (Zero)	No
2. S.K. Ahuja	0 (Zero)	No
3. Mr. A.P Gupta	0 (Zero)	No
4. Rajeev Bhambri	2 (Two)	No
5. Daleet Singh Sandhu	1 (One)	No
6. Ajay Gupta	5 (Five)	Yes
7. Mr. Gautam Gupta	5 (Five)	Yes
8. Mr. Kuldep Singh	5 (Five)	No
9. Sh. Sanjay Gupta*	0 (Zero)	No
10. Sh. B.B. Goel*	3 (Three)	No
11. Sh. R. C Singal*	4 (Four)	Yes
12. Mr. Marcel Menda*	0 (Zero)	No
*Sh. Sanjay Gupta, Sh. B. B Goel, Sh. R .C Singal and Mr. Marcel Menda resigned during the year.		

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, 2014 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 31st March, 2014, Five Meetings of the Audit Committee were held on the following dates:

30.05.2013, 14.08.2013, 20.09.2013, 14.11.2013, 13.02.2013

NAME OF THE MEMBER	CATEGORY	NO. OF MEETING ATTENDED
1. Ajay Gupta	Executive Director	5 (Five)
2. B.B.Goel*	Non-executive Director	3 (Three)
3. R.C.Singal*	Non-executive Director	4 (Four)
4. Daljeet Singh Sandhu	Non-executive Director	1 (One)
5. Rajeev Bhambri	Non-executive Director	2 (Two)
*Mr. B. B Goel and Mr. R. C Singal resigned during the year.		

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. Ajay 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 annual remuneration (all inclusive) consisting of Basic salary, Allowances and bonus as approved by the Board and shareholders as given below:

Mr. Ajay Gupta	Rs. 20,73,360/-
Mr. Gautam Gupta	Rs. 20,00,360/-
Mr. Sanjay Gupta	Rs. 1,03,980/-

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 2013-2014.

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

This committee comprises of Sh. Daljeet Singh Sandu, Sh. Rajeev Bhambri and Sh. Ajay 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, 2014, the company has not received any shareholders complaint from Stock Exchange/SEBI/Department of Company Affairs/Registrar of Companies. Two meetings of Shareholders/Investors Grievance and Share Transfer cum Management Remuneration Committee were held on 30.04.2013 and 30.05.2013. 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

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>
31.03.2013	30.08.2013	Friday	12.00 Noon	424, Industrial Area-A, Ludhiana
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

No Special Resolutions passed in the previous three AGM:

23rd AGM in 2011 No special Resolution was passed.
 24th AGM in 2012 No special Resolution was passed.
 25th AGM in 2013 One Special Resolution regarding remuneration of Mr. Gautam Gupta was passed

During the year ended 31st March, 2014, one Extra-ordinary General Meeting was held on 15.04.2013.

9. Postal Ballot:

During the year ended 31st March, 2014, 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.
- Interest free Loan amounting to Rs. 9.25 Crores was obtained from sister concern.

Except as aforesaid, during the financial year 2013-2014 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.

11. GENERAL INFORMATION FOR SHAREHOLDER

a) Annual General Meeting

The Annual General Meeting will be held on Tuesday the 30th September, 2014 at 12.00 noon at Registered Office of the company at 424, Industrial Area – A, Ludhiana.

b) Date of Book Closure

26th day of September, 2014 to 30th day of September 2014.

(Both days inclusive – for the purpose of AGM/Annual closure of books).

c) **Listing**

The share of the company is listed on

Bombay Stock Exchange Limited, Mumbai

Scrip code **531934**

National Stock Exchange of India Limited

Symbol **SUPREMETEX**
Series **EQ**

The Company has paid the Annual Listing fees, for the financial years 2013-14 & 2014-15.

d) **Registrar and Transfer Agent:**

Shares are transferred through the under noted agent only:

Beetal Financial & Computer Services (P) Limited,
Beetal House, 3rd Floor,
99, Madangir, BH-Local Shopping Complex
Near Dada Harsukhdas Mandir,
New Delhi – 110062.

Phone 011- 29961281 – 82

Contact Person Mr.Punit Mittal

E-mail beetal_99@sify.com

e) **Market Price Data for the year 2013-14:**

BSE

Maximum Price Quoted Rs. 11.00 per share of Rs.5.

Minimum Price Quoted Rs. 3.47 per share of Rs.5.

NSE

Maximum Price Quoted Rs. 10.00 per Share of Rs.5.

Minimum Price Quoted Rs. 4.80 per Share of Rs.5.

f) **Shareholding Pattern as on 31st March, 2014.**

<u>Category</u>	<u>No. of Shares</u>	<u>%age of Shareholding</u>
Promoters		
Private	38089080	55.83
PSIDC	1645222	2.41
Indian Public	15140515	22.19
NR/OCB	13355418	19.57
Grand Total	68230235	100.00

g) **Distribution Schedule as on 31st March, 2014.**

Nominal Value of each share is Rs.5

Shareholding of Nominal Value of Rs.	Number of Share holders	%age to Total	No. of Shares	Amount in Rs.	%age to Total
Up to 5000	993	72.43	346727	1733635	0.51
5001 to 10000	137	9.99	230179	1150895	0.34
10001 to 20000	82	5.98	251453	1257265	0.37
20001 to 30000	34	2.48	176420	882100	0.26
30001 to 40000	19	1.39	134727	673635	0.20
40001 to 50000	20	1.46	186997	934985	0.27
50001 to 100000	27	1.97	389025	1945125	0.57
100001 and above	59	4.30	66514707	332573535	97.49
Total	1371	100.00	68230235	341151175	100.00