



27<sup>th</sup>

Annual Report  
2014–2015

**SUPREME TEX MART LIMITED**

## MANAGEMENT

### BOARD OF DIRECTORS

Mr. Sanjay Ahuja  
Mr. A.P. Gupta  
Mr. Daljeet Singh Sandhu  
Mr. Ajay Gupta  
Mr. Gautam Gupta  
Mr. Lalit Singh  
Ms. Simpal Kumari  
Ms. Shivali Gupta

**Company Secretary**  
Mrs. Manpreet Kaur

### 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  
SBER Bank

**Registrar & Share Transfer Agent**  
Ms/- Beetal Financial & Computer  
Service (P) Limited, Beetal House  
,3rd Floor,99, Madangir, Bh-Local Shopping  
Complex, Near Daba Harsukhdas  
Mandir, New Delhi - 110062  
Demat At CDSL & NSDL ISIN  
INE651G01027

**Registered Office**  
424, Industrial Area -A, Ludhiana-141003  
E-mail: info@supremetexmart.com  
Phone: 0161-2600593, 2222719  
6614400,CINNO: L17117PB1988PLC016933  
Fax: 0161-2609949

Chairman

Managing Director  
Jt. Managing Director

### Works

1. Spinning Unit-1  
Village Kangnawal, 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 27<sup>th</sup> Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended March 31, 2015. The Management Discussion and Analysis has also been incorporated into this report.

### 1. HIGHLIGHTS OF PERFORMANCE

- The net sale for the year is ₹429.92 as compared to ₹ 830.66 Crore of previous year.
- The Net Loss for the year ended 31.03.2015 is ₹. 208.34 Crore as compare to Net Profit of ₹ 1.15 Crores for the previous year.

### 2. FINANCIAL RESULTS

#### Amount (₹ In Crore)

| Particulars  | Year ending<br>31.03.2015 | Year ending<br>31.03.2014 |
|--|---------------------------|---------------------------|
| Net Turnover   | 429.92                    | 830.66                    |
| Profit before Depreciation   | (61.34)                   | 26.91                     |
| Profit / Loss( -) before Tax                                       | (208.34)                  | 0.31                      |
| Less Provision for Tax (including deferred and fringe benefit tax) | 0                         | (0.84)                    |
| Profit / Loss( -) after Taxes                                      | (208.34)                  | 1.15                      |

### 3. RESERVE

Due to losses in the current year, the company has not transferred any amount in any reserve.

### 4. DIVIDEND

In view of heavy losses company has decided not to declare any dividend.

### 5. SHARE CAPITAL

The paid up Equity Share Capital as on 31<sup>st</sup> March, 2015 is ₹34.11 Crores. During the year under review, the Company has not issued shares with differential voting rights or not granted stock options or not issued sweat equity or not purchased its own shares.

Company's accumulated losses have exceeded its entire net worth as on 31.03.2015 and has become Sick Industrial Company in accordance with the provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

### 6. FINANCE

**Cash and Cash** equivalent as at 31<sup>st</sup> March, 2015 is ₹ 12.69 Crore. The Company continues to focus on judicious management of working capital. Working Capital parameters are kept under strict check through continuous monitoring.

#### 6.1 DEPOSITS

During the year, Company has not accepted deposit from the public falling within the ambit of Section 73 of Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

#### 6.2 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Detail of Loans, Guarantees and Investments covered

under the provisions of Section 186 of the Companies Act, 2013 are given in the notes of Financial Statements.

### 7. INDUSTRY AND ECONOMIC SCENARIO & OUTLOOK

Indian economic growth in 2014 rose to 5.2% from 4.7% last year as a result of the improving macro-economic situation. The wholesale and consumer price inflation has fallen to 4.2% and 7.4% from last year's 6.3% and 10.1% on the back of a strong base effect. However, the slow pace of reforms, lack of impetus for infrastructure projects, high interest rates and tightening of fiscal policies adversely impacted the capital goods sector. Industrial production / output was also sluggish. The low economic growth appears to have bottomed out and a gradual increase in economic activity is expected in 2015. With the coming of new Govt. in the Centre 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.

### 8. 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 ₹104.28 crore and accounts for about 24.26% 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.

### 9. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As part of its initiatives under "Corporate Social Responsibility (CSR)", the Company has formed requisite CSR Committee and CSR policy was also approved by the Board during the year, as per the requirement of Companies Act, 2013. The details of the CSR Committee and CSR Policy is explained in the Corporate Governance Report and also posted on the website of the Company.

The Report of the Corporate Social Responsibility (CSR) Activities is annexed herewith as "Annexure A".

### 10. 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.

### 11. BUSINESS RISK MANAGEMENT

Pursuant to the requirement of Clause 49 of the Listing Agreement, the Company has constituted a Business Risk Management Committee. The details of Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report.

The Company has a robust Business Risk Management (BRM) framework to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The business risk framework defines the risk management approach across the enterprise at various levels including documentation and reporting.

The key business risks identified by the Company and its mitigation plans are as under.

#### **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 1956/2013, Factories Act, Income Tax Act 1961 etc., are followed in Letter & Spirit.

## **12. 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.

## **13. VIGIL MECHANISM / WHISTLE BLOWER POLICY**

The Company has a vigil mechanism named Fraud Risk Management Policy (FRM) to deal with instance of fraud and mismanagement, if any. The details of the FRM Policy is explained in the Corporate Governance Report and also posted on the website of the Company.

## **14. SUBSIDIARY COMPANIES**

Company does not have any Subsidiary Company.

## **15. EXPANSION PLAN**

No expansion was done during the Financial Year 2014-15.

## **16. DIRECTORS/KMP**

Mr. Ashok Kumar Singla (DIN No 00285760) and Ms. Simpal Kumari (DIN No 07130429) were appointed on 01.05.2014 and 31.03.2015 respectively as an additional Director during the year to hold the office up to the conclusion of the ensuing Annual general Meeting. Punjab State Industrial & Development Corporation Ltd. (PSIDC) withdrew the nomination of Mr. Ajay Mahajan (DIN No 00648889) w.e.f 30.06.2014, from the Board of the Company, Mr. S.K Ahuja (DIN No 00399501) existing Nominee Director of PSIDC was appointed as a new Chairman of the Company in place of Mr. Ajay Mahajan and Mr. L K Singla (DIN No 03591398) was appointed as a new Nominee Director by PSIDC w.e.f. 03.03.2015. Mr. Inderpal Singh- was appointed as CFO (Key Managerial Personnel as per the requirement of Section 203 of the Companies Act, 2013) of the Company. The appointment of Mr. Ajay Gupta- DIN No 00842248 (Managing Director) and Mr. Robin Vijan (Company Secretary) was approved as KMP.

In the month of May, 2015 Mr. Robin Vijan resigned from the Company Secretary post as well as from KMP of the Company and Ms. Manpreet Kaur appointed as Company Secretary and KMP w.e.f. June 01, 2015. In June, 2015 Mr. Ashok Kumar Singla, Independent Director also resigned from the Directorship of the Company and Ms. Shivali Gupta (DIN 07014359) was appointed as additional Director of the Board of the Company.

Mr. Gautam Gupta (DIN No 02642545) and Mr. A. P. Gupta (DIN No 00421536) - 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, approval of the Members will be sought at the ensuing Annual General Meeting of the Company for the appointment of Ms. Simpal Kumari and Ms. Shivali Gupta - Director as an Independent Director of the Company not liable to retire by rotation, for a term of five years.

### Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

### Declarations by Independent Directors

All Independent Directors have given declarations that they meet the criteria of independence as laid down under section 146(6) of the companies Act 2013 and clause 49 of the listing Agreement.

### Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

### Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year Five (5) Board Meetings and Four (4) Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

## 17. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the informations and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- i) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and that there are no material departure;
- ii) that 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. 31.03.2015 and of the profit of the Company for that period;
- iii) that 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/ Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that they have prepared the annual accounts on a going concern basis;
- v) that proper internal financial controls were in place

and that the financial controls were adequate and were operating effectively;

- vi) that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## 18. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on a quarterly basis for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. The statement is supported by a Certificate from MD and CFO. The Company has developed a Related Party Transactions Manual, Standard Operating Procedures for purpose of identification and monitoring of such transactions.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

None of the Independent Directors has any pecuniary relationships or transactions vis-à-vis the Company.

## 19. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

During the year under review, there are not any significant and material orders passed by the Regulators or Courts to the Company.

## 20. AUDITORS

### a. STATUTORY AUDITORS:-

The Company's Auditors, M/s. Ashish Agarwal & Co., (FRN:010788N) Chartered Accountants, Ludhiana are retiring at the ensuing Annual General Meeting of the Company.

M/s Sanjeev Jethi & Associates (FRN : 023587N), Chartered Accountant, Ludhiana is appointed as Statutory Auditors subject to the approval of the shareholders for the Financial year 2015-16 in place of M/s. Ashish Agarwal & Co., (FRN: 010788N), Chartered Accountant, Ludhiana. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for



reappointment as Auditors of the Company.

Members' attention is invited to the observation made by the Auditors under "Emphasis of matter" appearing in Auditors Reports. The observation made by auditor's in their report alongwith the management replies on it are as follows:

1. *Remark of company in reference of auditor's Qualification in their report in Point No. 5 (i) is that the Company has the practice to confirm balances from the periodical Statements of Account received from all the parties; however, Auditors have not recognized it as an alternative procedure with regard to verification of the balances.*
2. *Remark of company in reference of auditor's Qualification in their report in Point No. 5 (ii) is that amount in question is outstanding export proceeds which are overdue for more than one year and in spite of a lot of efforts by Company, the amount is still outstanding. Although company is trying its best to recover the amount, but for the prudent accounting, degree of risk involved, better transparency and for depicting true and fair picture, it was considered sensible to book the provision.*
3. *Remark of company in reference of auditor's Qualification in their report in Point No. 5 (iii) is that the negative net worth and business loss is temporary phenomena arising due to sub-optimum capacity utilization and unsustainable debt burden. The recoverable amount of assets is more than the carrying value; therefore there is no need to recognize any loss on account of impairment of assets.*
4. *Remark of company in reference of auditor's Qualification in their report in Point No. 5 (iv and v) is that Some of the Banks have categorized the account as NPA and are not booking interest in our Account, hence on the same lines; company is also not booking the same. In case company would have booked this Expenses of Rs. 1241.78 Lacs, our EPS would have been Rs. (32.36).*
5. *Remark of company in reference of auditor's Qualification in their report in Point No. 5 (vi) is that in the absence of valuation by Actuarial Company has made the Valuation of Gratuity on estimated basis on the same guidelines which the Actuarial would have followed.*
6. *Remark of the company in reference of Auditor's Qualification regarding verification of Fixed Assets under Annexure to Auditor's Report in Clause (i) is that the fixed assets of the company are being physically verified regularly. The machinery of the company is consisting of big machines which are very easy to verify and company does not need any specialist to physically verify.*
7. *Remark of the company in reference of Auditor's*

*Qualification regarding verification of Fixed Assets under Annexure to Auditor's Report in Clause (ii) is that Company has been doing physical verification as an ongoing process and its scope and coverage is 100% of stocks. Moreover, company is also getting physical verification of all of its stocks from independent Stock Auditors, duly empanelled with SBI, once or twice every year.*

8. *The company does not have adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services under Clause (iv) of the Annexure to Auditor's Report.*

Company's Remarks: Company has adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. These systems are in place since the inception of the company.

**It is pertinent to note that all the inadequacy of systems referred by the Statutory Auditors were perfect till the last financial year as per their Report of the previous years.**

9. *In reference of qualification given under Clause (vii) to Annexure to Auditor's Report, the Management clarifies that due to substantial losses, company has not been able to meet its liabilities on their respective due dates.*

**b. COST AUDITORS:-**

For the Financial Year 2014-15, Company wasn't required to appoint Cost Auditors, as per the requirement of Companies act, 2013. With the new Costing Rules, now the Company again will be required to appoint Cost Auditor for the Financial Year 2015-16. The Board on the recommendation of Audit Committee, appointed M/s. S.K Verma and Associates (FRN 101072 ) as Cost Auditors for the Financial Year 2015-16 and the remuneration of the Cost Auditor decided by the Board need to be ratified by the Members in the AGM.

**c. SECRETARIAL AUDIT:-**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Rajeev Bhambri & Associates, (Membership No 4327) a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for Financial year 2014-15. The Report of the Secretarial Audit Report is annexed herewith as "Annexure B".

The Board on the recommendation of Audit Committee, appointed M/s. Rajeev Bhambri & Associates as Secretarial Auditors for the Financial Year 2015-16.



**21. CORPORATE GOVERNANCE**

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on corporate governance practices followed by the Company, together with a certificate from Practicing Company Secretary confirming compliance forms an integral part of this Report.

**22. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL), ACT, 2013**

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**23. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3) (m) of the Companies Act, 2013 read with Rule, 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure C".

**24. EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as "Annexure D".

**25. LISTING**

Shares of the company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE).

**26. PARTICULARS OF EMPLOYEES**

The table containing the names and other particulars of employees in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to the Board's report.

Since there is no employee receiving remuneration of ₹60 lakh or more, or employed for part of the year and in receipt of ₹5 lakh or more a month, there is no information requires to be given under

Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

**27. 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.

**28. 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.

For and on behalf of the Board

Place: Ludhiana  
Date : 23.06.2015

sd/-  
Ajay Gupta  
Managing Director  
DIN: 00842248

sd/-  
Gautam Gupta  
Jt. Managing Director  
DIN : 02642545



## ANNEXURE "A" TO THE DIRECTORS' REPORT

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. The CSR Policy of the Company was approved by the Board in the Meeting held on 30.05.2014. A brief outline of the Company's CSR policy, including objectives, areas to be covered, Scope etc is mentioned on the Web Site of the Company.
2. **Composition of the CSR Committee:**
  - i) Mr. Daljeet Singh Sandhu, Chairman
  - ii) Mr. Ajay Gupta, Member
  - iii) Mr. Kuldeep Singh, Member
3. **Details of CSR spend for the financial year:**

During the year 2014-15, the Company suffered heavy losses. Due to such heavy losses it was decided by the Board not to incur any expenditure on CSR activity during this year.

#### CSR POLICY

(Approved by the Board of Directors on May 30, 2014)

The Board in its Meeting held on 30.05.2014 approved the CSR policy with the following objectives.

Supreme Tex Mart Limited (STML) CSR policy intends to:

- i) Strive for economic growth that positively impacts the society at large with a minimal resource footprint.
- ii) Embrace responsibility for the Company's actions and

encourage a positive impact through its activities on hunger, poverty, malnutrition, environment, communities, stakeholders and the society.

#### SCOPE

In accordance with the requirements under the Companies Act, 2013, STML CSR activities will focus on:

- i. Education
- ii. Water Supply including drinking water.
- iii. Health care by providing Indoor medical facilities and medicines
- iv. Employment
- v. Sports and culture.
- vi. Generation of employment
- vii. Infrastructure Support
- viii. Grant/donation/financial assistance/sponsorship to reputed NGOs of the Society/locality doing/involve in up-liftment of the standard of the society.
- ix. Empowerment of women for education/health & self employment.
- x. Relief of victims of Natural Calamities like Earth Quake, Cyclone, Draught and Flood situation in any part of the country.





## ANNEXURE “B” TO THE DIRECTORS' REPORT

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2015 [Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

**The Members,  
Supreme Tex Mart Limited,  
424, Industrial Area - A,  
Ludhiana.**

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Supreme Tex Mart Limited (hereinafter called the **Company**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2015 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28 October 2014;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.
- (vi) **We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with laws relating to all labour & industrial laws, The Competition Act, 2012, all environmental laws.

**We have also examined compliance with the applicable clauses of the following:**

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (Not notified hence not applicable to the Company during the audit period).
- (ii) The Listing Agreements entered into by the Company with Stock Exchanges.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- a) *We have observed that Company's accumulated losses have exceeded its entire net worth as on 31.03.2015 and has become Sick Industrial Company in accordance with the provisions of Sick Industrial Companies (Special Provisions)*



Act, 1985.

- b) *Financial Results for the Quarter ended March 2014 were submitted after due date as per the timeline stipulated in Clause 41 of the Listing Agreement.*
- c) *The statutory payments as required under Employee State Insurance Act, 1948 for the period from November 2014 to March 2015 and The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 for the period from August 2014 to March 2015 has not been made. Income Tax payment of Rs.4.80 crore relating to Financial Year 2012-13 has been outstanding till date. Company has defaulted in payment of interest and repayment of term loans to State Bank of India, Central Bank of India, UCO Bank, SBER Bank and Union Bank of India.*

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously or by the majority as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Place: Ludhiana  
Dated: 23.06.2015

**Rajeev Bhambri & Associates**  
Company Secretary in whole time practice  
C.P. No. 9491

Note: This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

## **ANNEXURE "A" TO THE SECRETARIAL AUDIT REPORT**

To,

**The Members**  
**Supreme Tex Mart Limited**  
**424, Industrial Area - A,**  
**Ludhiana.**

Our report of even date is to be read along with this letter.

1. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
2. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
3. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
4. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
5. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Ludhiana  
Dated: 23.06.2015

**Rajeev Bhambri & Associates**  
Company Secretary in whole time practice  
C.P. No. 9491