



28<sup>th</sup>

Annual Report  
2015-2016

**SUPREME TEX MART LIMITED**

## **MANAGEMENT**

### **BOARD OF DIRECTORS**

Mr. Sanjay Ahuja  
Mr. A.P. Gupta  
Mr. Ajay Gupta  
Mr. Gautam Gupta  
Mr. Kuldip Singh  
Ms. Simpal Kumari  
Mr. Bhupinder Singh Mann  
Ms. Kajal Rai

Chairman

Managing Director  
Jt. Managing Director  
Whole Time Director

### **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

### **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](mailto:info@supremetexmart.com)

Ph. 0161-5082524, 5086524, 5087524,

Fax No. 0161-5083524, 5088524

CIN: L17117PB1988PLC016933

### **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 28<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, 2016. The Management Discussion and Analysis has also been incorporated into this report.

**1. HIGHLIGHTS OF PERFORMANCE**

- The net sale for the year is ₹ 362.35 Crores as compared to ₹ 429.92 Crores of previous year.
- The Net Loss for the year ended 31.03.2016 is ₹ 178.84 Crore as compare to Net Loss of ₹ 208.34 Crores for the previous year.

**2. FINANCIAL RESULTS**

Particulars	Amount in Crores	
	Year ending 31.03.2016	Year ending 31.03.2015
Net Turnover	362.35	429.92
Profit before Depreciation	(108.42)	(61.34)
Profit / Loss(-) before Tax	(178.84)	(208.34)
Less Provision for Tax (including deferred and fringe benefit tax)	0	0
Profit / Loss(-) after Taxes	(178.84)	(208.34)

**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, 2016 is ₹ 34.11 Crores. During the year under review, the Company has not issued shares with differential voting rights or granted stock options or issued sweat equity or purchased its own shares.

Company's accumulated losses have exceeded its entire net worth as on 31.03.2016 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, 2016 is ₹ 12.65 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 any 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**

As regards Indian economy, after years of diminutive growth the reform momentum has picked up in India..The Indian economy grew at 7.6 per cent in 2015-16 due to improvement in the performance of both services as well as manufacturing sectors. The government expects it to expand at above 8% in 2016-17. India's overall textile exports had remained almost flat at \$40 billion in 2015-16 from \$41.6 billion in the previous financial year, a result of sluggish economic conditions Globally. It also fell short of the year's target of \$47.5 billion set by the government. With a host of incentives and a Rs 6,000 crore package announced in the recent to boost textile and apparel exports, the government has set a higher target for year 2016-17.

**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 ₹65.69 crore and accounts for about 18.13% of company's revenues. The company has identified two segments 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, 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 listing agreement/SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 1948, Income Tax Act 1961 etc., are followed in Letter & Spirit.

#### **12. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has designed and implemented a process driven framework for Internal Financial Controls. For the year ended on March 31, 2016, the Board is of the opinion that the Company has sound Internal Financial Controls commensurate with the size, scale and complexity of its business operations. During the year, such controls were tested and no material weakness in their operating effectiveness was observed. The Company has a process in place to continuously monitor the same and identify gaps, if any, and implement new and/ or improved controls whenever the effect of such gaps would have a material effect on the Company's operations.

#### **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 2015-16.

#### **16. DIRECTORS/KMP**

During the year, Mr. Bhupinder Singh Mann (DIN No 01211549) was appointed on 12.08.2015 as an additional Independent Director and his appointment as Independent director was being regularized by shareholder in their Extra Ordinary General meeting dated 21.09.2015. Punjab State Industrial & Development Corporation Ltd. (PSIDC) withdrew the nomination of Mr. Lalit Kumar Singla (DIN No 03591398) w.e.f. 10.02.2016, from the Board of the Company,

Mr. Daljit Singh Sandhu (DIN 06750304) and Ms. Shivali Gupta (DIN 07014359), Independent Director also resigned from the Directorship of the Company as on 17.07.2015 and 31.10.2015 respectively. Mr. Sanjay Kumar Aggarwal (DIN 00085082) was appointed as additional Independent Director of the Board of the Company as on 14.11.2015 and had also resigned on 16.02.2016 from the Directorship of the Company.



During the year, Mr. Robin Vijan resigned from the Company Secretary post as well as from KMP of the Company as on 30.05.2015 and Ms. Manpreet Kaur appointed as Company Secretary and KMP w.e.f. June 01, 2015

Mr. Kuldip Singh (DIN No 05327381) and Mr. Ajay Gupta (DIN No 00842248) - 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 Ms. Kajal Rai (DIN 07366983) Director as an Independent Director of the Company not liable to retire by rotation, for a term of five years.

#### **Board Evaluation**

The Board has carried out an annual evaluation of its own performance, the directors and also committees of the Board based on the guideline formulated by the Nomination & Remuneration Committee. Board composition, quality and timely flow of information, frequency of meetings, and level of participation in discussions were some of the parameters considered during the evaluation process. A note on the familiarizing programme adopted by the Company for the orientation and training of the Directors and the Board evaluation process undertaken in compliance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided in the Corporate Governance Report which forms part of this Report.

Further, a Separate Meeting of the Independent Directors of the Company was held once during the year on 14.11.2015 which also reviewed the performance of the Non-executive directors, Chairman of the Company and performance of the Board as a whole.

#### **Declarations by Independent Directors**

All Independent Directors have given declarations that they meet the criteria of independence as laid down under section 149(6) of the Companies Act, 2013 and Regulation 16(1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,

#### **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 Six (6) 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.

#### **Key Managerial Personnel**

During the year 2015-16, the Company had three Key Managerial Personnel viz. Mr. Ajay Gupta, Managing Director & Mr. Inder Pal Singh, Chief Financial Officer and Mr. Robin Vijan, Company Secretary (upto 30.05.2015). On 30<sup>th</sup> May, 2015, Mr. Robin Vijan resigned and Ms. Manpreet Kaur was appointed as Company Secretary of the Company in place.

In compliance with Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, brief resume of all the Directors proposed to be appointed / re-appointed are attached along with the Notice to the ensuing Annual General Meeting.

### **17. DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information 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 departures;
- 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. 31.03.2016 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. Hence the Company is not required to disclose details of the related party transactions in Form AOC – 2 pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

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:-**

M/s. Nanda & Bhatia, (FRN : 004342N), Chartered Accountants, Ludhiana, had been appointed as Statutory Auditors of the Company period in Extra Ordinary general meeting held on 21.09.2015 till the conclusion of next Annual General Meeting. Now, the auditors submitted their resignation as on 26th August, 2016 as they are unable to continue with the company and not offer themselves as Statutory Auditor of the company.

The Board recommended the appointment M/s Datta Singla & Co., Chartered Accountants, Mandi Gobindgarh, (Firm Reg. No S06185N) be appointed as the Statutory Auditors of the Company for a period of 5 years, subject to ratification of their appointment by the members at every annual general meeting. The shareholders at the ensuing annual general meeting will consider the appointment of the Statutory Auditors. The Auditors have confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

M/s. Datta Singla & Co., Chartered Accountants, Mandi Gobindgarh, have conveyed their consent to be appointed as the Statutory Auditors of the Company along with a confirmation that, their appointment, if made by the members, would be within the limits prescribed under the Companies Act, 2013.

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' Qualification in their report in Point No. 5 (i) is that as the banks classified the accounts of the company as Non-performing Assets, so the Company has not provided for the interest on borrowings.*
2. *Remark of company in reference of auditor' Qualification in their report in Point No. 5 (ii) is that the Company has not provided interest of ₹ 3535.28 lacs on borrowings as the lenders have categorized the account as NPA. In case the Company, would book this expenses of ₹ 3535.28 lacs, the Earning per share (EPS) would have been ₹(31.38).*
3. *Remark of company in reference of auditor' Qualification in their report in Point No. 5 (iii) 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.*
4. *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.*
5. *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 (i) & (ii) 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.**

**b. Cost Auditors:-**

The Board of Directors has on the recommendation of Audit Committee, approved the appointment of M/s S.K. Verma and Associates, Cost Accountants, Khanna (Firm Registration No. 101072), as the Cost Auditors of the company for the year 2016-2017 at a remuneration of ₹ 60000/- plus out of pocket expenses. The proposed remuneration of the Cost Auditors would be approved by the members in the ensuing AGM.

For the year 2015-16, the Cost Audit report shall be duly filed within prescribed time.

**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 2015-16. 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 2016-17.

**21. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN MARCH 31, 2015 AND DATE OF THE REPORT**

There were no material changes and commitments affecting the financial position of the Company between the end of financial year (March 31, 2015) and the date of the Report.

**22. CORPORATE GOVERNANCE**

The report on Corporate Governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms an integral part of this Report.. The requisite certificate from the Practicing Company Secretary of the Company confirming compliance with the conditions of corporate governance is attached to the report on Corporate Governance.

**23. 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.

**24. 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".

**25. 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".

**26. LISTING**

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

**27. 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 ₹ 1.20 Crore 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,

**28. 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.

**29. 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**  
**Sd/- Sd/-**

**Place: Ludhiana**  
**Dated: 31.08.2016**

**(AJAY GUPTA)**  
**Managing Director**  
**00842248**

**(GAUTAM GUPTA)**  
**Jt. Managing Director**  
**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 website of the Company.
2. **Composition of the CSR Committee:**
  - i) Mr. Bhupinder Singh Mann, Chairman
  - ii) Mr. Ajay Gupta, Member
  - iii) Ms. Simple Kumari, Member
3. **Details of CSR spend for the financial year:**

During the year 2015-16, 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)

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 upliftment 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, 2016**

**[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-141003

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<sup>st</sup> March, 2016 ('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<sup>st</sup> March, 2016, to the extent applicable and 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) SEBI (Prohibition of Insider Trading) Regulations, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments from time to time
  - (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;
  - (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, inter alia:
  - All labour & industrial laws;
  - The Competition Act, 2012;
  - All environmental laws;
  - Textiles (Consumer Protection) Regulations, 1988;
  - Textiles (Development and Regulation) Order, 2001;
  - Textiles Committee Act, 1963;
  - Additional Duties of Excise (Textiles and Textiles Articles) Act, 1978.
  - Indian Boilers Act, 1923

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India to the extent of its applicability.
- (ii) The Listing Agreement entered into by the Company with the BSE Limited & NSE Limited read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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) **The company has not provided for the interest of borrowings from banks which have not charged interest on accounts classified as non-performing assets. This notional amount of interest as calculated by taking last rate of interest charged by the bank comes to ₹ 3525.28 Lacs.**
- b) **The earnings (loss) per share for the year ended 31<sup>st</sup> March 2016 would have been ₹ (31.38) as against reported earnings (loss) per share of ₹ (26.21).**
- c) **The provision for gratuity and leave encashment is made on an estimated basis, without Actuarial Valuation, which is not in accordance with the Accounting Standard – 15 on Employee Benefits.**
- d) **Company has defaulted in payment of statutory payments as required under Employee State Insurance Act, 1948, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Income Tax Act, 1961.**
- e) **Company has defaulted in payment of interest and repayment of term loans to State Bank of India, Central Bank of India, SBER Bank, Punjab National Bank, IDBI Bank, Allahabad Bank and Union Bank of India.**



- f) **Company has applied to Central Government for seeking approval for reappointment and payment of remuneration to Mr.Ajay Gupta – MD, Mr.Gautam Gupta - Jt.MD and Mr.Kuldeep Singh –whole Time Director, which is still awaited.**

**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.

We further report that during the audit period the Company has been following specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. as detailed below:-

**Due to erosion of total net worth, Company had filed reference under Section 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985 which was registered vide No. 100/2015 by Board for Industrial and Financial Reconstruction.**

**Sd/-**

**Rajeev Bhambri & Associates**

Company Secretary in whole time practice

C.P. No. 9491

Place: Ludhiana

Dated: 12.08.2016

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

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**'ANNEXURE'**

**To,**

**The Members**

**Supreme Tex Mart Limited**

**424, Industrial Area - A,**

**Ludhiana-141003**

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 as we have relied upon the Audit done by Statutory Auditors as required under Companies Act, 2013.
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.

**Sd/-**

**Rajeev Bhambri & Associates**

Company Secretary in whole time practice

C.P. No. 9491

Place: Ludhiana

Dated: 12.08.2016