



**Subhash Silk Mills Limited**

**41st  
Annual Report  
2010-2011**

**SUBHASH SILK MILLS LIMITED**

Regd. Office : G-15, Ground Floor, Prem Kutir, 177 Marine Drive, Mumbai 400020

**ATTENDANCE SLIP**

Folio No. : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_  
\_\_\_\_\_

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the Annual General Meeting at the Indian Merchants Chamber, Pravinchandra Gandhi Board Room (Fourth Floor), Churchgate, Mumbai 400 020 on Thursday, 29th September, 2011 at 11.30a.m.

Shareholder's / Proxy's Signature : \_\_\_\_\_

Proxy's Full Name : \_\_\_\_\_  
(In Block Capitals)

NOTES : Please fill this Attendance Slip and hand it over at the entrance at the Hall.

----- CUT HERE -----

**SUBHASH SILK MILLS LIMITED**

Regd. Office : G-15, Ground Floor, Prem Kutir, 177 Marine Drive, Mumbai 400020.

**PROXY**

I/We \_\_\_\_\_ of \_\_\_\_\_

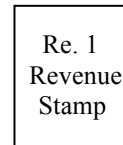
\_\_\_\_\_

being Member / Members of Subhash Silk Mills Limited, Mumbai 400 020 do hereby appoint

\_\_\_\_\_ or failing him / her \_\_\_\_\_

as my / our absence to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company, to be held on Thursday, 29th September 2011 at 11.30 a.m. and at any adjournment thereof.

This \_\_\_\_\_ day of \_\_\_\_\_ 2011.



(Signature of the member across the stamp)

NOTES : The proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting.

## BOARD OF DIRECTORS

Mr. Subhash V. Mehra	Chairman / Managing Director
Mr. Sumeet S. Mehra	Director
Mr. Dhiraj S. Mehra	Director
Mr. Lav Kumar Vadehra	Director
Mr. Manohar Lal Kapur	Director
Mr. Radhe Mohan Malhotra	Director

### AUDITORS :

M/s. S. M. Kapoor & Co.

### BANKERS :

Citibank N.A.

### REGD.OFFICE

G-15, Ground Floor, Prem Kutir,  
177 Marine Drive,  
Mumbai 400020

### REGISTRAR & TRANSFER AGENT :

M/s. Purva Sharegistry (India) Pvt. Ltd.  
Shiv Shakti Industrial Estate,  
9, Sitaram Mills Compound,  
J.R. Boricha Marg, Lower Parel,  
Mumbai - 400011

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#### Important Communication to Members

The Ministry of Corporate Affairs has now permitted companies to send various notices / documents under the Companies Act, 1956, to its shareholders, through electronic mode. We request the Members to support this initiative and register their E-mail addresses in respect of the shares held in the Company with the M/s. Purva Sharegistry (India) Pvt. Ltd. (RTA). Please quote the following particulars in the E-Mail Registration Request : Folio No. / DP ID-Client ID, PAN, Name(s) of Registered Holder(s), Address, Telephone and E-mail Address (to be registered for sending future communications through E-Mail) and send the same under your signature(s).

**NOTICE**

NOTICE is hereby given that the 41st Annual General Meeting of SUBHASH SILK MILLS LTD. will be held at Indian Merchants Chamber, Pravinchandra Gandhi Board Room (Fourth Floor), Churchgate, Mumbai - 400 020 on Thursday, 29th September, 2011 at 11.30 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Sumeet Mehra who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Lav Kumar Vadehra who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint M/s. S. M. Kapoor & Co. Chartered Accountants as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

**Regd. Office:**  
G-15 Prem Kutir,  
177 Marine Drive,  
Mumbai – 400 020.

BY ORDER OF THE BOARD  
For **SUBHASH SILK MILLS LTD.**

Place: Mumbai  
Date: 28th July, 2011

**SUBHASH V. MEHRA**  
Managing Director

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. THE FORM OF PROXY IS HERETO ANNEXED.
2. The instrument appointing a Proxy should be deposited at the Registered Office of the Company, duly completed not less than forty eight hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 22nd September, 2011 to 29th September, 2011 (Both days inclusive).
4. Shareholders seeking information on accounts published herein are requested to kindly furnish their queries to the Company at least ten days before the date of the meeting to facilitate satisfactory replies.
5. Members are requested to intimate the change in their address, if any, immediately to M/s.Purva Sharegistry (India) Pvt. Ltd, Shiv Shakti Industrial Estate, 9 Sitaram Mills Compound, J.R. Boricha Marg, Lower Parel, Mumbai 400011.
6. The shareholders who attend the meeting are requested to complete the attendance slip and delivery the same at the entrance of the meeting hall. The shareholders holding shares in dematerialized form should indicate DP ID and Client ID numbers in the attendance slip.
7. The shareholders are requested to bring their copy of the Annual Report to the meeting.

**Regd. Office:**  
G-15 Prem Kutir,  
177 Marine Drive,  
Mumbai 400 020.

By Order of the board  
For **SUBHASH SILK MILLS LTD.**

Place: Mumbai  
Date: 28th July, 2011

**SUBHASH V. MEHRA**  
Managing Director

## DIRECTOR'S REPORT

### TO THE MEMBERS

Your Directors hereby present the 41st Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2011.

#### I. FINANCIAL RESULTS:

	For the year Ended 31.03.11 Rs.(Lakhs)	For the year Ended 31.03.10 Rs. (Lakhs)
1. Total Income	139.26	111.75
2. Profit / Loss Before Depreciation, Interest and Taxes	44.12	39.59
3. Less : Interest	2.80	3.77
Depreciation	27.38	25.98
4. Profit / Loss Before Tax	13.94	9.84
5. Less : Provision for Taxes	5.65	6.65
6. Profit / Loss After Tax	8.29	3.19
7. Add : Balance b/f. from the Previous Year	(-) 658.85	(-)662.02
8. Less : Prior Year Tax Adjustments	0.00	(-) 0.02
9. Amount Available for Appropriation	(-) 650.56	(-) 658.85
APPROPRIATIONS :		
(i) Proposed Dividend on Equity	0.00	0.00
(ii) General Reserve	0.00	0.00
(iii) Balance carried to Balance Sheet	(-) 650.56	(-) 658.85

The Company's property at Khopoli has been fully leased out. The said warehousing contracts have yielded an income of Rs.111.82 Lakhs (P.Y. Rs.102.58 Lakhs) in the current year under review.

Your Company has made sale of Readymade Garments to the service sector and of fabrics to various traders. Sales for the upcoming financial year are expected to increase substantially.

#### II. DIVIDEND:

Your Directors do not recommend any Dividend for the year ended 31<sup>st</sup> March, 2011 in view of the brought forward accumulated losses.

#### III. DIRECTORS RESPONSIBILITY STATEMENT:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with a proper explanation relating to material departures.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements 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 and of the loss of the Company for the period.
- (iii) The Directors of have taken proper and sufficient care 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) The Directors have prepared the annual accounts on a going concern basis.

#### IV. PERFORMANCE:

Sales for the current period are Rs.23.58 Lakhs. Further the Company has received Warehousing Charges of Rs 111.82 Lakhs.

#### V. KHOPOLI FACTORY

Yours Directors would like to make special mention and give credit to Mr. Dhiraj Mehra, Executive Director of the Company who has successfully negotiated and finalized a build-to-suit factory to be constructed for a leading biscuit and cookies brand. Accordingly, by the 2nd quarter of the financial year 2011-2012, we will provide about 50,000sq.ft. factory space and by the 2nd quarter of the financial year 2012-2013, we will provide a further 50,000sq.ft. factory space on lease to them. This will bring in a sizeable income to the Company and will fully utilize the spare unused FSI at our Khopoli factory.

VI. SUBSIDIARY COMPANY:

Since there is no Subsidiary Company, hence the provisions of Section 212 of the Companies Act, 1956 is not applicable.

VII. PARTICULARS OF DISCLOSURE IN THE REPORT OF BOARD OF DIRECTORS PURSUANT OF COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988

A) Conservation of Energy

Your Company has made efforts and implemented various steps recommended by technical experts to reduce the energy consumption at various levels.

Consumption of Energy at Khopoli this last year was negligible.

B) Foreign Exchange Earning and Outgo

There have been no foreign exchange earnings in the current year under review.

C) Research and Development

There has been no significant Research and Development during the year under review.

VIII. DEMATERIALISATION OF SHARES:

The agreement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for admitting the Equity Shares of the Company in the depository mode still continues. Many shareholders have already dematerialized their shares and Purvaa Shareregistry (India) Pvt. Ltd. continue to be the registrar and transfer agents of the Company for shares held in physical form as well as for providing connectivity in a Depository Mode with both NSDL & CDSL.

IX. CORPORATE GOVERNANCE:

Your Company reaffirms its commitment to good Corporate Governance practices and endeavours to continuously maintain highest standards of corporate values and ethics. Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate confirming compliance of the conditions of Corporate Governance form a part of this Annual Report.

X. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. Sumeet Mehra and Mr. Lav Kumar Vadehra retire by rotation in the forthcoming Annual General Meeting and are eligible for re-appointment.

XI. AUDITORS:

M/s. S.M. Kapoor & Co., Chartered Accountants are retiring as Statutory Auditors of the Company at the conclusion of the Annual General Meeting. They being eligible for reappointment as Statutory Auditors have furnished the required Certificate U/s. 224(1B) of the Companies Act, 1956. Your Directors recommend their reappointment as Statutory Auditors on remuneration to be approved by the Board.

XII. PARTICULARS OF EMPLOYEES:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particularly of Employees) Rules, 1975 are not applicable.

XIII. ACKNOWLEDGEMENT:

Your directors wish to place on record their appreciation for the Investors, Customers, Suppliers, Financial Institutions and Bankers.

For And on Behalf of the Board

Place : Mumbai

**SUBHASH MEHRA**

Dated : 28<sup>th</sup> July, 2011

Chairman

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**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

**Industry Structure & Development**

India's textile Industry has always played a very vital role in the Indian economy contributing to over 20% of the national production. With an employment base of 15 million across all textile sectors, India is only second to China in textile production worldwide and the third largest producer of cotton in the world.

Textiles in India can be broadly classified into two categories, the organized and the unorganized sector. However, considering the importance of the industry in the national economy, the Government is currently taking urgent steps to attract further investment, growth and development in the industry.

**Opportunities & Threats**

The textile industry has always been the backbone of the Indian economy. However, with changing circumstances, especially with the emergence of China as a textile centre as well as the continued expansion of the unorganized sector, there is a considerable strain on the profit margins of Companies today.

Having said that, the sheer size of the market for textiles itself gives tremendous impetus for volume sales. The Company is currently working on enhancing its sales in the readymade garment and fabrics sector.

**Financial Performance**

Total turnover of the Company during the year was 139.26 Lakhs as against 111.75 Lakhs in the previous year. The turnover increased by 24% compared to the previous year. Profit before interest, depreciation and taxes was Rs. 44.12 Lakhs.

**Risks & Concerns**

The primary risk for the Company is with the unorganized low cost sector. Having to compete with low cost, low quality manufacturers is always a concern. Secondly, import of fabrics is always a direct competitor to the Company. There are currently no significant borrowings and as such the Company is well isolated from financial risks & concerns, especially with the increasing interest rates.

**Internal Control Systems**

The Company has suitable internal control systems which ensure safeguarding the Company's assets, promote efficiency and ensure compliance with legal and regulatory provisions. The audit committee is headed by a chartered accountant with over 40 years of experience. The statutory auditors also discuss their comments and findings with the management as well as with the audit committee.

For and on behalf of the Board of Directors,

Place : Mumbai  
Date : 28<sup>th</sup> July, 2011

**Subhash Mehra**  
*Chairman*

**CORPORATE GOVERNANCE REPORT**

The Company pursuant to Clause 49 of the listing agreement with the Stock Exchanges furnishes its report on the code on Corporate Governance.

**1. Company's Philosophy on Code of Governance**

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders.

The Company is committed to achieve the highest international standards of Corporate Governance.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

**2. Board of Directors****I. Composition and Category**

The Board of the Company at present consists of six Directors, three being Non-Executive, three of whom are independent.

**II.a Attendance of each Director at the Board Meetings, last Annual General Meeting**

Name of the Director	Attendance particulars for 2010-2011		
	Board meetings held during tenure as Director	Board Meeting attended	Last AGM
Shri Subhash V. Mehra (C)	5	5	Yes
Shri Sumeet S. Mehra	5	5	Yes
Shri Dhiraj S. Mehra	5	5	Yes
Shri Lav Kumar Vadehra (I)	5	5	Yes
Shri Manoharlal Kapur (I)	5	5	Yes
Shri Radhe Mohan Malhotra (I)	5	5	Yes

## II.b Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies

Name of the Director	No of other Directorship and committee membership / chairmanship		
	Other Directorship#	Other Committee **	
		Membership	Chairmanship
Shri Subhash V. Mehra (C)	0	0	0
Shri Sumeet S. Mehra	0	0	0
Shri Dhiraj S. Mehra (ED)	0	0	0
Shri Lav Kumar Vadehra (I)	0	0	0
Shri Manoharlal Kapur (I)	0	0	0
Shri Radhe Mohan Malhotra (I)	0	0	0

C – Chairman, ED – Executive Director, I – Independent.

\*\* Only membership / chairmanship of Audit and Shareholders / Investor Grievance Committee is taken into consideration as per clause 49 of the listing agreement.

# (excluding directorship held in Private Limited Companies and Section 25 Companies)

### III. Number of Board Meetings held and the dates on which held

During the year ended 31st March, 2011, five Board Meetings were held as against the minimum requirement of four meetings. The meetings were held on, 30th April, 2010, 31st July, 2010, 30th September, 2010, 8th November, 2010 and 31st January, 2011.

The Company has held at least one meeting in every three months and the maximum time gap between any two Board meetings was not more than four months. None of the directors of the Company was a member of more than ten committees or the Chairman of more than five committees across all public limited companies in which he is a director.

For the purpose of considering the limit of the Committees as stated above, only Audit Committee and Shareholders / Investor Grievances Committee across all public limited companies has been considered in accordance with clause 49 of the Listing Agreement.

### IV. Information on Directors Appointment / Re-appointment

Brief resume of Directors being re-appointed / appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of the companies in which they hold directorship (excluding directorship held in Private Limited companies and Section 25 Companies) and the membership of committees of the Board is furnished hereunder :

- (i) **Shri Sumeet Mehra**, aged 40 years has been Executive Director of the Company since a number of years. His management skills, finely honed at Harvard Business School where he attended a 3 month Management Course are an asset to the Company.
- (ii) **Shri Lav Kumar Vadehra**, aged 68 years. He is a Graduate in Science and Foreign Trade. He worked in senior positions for the State Trading Corporation in New Delhi, New York and Mumbai for 12 years, eventually leaving to start his own pharma-chemical manufacturing and trading business. He has over 40 years experience..

### 3. Board Committees

#### A. Audit Committee

##### I. Composition, names of members and Chairperson

The Audit committee, during the year under review, comprised of three non-executive Directors, viz. Shri Manoharlal Kapur , Shri Lav Kumar Vadehra and Shri Radhe Mohan Malhotra. Shri Manoharlal Kapur is the Chairman of the Committee and all members of the Audit Committee possess financial/accounting expertise. The constitution of the Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956.

##### II. Terms of Reference

The terms of reference of the Audit Committee, as contained under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 are as follows :

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.



- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stoch Exchange and legal requirements concerning financial statements and (viii) any related party transactions, i.e. transactions of the company of material nature with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of Company at large.
- d. Reviewing with the management and auditors, the adequacy of internal control systems.
- e. Discussion with auditors any significant findings and followingup there on.
- f. Reviewing the findings of any internal investigations by the auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- g. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- h. Reviewing the Company's financial and risk management policies.
- i. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

### III. Meetings and attendance during the year

During the year ended 31st March, 2011, the Committee has met four times. The meetings were held on 30th April, 2010, 31st July, 2010, 8th November, 2010 and 31st January, 2011. All the members of the Committee were present at all the above meetings.

Representatives of the Auditors were invited to be present at the Audit Committee meetings.

#### B. Remuneration Committee

The Remuneration Committee comprises of Shri Radhe Mohan Malhotra and Shri Lav Kumar Vadehra.

The Company needs to disclose all pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company.

*No significant material transactions have been made with the non-executive directors vis-à-vis the Company.*

The Company needs to make disclosures of the remuneration of directors.

Name of Director	Sitting Fees Paid	Commission Payable	Total Payments Paid/Payable in 2009-10	No. of Board Meetings Held		Attended Last AGM
	(in Rs.)	(in Rs.)	(In Rs.)	Held	Attended	
Shri Subhash V. Mehra	-	-	-	5	5	Yes
Shri Sumeet S. Mehra	-	-	-	5	5	Yes
Shri Dhiraj S. Mehra	-	-	-	5	5	Yes
Shri Lav Kumar Vadehra	-	-	-	5	5	Yes
Shri Manoharlal Kapur	-	-	-	5	5	Yes
Shri Radhe M. Malhotra	-	-	-	5	5	Yes

#### Executive Directors

Executive Director	Relationship with other Directors	Business Relationship with the Company, if any	Remuneration paid during 2010-11			
			All elements of remuneration package, i.e. salary, benefits, etc.	Fixed components & performance linked incentives.etc.	Service contracts, notice period, severance fee.	Stock option details, if any.
Shri Subhash V. Mehra	Father of Sumeet Mehra and Dhiraj Mehra	Managing Director	Rs.6,39,600	Rs.6,39,600	See note (a)	See note (c)
Shri Dhiraj S. Mehra	Son of Subhash Mehra	Executive Director	Rs.10,74,600	Rs.10,74,600	See note (b)	See note (c)

- a) The appointment is subject to termination by three months notice in writing on either side. The appointment is for a period of five years w.e.f. 1-April-2005. No severance fees is payable to the Managing Director.
- b) The appointment is subject to termination by three months notice in writing on either side. The appointment is for a period of five years w.e.f. 1-April-2009. No severance fees is payable to the Executive Director.
- c) The Company did not grant any stock options to its Directors or Employees.

**C. Shareholders / Investor Grievance Committee**

The Board of the Company has constituted a Shareholders Grievance Committee comprising of non-executive Directors viz. Shri Lav Kumar Vadehra as Chairman of the Committee and Shri Radhe Mohan Malhotra.

The Committee oversees the performance of the Registrar and Share Transfer Agents and recommends measures to improve investor services.

The Company has authorized Directors severally to approve the share transfers.

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the Committee to implement and monitor the various requirements as set out in the Code.

The Board has designated Shri Dhiraj Mehra, Director as the compliance officer.

The total number of complaints received and replied to the satisfaction of the shareholders during the year under review was NIL. Outstanding complaints as on 31st March, 2011 were NIL.

No requests for transfer or dematerialization were pending for approval as on 31st March, 2011.

**4. General Body Meetings**

I. Location and time of the last three Annual General Meetings were as follows :-

Year	Location	Date	Time
2007-2008	Indian Merchants Chamber, Mumbai	30 Sep 08	11.30am
2008-2009	Indian Merchants Chamber, Mumbai	30 Sep 09	11.30am
2009-2010	Indian Merchants Chamber, Mumbai	28 Sep 10	11.30am

II. Special Resolution

A Special Resolution was passed reappointing Shri Dhiraj Mehra as Executive Director, at the Annual General meeting held on 30th September, 2009.

III. Postal Ballot

At the ensuing Annual General Meeting there is no resolution which is proposed to be passed by postal ballot.

**5. Code of Conduct for Directors’ / Management Personnel**

The Company has a Code of Conduct for Directors and Management Personnel which is strictly adhered to. In terms of Clause 49 of the Listing Agreement and contemporary practices of good corporate governance, a Code of Conduct was laid down by the Board for all the Board Members and Senior Management of the Company. The said code is available on the Company’s web-site ([www.subhashsilk Mills.com](http://www.subhashsilk Mills.com)). All the Board Members and Senior Management have affirmed compliance with the said Code A declration signed by the Chairman and Managing Director of the Company is given below :

I hereby confirm that the Company has obtained from all the members of the Board and management personnel affirmation that they have complied with the Code of Conduct for Directors’ / Management Personnel in respect of the financial year 2010-11.

**Subhash Mehra**

Chairman & Managing Director

**6. CEO and CFO Certification**

The Chairman and Managing Director and the Chief Financial & Compliance Officer of the Company give annual certification of the financial reporting and internal controlsto the Board in terms of Clause 49. The Chairman and Managing Director and the Chief Financial & Compliance Officer also give quarterly certification on financial results while placing the financial certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

**7. Means of Communication**

Quarterly, half-yearly and annual results are normally published in the leading English Newspaper, namely Asian Age and one regional daily, namely Pratyaksha, having wide circulation and promptly furnished to the Stock Exchanges for display on their website. The financial results and other important information are also displayed on the Company's website – www.subhashsilk Mills.com.

"Management Discussion & Analysis" forms part of the Annual Report.

**8. DISCLOSURES****(i) Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or associates or relatives, etc. that may have potential conflict with the interests of the company at large.**

None of the transactions with any of the related parties were in conflict with the interest of the Company. Attention of members is drawn to the disclosures of transactions with related parties set out in the Schedule 21 – Notes to the Accounts.

**(ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, or any matter related to capital markets, during the last three years.**

The Company is complying with all the necessary regulations of the Stock Exchanges and SEBI and has approached the Bombay Stock Exchange for revocation of the suspension on trading in the Company's script.

**9. General Shareholder Information****I. Annual General Meeting**

Date & Time :

Thursday, 29th September, 2011  
at 11:30a.m.

Venue :

Pravinchandra Gandhi Board Room,  
Indian Merchants Chamber, Churchgate,  
Mumbai 400020

**II. Financial Calendar 2010-11 (tent.)**

Results for quarter ended 30-June-11

Last week of July, 2011

Results for quarter ended 30-Sep-11

Last week of October, 2011

Results for quarter ended 31-Dec-11

Last week of January, 2012

Results for quarter ended 31-Mar-12

Last week of April, 2012

Annual General Meeting

September, 2012

**III. Book Closure Date**

22-Sept-2011 to 29-Sept-2011  
(both days inclusive).

**IV. Dividend Payment date**

N/A.

**V. Listing of Equity Share on**

The Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai 400001

**VI. Annual Listing Fees**

Duly paid to The Bombay Stock Exchange Limited for the year 2009-10.

**VII. Stock Code**

The Bombay Stock Exchange – "530231"  
Scrip ID – "SUBSM"

**VIII. Registrar & Transfer Agent**

M/s. Purva Shareregistry (India) Pvt. Ltd.,  
Shiv Shakti Industrial Estate,  
9, Sitaram Mill Compound,  
J.R. Boricha Marg,  
Lower Parel, Mumbai 400011  
Tel. : 022-23016761 / 23018261

**IX. Share Transfer System**

Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects.

The Company obtains from a company secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

**X. Distribution of Shareholding as on 31st March, 2011**

Category	%
Promoters	72.05
Financial Institutions / Banks / Mutual Funds	4.68
FII's / NRI / OCBs	0.00
Bodies Corporate	6.29
Others	<u>16.98</u>
<b>Total</b>	<b><u>100.00</u></b>

**XI. Dematerialisation of Shares**

Approximate 7.97% of the company's paid up equity has been dematerialised upto 31st March, 2011. Trading in Equity Shares of the Company is permitted only in dematerialized form w.e.f. April, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI)

**XII. Outstanding GDRs/ADRs/Warrants or any Convertible instrument, conversion date and likely impact on equity.**

There are no outstanding GDRs / ADRs / Warrants or any Convertible instruments issued by the Company as on date.

**XIII. Plant locations**

Subhash Silk Mills Ltd.  
Village Sajgaon, Taluka Khalapur,  
District Raigad,  
Maharashtra.

**XIV. Address for Correspondence****I. Investor Correspondence :**

For Shares held in Physical Form :	For Shares held in Demat Form :
M/s. Purva Sharegistry Pvt. Ltd.,	to the Depository Participant.
Shiv Shakti Industrial Estate,	
9 Sitaram Mills Compound,	
J.R. Boricha Marg,	
Lower Parel,	
Mumbai 400011.	
Tel. : 022-23016761 / 23018261	

**XV. Transfer of unclaimed amount to Investor Education and Protection Fund**

The investors are advised to claim the uncashed dividends for the year 2002-03 onwards lying in the unpaid dividend accounts of the Company before the due dates. During the year under review the Company has not credited any amount to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

**Auditors' Certificate on Corporate Governance**

To the Members of  
Subhash Silk Mills Limited  
Mumbai.

We have examined the compliance of conditions of Corporate Governance by Subhash Silk Mills Limited (the Company) for the year ended 31st March, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
**S.M. Kapoor & Co.**  
 Chartered Accountants

**Shekhar Gupta**  
 Partner  
 M. No. 15622  
 Mumbai, 28th July, 2011

## AUDITORS' REPORT

To the Members of **Subhash Silk Mills Ltd.**

1. We have audited the attached Balance Sheet of Subhash Silk Mills Ltd. as on 31st March 2011 and also the Profit & Loss Account of the Company and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- (a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- (c) The Balance Sheet and Profit & Loss Account and the cash flow statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion the Balance Sheet and the profit and loss account subject to note No. (vi), regarding non provision of leave encashment complies with the mandatory accounting standards referred in Section 211 (3C) of the Companies Act, 1956.
- (e) On the basis of the written representation received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

5. In our opinion and to the best of our information and according to the explanation given to us, the said accounts read subject to the:

Note No.(iii) to the notes to the accounts regarding non-provision for leave encashment and gratuity.

The said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2011;
- (ii) in the case of Profit & Loss Account of the Profit for the year ended on that date.
- (iii) in the case of the cash flow statement for the year ended on that date.

for S.M. Kapoor & Co.  
 Chartered Accountants

Place: Mumbai  
 Date : 28th July, 2011

**(Shekhar Gupta)**  
 Partner  
 Membership No. 15622

**Re: Subhash Silk Mills Ltd.**

**(Referred to in paragraph 3 of our report of even date)**

- (i) The nature of the Company's business/activities during the is such that clauses (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the ended.
- (ii) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) In our opinion, the procedures followed by the Management, were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has made substantial disposals during the which has not affected the going concern.
- (iii) In respect of its Inventories:
- (a) stores, spare parts and raw materials and the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanation given to us, the procedure for verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act and hence clause (iii) sub-clauses (a), (b), (c) and (d) of para 4 not applicable.
- (a) In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956, according to of the information and explanations given to us, the Company has taken interest free loans from 3 parties covered in register u/s 301 aggregating to Rs.1,65,45,148.
  - (b) The terms and conditions of the loans are, in our opinion, prima facie not prejudicial to the interests of the company.
  - (c) The payment of principal amount to the parties from whom loans taken by the company is regular as per the mutual understanding between the parties.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase and sale of inventory.
- (vi) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956;
- (a) To the best of our knowledge and belief and according the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
  - (b) According to the information and explanations given to us, transactions in excess of Rs.5 lakhs have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vii) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public as per the provisions of Sections 58A and 58AA of Companies Act, 1956.
- (viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business
- (ix) In our opinion and according to the information and explanation given to us, the maintenance of cost records have not been prescribed by the Central Government under clause (d) of sub-section 1 of section 209 of the Act.
- (x) In our opinion and according to the information and explanations given to us in respect of statutory and other dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Income-tax, Salestax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues to the extent of applicability to the Company with the appropriate authorities during the year.
  - (b) There is no disputed dues of Sale Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess other than ESIC of Rs.2,28,952 against which an appeal is pending before the Hon'ble High Court.

- (xi) According to the information and explanation given to us, the company has accumulated losses at the end of the financial, which is more than 50% of its net worth. However, the company has no cash losses in the current financial year or in the preceding financial year.
- (xii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xiii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xv) According to the information and explanations given to us, the company has not taken any term loans during the year.
- (xvi) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment and vice versa, other than temporary deployment pending Application.
- (xvii) The Company has not made any preferential allotment during the year.
- (xviii) The company has not issued any debentures during the year under review.
- (xix) The Company has not raised any money by public issue during the year.
- (xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

for S.M. Kapoor & Co.  
Chartered Accountants

**(Shekhar Gupta)**

Partner

Membership No. 15622

Place: Mumbai  
Date: 28th July, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

	Schedule		31.03.2011 Rs.		31.03.2010 Rs.
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS FUNDS</b>					
Capital	1	40,493,808		40,493,808	
Reserves & Surplus	2	45,982,000	86,475,808	45,982,000	86,475,808
<b>LOAN FUNDS</b>					
Secured Loans	3	24,29,927		18,74,663	
Unsecured Loans	4	1,66,01,834	1,90,31,761	1,40,94,160	1,59,68,823
			<u>10,55,07,569</u>		<u>10,24,44,631</u>
<b>APPLICATION OF FUNDS</b>					
Gross Block		7,68,07,788		7,35,98,404	
Less : Depreciation		2,89,48,381		2,62,10,253	
Net Block	5	4,78,59,407		4,73,88,151	
Capital Work-in-Progress		45,70,276	5,24,29,683	6,70,385	4,80,58,536
<b>INVESTMENTS</b>	6	33,100	33,100	33,100	33,100
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	7	4,92,734		1,05,696	
Sundry Debtors	8	7,38,185		8,43,583	
Cash and Bank Balances	9	3,96,349		11,70,986	
Loans and Advances	10	27,24,194		31,27,452	
		<u>43,51,462</u>		<u>52,47,718</u>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
Liabilities	11	1,63,63,088		1,67,79,864	
Provisions		-		-	
		<u>1,63,63,088</u>		<u>1,67,79,864</u>	
<b>NET CURRENT ASSETS</b>			(1,20,11,626)		(1,15,32,146)
<b>PROFIT &amp; LOSS ACCOUNT</b>			6,50,56,411		6,58,85,143
			<u>10,55,07,569</u>		<u>10,24,44,631</u>
<b>Notes to the Accounts</b>	21				

As per our report of even date  
For S. M. Kapoor & Co.  
Chartered Accountants

For and on Behalf of the Board

**SHEKHAR GUPTA**  
Partner

**SUBHASH  
MEHRA**  
Director

**DHIRAJ  
MEHRA**  
Director

**MANOHARLAL  
KAPUR**  
Director

Place : Mumbai  
Date : 28th July, 2011



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Schedule	31.03.2011 Rs.	31.03.2010 Rs.
<b>INCOME</b>			
Sales	12	23,57,522	13,94,988
Other Income	13	1,11,81,767	1,06,28,346
Increase/(Decrease)in Stocks	14	3,87,038	(8,48,543)
		<u>1,39,26,327</u>	<u>1,11,74,792</u>
<b>EXPENDITURE</b>			
Materials consumed	15	21,22,966	3,75,938
Manufacturing Expenses	16	45,962	18,879
Payment to Employees'	17	15,37,572	13,86,069
Administrative Expenses	18	58,08,252	54,32,998
Selling & Other Expenses	19	-	2,200
Interest	20	2,79,715	3,76,677
Depreciation		27,38,128	25,97,530
		<u>1,25,32,595</u>	<u>1,01,90,291</u>
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE EXTRAORDINARY ITEMS</b>		13,93,732	9,84,499
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION</b>		13,93,732	9,84,499
Provision for Taxation		<u>5,65,000</u>	<u>6,65,000</u>
<b>PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION</b>		8,28,732	3,19,499
Balance Brought forward		(6,58,85,143)	(6,62,02,885)
Prior Year Tax Adjustments		-	(1,757)
<b>BALANCE CARRIED FORWARD TO BALANCE SHEET</b>		<u>(6,50,56,411)</u>	<u>(6,58,85,143)</u>
<b>Notes to the Accounts</b>	<b>21</b>		

As per our report of even date  
For S. M. Kapoor & Co.  
Chartered Accountants

For and on Behalf of the Board

**SHEKHAR GUPTA**  
Partner

**SUBHASH  
MEHRA**  
Director

**DHIRAJ  
MEHRA**  
Director

**MANOHARLAL  
KAPUR**  
Director

Place : Mumbai  
Date : 28th July, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE 1 :</b>		
<b>CAPITAL</b>		
<b>AUTHORISED</b>		
50,00,000 Equity Shares (P.Y. 50,00,000) of Rs. 10 each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
42,40,500 (P.Y. 42,40,500) Equity Shares of Rs. 10 each (includes 16,20,000 equity shares issued as fully paid Bonus Shares out of Revaluation Reserves and 2,40,000 equity shares issued as fully paid Bonus Shares out of General Reserves)	4,24,05,000	4,24,05,000
Less : Calls in arrears	<u>19,11,192</u> 4,04,93,808	<u>19,11,192</u> 4,04,93,808
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>REVALUATION RESERVES</b>		
<b>SHARE PREMIUM</b> 5,52,20,000		5,52,20,000
Less : Calls in arrears <u>92,38,000</u>	4,59,82,000	<u>92,38,000</u> 4,59,82,000
	<u>4,59,82,000</u>	<u>4,59,82,000</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
Car Loan – From Banks	24,29,927	18,74,663
(Secured Ag. Hypothecation of Cars)	<u>24,29,927</u>	<u>18,74,663</u>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
A. From Banks	56,686	7,27,365
B. From Directors	<u>1,65,45,148</u>	<u>1,33,66,795</u>
	<u>1,66,01,834</u>	<u>1,40,94,160</u>

**SCHEDULES FORMING PART OF ACCOUNTS (contd)****SCHEDULE 5 : FIXED ASSETS**

	Gross Block				Depreciation				Net Block	
	Cost as on 31 Mar, '10	Additions	Deductions/ Transfers	Cost as on 31 Mar, '11	As on 31 Mar, '10	For the Year	Deduction/ Transfer	As on 31 Mar, '11	As At 31 Mar, '11	As at 31 Mar, '10
Land-Freehold	61,19,835	0	0	61,19,835	0	0	0	0	61,19,835	61,19,835
Factory Building	5,96,25,684	15,63,634	0	6,11,89,318	2,24,76,827	20,17,611	0	2,44,94,438	3,66,94,880	3,71,48,857
Electrical Installation	35,47,024	0	0	35,47,024	28,47,238	2,50,775	0	30,98,013	4,49,011	6,99,786
Computer	2,00,905	1,31,700	0	3,32,605	95,635	39,991	0	1,35,626	1,96,979	1,05,270
Vehicles	39,38,583	15,14,050	0	54,52,633	7,71,275	4,21,848	0	11,93,123	42,59,510	31,67,308
Office Equipment	1,66,373	0	0	1,66,373	19,278	7,903	0	27,181	1,39,192	1,47,095
<b>Total</b>	<b>7,35,98,404</b>	<b>32,09,384</b>	<b>0</b>	<b>7,68,07,788</b>	<b>2,62,10,253</b>	<b>27,38,128</b>	<b>0</b>	<b>2,89,48,381</b>	<b>4,78,59,407</b>	<b>4,73,88,151</b>
P.Y.	7,29,14,218	17,19,487	10,35,301	7,35,98,404	2,40,96,314	25,97,529	3,93,590	2,62,10,253	4,73,88,151	4,89,07,904

31.03.2011

31.03.2010

Rs.

Rs.

**SCHEDULE 6 : INVESTMENTS**

(Unquoted unless otherwise stated)

**NON TRADE AT COST**

i) In Government Security

National Savings Certificates

0

0

ii) Others

25 Shares (P.Y. 25 Shares) of Rs. 100 each fully

paid up in Rayon Mills Commercial Corporation Ltd.

2,500

2,500

306 Shares (P.Y. 306 Shares) of Rs.100 each fully

paid in Art Silk Co-operative Ltd.

30,600

30,600

33,10033,100**SCHEDULE 7 : INVENTORIES**

(at lower of cost or net realisable value, as certified by the Managing Director)

Raw Materials

0

0

Finished Goods

4,92,734

1,05,696

4,92,7341,05,696**SCHEDULE 8 : SUNDRY DEBTORS**

(Unsecured considered good)

Over six months

0

0

Others

7,38,185

8,43,583

(Includes due from a firm in which Directors are interested as Partners Rs.1.48 Lacs P.Y. Rs.1.32 Lacs max amount due during the year Rs.1.48 Lacs)

7,38,1858,43,583

**SCHEDULES FORMING PART OF ACCOUNTS (contd)**

	31.03.2011 Rs.	31.03.2010 Rs.
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
Cash on hand	14,162	6,00,116
Scheduled Banks		
- in current account	1,03,187	5,70,870
- in deposit account	2,79,000	
	<u>3,96,349</u>	<u>11,70,986</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b> (Unsecured Considered good)		
Advances recoverable in cash or in kind for value to be recd.	48,493	10,79,664
Deposits	12,49,952	12,63,752
Advance Tax including TDS	14,25,749	7,84,036
	<u>27,24,194</u>	<u>31,27,452</u>
<b>SCHEDULE 11 : LIABILITIES</b>		
Sundry Creditors for goods	36,20,674	72,13,188
Sundry Creditors for expenses	13,84,415	7,77,109
Other Liabilities	1,13,57,999	87,89,567
	<u>1,63,63,088</u>	<u>1,67,79,864</u>
<b>SCHEDULE 12 : PROVISIONS</b>		
Provision for Taxation (Net of taxes paid)	0	0
	<u>0</u>	<u>0</u>
<b>SCHEDULE 13 : OTHER INCOME</b>		
Warehousing Charges Received	1,09,18,557	1,02,57,889
Interest Received	5,391	23,363
Miscellaneous Receipts	2,57,819	3,47,094
	<u>1,11,81,767</u>	<u>1,06,28,346</u>
<b>SCHEDULE 14 : INCREASE/(DECREASE) IN STOCKS</b>		
Closing Stock of finished goods	4,92,734	1,05,696
Less : Opening Stock of Finished Goods	1,05,696	9,54,239
	<u>3,87,038</u>	<u>(8,48,543)</u>
<b>SCHEDULE 15 : MATERIALS CONSUMED</b>		
Opening Stocks		
Raw Materials	0	0
Work-in-Progress	0	0
Purchases	21,22,966	3,75,938
	<u>21,22,966</u>	<u>3,75,938</u>
Closing Stocks		
Raw Materials	0	0
Work-in-Progress	0	0
	<u>21,22,966</u>	<u>3,75,938</u>

**SCHEDULES FORMING PART OF ACCOUNTS (contd)**

	31.03.2011	31.03.2010
	Rs.	Rs.
<b>SCHEDULE 16 : MANUFACTURING &amp; OTHER EXPENSES</b>		
Stores and Spares consumed	14,998	3,581
Processing Charges	18,150	0
Sampling Charges	4,227	0
Octroi, Freight and Cartage	8,587	15,298
	<u>45,962</u>	<u>18,879</u>
<b>SCHEDULE 17 : PAYMENT TO EMPLOYEES'</b>		
Salary, Wages and Bonus	14,71,450	13,37,265
Staff Welfare	66,122	48,804
	<u>15,37,572</u>	<u>13,86,069</u>
<b>SCHEDULE 18 : ADMINSTRATIVE EXPENSES</b>		
Travelling & Conveyance	1,04,877	1,15,955
Insurance	48,951	35,278
Rates and Taxes	18,89,433	16,02,079
Directors Remuneration	15,00,000	8,40,000
Postage, Telegram and Telephones	1,85,661	1,74,908
Legal and Professional Charges	3,63,554	4,66,070
Electricity Expenses	15,970	24,851
Advertisement Expenses	20,495	9,260
Loss on Sale of Car	0	2,41,711
Audit Fees	50,000	50,000
Printing & Stationery	27,231	32,982
Motor Car Expenses	2,91,751	2,85,961
Brokerage & Commission	0	1,15,000
Repairs to Building	8,53,211	10,69,826
Miscellaneous Expenses	3,27,320	3,36,477
Other Repairs	1,29,798	32,640
	<u>58,08,252</u>	<u>54,32,998</u>
<b>SCHEDULE 19 : SELLING &amp; OTHER EXPENSES</b>		
Entertainment Expenses	0	2,200
	<u>0</u>	<u>2,200</u>
<b>SCHEDULE 20 : INTEREST</b>		
Banks	2,78,605	3,67,941
Bank Charges	1,110	8,736
	<u>2,79,715</u>	<u>3,76,677</u>

**SCHEDULE 21: NOTES TO THE ACCCOUNTS**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:**

**I. SIGNIFICANT ACCOUNTING POLICIES:**

**(i) BASIC OF PREPARATION OF FINANCIAL STATEMENTS**

- (a) The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company
- (b) Accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles followed by the Company.

**(ii) USE OF ESTIMATES**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

**(iii) FIXED ASSETS**

Fixed assets have been stated at cost of acquisition including incidental charges to bring the asset into the working condition for the intended use less depreciation.

**(iv) DEPRECIATION**

- (a) Depreciation on fixed assets are provided on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956, subject to writing off of 95% of the original cost.

**(v) IMPAIRMENT**

Impairment loss is recognized whenever the carrying amount of an asset is in excess of its recoverable amount and the same is recognized as an expense in the statement of profit and loss and carrying amount of the asset is reduced to its recoverable amount.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased.

**(vi) INVESTMENTS**

All long term Investments are valued at cost. However Provision for Diminution is made if such diminution is permanent in nature.

**(vii) INVENTORIES**

Inventories are valued at the lower of cost and estimated net realizable value, after providing for cost of obsolescence. Finished goods and Work-in-progress include an appropriate proportion of overheads and, where applicable, excise duty.

**(viii) SALES**

Sales comprises of sale of fabric, garments and racks less rebates, incentives and returns.

**(ix) RECOGNITION OF REVENUE**

- (a) Sales : Sales is recognized as and when the goods are dispatched to the party.
- (b) Other Income: Other Income is recognized as and when it has become due.

**(x) RETIREMENT BENEFIT SCHEMES**

Provision for retirement benefits, to the extent applicable to the Company, has been provided as follows:

- (a) Provident Fund is not applicable to the Company.
- (b) Gratuity has not been provided in the books of accounts as the same will be charged as and when paid.
- (c) Leave encashment has not been provided in the books of accounts as the same will be charged as and when paid.

**(xi) TAXATION**

Provision for current income tax is made in accordance with the Income Tax Act, 1961. Deferred tax liabilities and assets are recognized at substantively enacted tax rates, subject to the consideration of

prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(xii) METHOD OF ACCOUNTING

The Company follows mercantile system of accounting, Income and Expenditure are accounted for on accrual basis unless otherwise stated.

(xiii) BORROWING COSTS

Interest and other costs incurred for acquisition of qualifying assets, upto the date of commissioning / installation, are capitalized as part of the cost of the said asset.

(xiv) FOREIGN CURRENCY TRANSLATION

Liabilities / Assets in foreign currencies are reckoned in the accounts as per the following governing principles :

- (a) All foreign currency transactions, except (b) below mentioned, are recorded at the rate prevailing on the date of the transaction and the exchange difference arising out of the year end transactions are charged to the Profit & Loss Account.
- (b) All foreign currency Assets and Liabilities are restated at the exchange rate prevailing at the year end. The net variation arising out of the said translation are adjusted to the cost of the Fixed Assets. Depreciation on such variation is provided for the full year.

**II. NOTES ON ACCOUNTS :**

(1) CONTINGENT LIABILITIES

- (a) There are no known contingent liabilities on the Company for the year.

(2) The Company has shown Sundry Debtors and Loans and Advances over six months as good as in the opinion of the management the same is recoverable and no provision is required to be made.

(3) Retirement Benefit Scheme

- a) The Company has not provided for Leave Encashment which is unascertained and will be provided as and when it is paid by which the profit of the Company has been overstated to that extent.
- b) The Company has not provided for Gratuity which is unascertained and will be provided as and when it is paid by which the profit of the Company has been overstated to that extent.

(4) The Company has not made any provisions for deferred tax asset as it is not certain that this amount will be realized in the near future.

(5) As per the Accounting Standard (AS) 28 – Impairment of Assets, the Management carried out an internal impairment test as of 31<sup>st</sup> March 2011 and provided for the impairment loss where recoverable amount was lower than the amount carried in the accounts by providing for the same in the books of account.

(6) Debit and Credit balances are subject to confirmation.

(7) Auditors remuneration includes :

	31.03.11	31.03.10
	Rs.	Rs.
Audit fees	30,000.00	30,000.00
Tax Audit	20,000.00	20,000.00
Service Tax	<u>5,150.00</u>	<u>5,150.00</u>
TOTAL	55,150.00	55,150.00

(8) Capital Work in Progress:

	31.03.2011	31.03.2010
	Rs.	Rs.
Building Under Construction	<u>Rs.45,70,276.00</u>	<u>Rs.6,70,387.00</u>
TOTAL	<u>Rs.45,70,276.00</u>	<u>Rs.6,70,387.00</u>

(9) Additional information pursuant to provision of paragraphs 3, 4(c) & 4(d) of part II of Schedule V of the Companies Act, 1956:

**QUANTITATIVE DETAILS**

	Qty	31.03.2011 Value (Rs)	Qty	31.03.2010 Value (Rs)
<b>MANUFACTURING</b>				
i) Purchase of Fabrics	190 Kg	37,958	0	0.00
	5,046 Mtrs	1,27,525	0	0.00
	1,360 Pcs	24,705	0	0.00
		<u>1,90,188</u>		<u>0.00</u>
<b>PRODUCTION</b>				
Garments	917 Pcs			
i) Sale of Garments	917 Pcs	6,44,545	93 Pcs	4,650.00
ii) Sale of Fabrics	0	0	20,034.90 Mtrs	9,88,543.00
			615 Kgs	
		<u>6,44,545</u>		<u>9,93,193.00</u>
<b>TRADING</b>				
	Qty	Value (Rs)	Qty	Value (Rs)
i) Purchase of Fabric	41,451.00 Mtrs	10,47,577	1,096 Mtrs	1,12,888.00
ii) Purchase of Ties	0	0.00	0	0.00
iii) Purchase of Garments	7,166 Pcs	8,85,201	5,195 Pcs	2,63,050.00
		<u>19,32,778</u>		<u>3,75,938.00</u>
i) Sale of Fabric	35,149.25 Mtrs	9,04,012	1,096 Mtrs	1,37,000.00
ii) Sale of Garments	971 Pcs	37,940	4,630 Pcs	2,64,795.00
iii) Sale of Fabrics	2,926 Kgs	7,54,150	0	0
iv) Misc Sale		16,875		
		<u>17,12,977</u>		<u>4,01,795.00</u>
	Qty	Value (Rs)	Qty	Value (Rs)
Opening Stock :				
Fabric	0 Mtrs	0	20,034.90 Mtrs	8,87,830.00
	3 Kgs	690	618 Kgs	
Tie	31 Pcs	2,053.00	31 Pcs	3,285.00
Garments	2,091 Pcs	1,02,953	1,619 Pcs	63,124
		<u>1,05,696</u>		<u>9,54,239</u>
Closing Stock :				
Fabric	6301.75 Mtrs	1,19,742	0 Mtrs	0
	0 Kgs .	0	3 Kgs	690
Ties	31 Pcs	2,053.00	31 Pcs	2,053.00
Garments	5,363 Pcs	3,65,840	2,091 Pcs	1,02,953
Labels	5000 Pcs	5099.10		
		<u>4,92,734</u>		<u>1,05,696</u>
Raw Material Consumed				
Fabric and Trims		2,24,077		0

**(10) CONSUMPTION OF STORES & SPARES:**

	Value (Rs.)	31.03.2011 % of Total	Value (Rs.)	31.03.2010 % of Total
a) Imported	-	-	-	-
b) Indigenous	14,998.00	100%	3,581.00	100.00%
TOTAL	14,998.00	100%	3,581.00	100.00%

**(11) C.I.F. Value of Imports :**

	31.03.2011 Rs.	31.03.2010 Rs.
a) Raw Materials	NIL	NIL
b) Stores and Spares	NIL	NIL
TOTAL	NIL	NIL

**(12) Expenditure in Foreign Currency :**

NIL



(13) Earning in Foreign Exchange :	31.03.2011	31.03.2010
F.O.B. Value of Exports	NIL	NIL

## (14) Related Party disclosure under Accounting Standard 18

## (i) Information about related party as required by AS-18

Sr. No.	Related Party	Relationship
1.	Subhash Knitting Industries	Sister Concern
2.	Pragati Impex	Relative of Key Mgt. Personnel
3.	Subhash Fabrics Pvt. Ltd.	Sister Concern
4.	Subhash Trading Corp.	Sister Concern
5.	Subhash Mehra	Key Mgt Personnel
6.	Dhiraj Mehra	Mng. Personnel
7.	Sumeet Mehra	Mng. Personnel
8.	Nandini Dhowan	Relative of Director

## (ii) Information about related party transactions

Related Party	Desc. Of Transaction	Payment	Rs. In Lakhs	
			Receipt	O/s as on 31.03.2011
1. Subhash Knitting Ind.	Loan	47.72	10.80	11.97 (Cr)
2. Pragati Impex	Creditors	19.47	1.84	2.94 (Cr)
3. Subhash Mehra	Director	6.00	-	
4. Dhiraj Mehra	Director	9.00	-	
	Remuneration			
5. Subhash Trading Corp	Creditors	24.51	25.14	22.10 (Cr)
6. Subhash Mehra	Loan Taken	56.10	46.53	58.76 (Cr)
7. Dhiraj Mehra	Loan Taken	6.00	39.04	44.61 (Cr)
8. Sumeet Mehra	Loan Taken	36.54	44.85	62.07 (Cr)
9. Subhash Fabrics P Ltd	Creditors	3.65	3.84	1.97 (Cr)
10. Nandini Dhowan	Salary	3.00		

## (15) Calculation of Basic &amp; Diluted Earnings Per Share :

(a) Net Profit / Loss as per Profit & Loss Account	31.03.2011	31.03.2010
(b) Weighted Average No. of Shares	Rs.8,28,732	3,19,501
(c) Basic & Diluted Earnings Per Share	42,40,500	42,40,500
	Rs.0.20	Rs.0.08

(16) The Company is in the process of identifying suppliers concerned under SME and is yet to ascertain the account for liability, if any, in this regard which is however not expected to be material.

## (17) SEGMENT REPORTING

Since the Company is dealing in only one segment i.e. Textile and hence Segment reporting is not applicable.

(18) Figures have been rounded off to the nearest rupee.

(19) Previous years figures have been regrouped wherever necessary.

(20) The statement of significant accounting policies and the notes form an integral part of the accounts for the period ended.

(21) Previous period figures have been regrouped/reclassified wherever necessary.

As per our report of even date For and on Behalf of the Board  
For S. M. Kapoor & Co.  
Chartered Accountants

**SHEKHAR  
GUPTA**  
Partner

**SUBHASH  
MEHRA**  
Director

**DHIRAJ  
MEHRA**  
Director

**MANOHARLAL  
KAPUR**  
Director

Place : Mumbai  
Date : 28<sup>th</sup> July, 2011

## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE PERIOD APRIL 2010 TO MARCH, 2011

	1 <sup>st</sup> April, 2010 to 31 <sup>st</sup> March, 2011 Rs.	1 <sup>st</sup> April, 2009 to 31 <sup>st</sup> March, 2010 Rs.
<b>A. Cash Flow from Operating Activities</b>		
a) Net profit before Tax & extraordinary items	13,93,732	9,84,499
Adjustment for :		
Depreciation	27,38,128	25,97,530
Interest	2,79,715	3,76,677
Provision for Tax	(5,65,000)	(6,65,000)
Prior Year Tax Adjustments	0	(1,757)
Loss on sale of Fixed Assets	0	0
	24,52,843	2,41,711
b) Operating Profit before Working Capital Changes	38,46,575	35,33,661
Adjustment for :		
Trade & Other receivables	5,08,656	(18,29,644)
Inventories	(3,87,038)	8,48,543
Trade Payables	(4,16,776)	(3,93,707)
	(2,95,158)	(3,93,707)
c) Cash Generated from operations	35,51,417	21,58,853
Interest paid	2,79,715	3,76,677
d) Cash flow before Extraordinary items	32,71,702	17,82,175
Extraordinary items	0	0
Net Cash flow from Operating Activities	32,71,702	17,82,175
<b>B. Cash Flow from Investing Activities</b>		
Sale of Fixed Assets	0	4,00,000
Sale of Investments	0	0
Purchase of Fixed Assets	(71,09,275)	(23,89,874)
Net Cash flow from Investing Activities	(71,09,275)	(19,89,874)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of Capital (inclusive of Premium & Exclusive of Bonus shares)	0	0
Proceeds from borrowing	30,62,937	17,616
	30,62,937	17,616
<b>D. Net Increase/(Decrease) in Cash and Cash Equivalent (A+B+C)</b>	(7,74,636)	(1,90,083)
Cash and Cash Equivalent at the beginning of the year	11,70,986	13,61,069
Cash and Cash Equivalent at the end of the year	3,96,349	11,70,986

For S. M. Kapoor & Co.  
Chartered Accountants

For & on behalf of the Board

**SHEKHAR  
GUPTA**  
PARTNER  
Membership No. 15622  
Place : Mumbai  
Date : 28th July, 2011

**SUBHASH  
MEHRA**  
DIRECTOR

**DHIRAJ  
MEHRA**  
DIRECTOR

**MANOHARLAL  
KAPUR**  
DIRECTOR

## Chief Executive Officer and Chief Financial Officer Certification

We, Manoharlal Kapur, non-executive director of the Company and Dhiraj Mehra, Chief Financial and Compliance Officer of the Company, to the best of our knowledge and belief certify that :

1. We have reviewed financial statements and the cash flow statement for the period ended 31st March, 2011 and to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulation.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit committee :
  - (i) significant changes in internal control over financial reporting during the year.
  - (ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) any fraud, which we have become aware and that involves the Management of other employee who have significant role in the Company's internal control systems.
5. It is further declared that all the board members and senior management have affirmed compliance with the Company's Code of Conduct.

Manoharlal Kapur  
*Non-Executive Director*

Dhiraj Mehra  
*Chief Financial &  
Compliance Officer*

Place : Mumbai  
Date : 28th July, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
31<sup>ST</sup> MARCH 2011**

I. Registration No. 

1	4	8	6	8
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II Capital Raised during the year (Amount in Rs. Thousand)

Public Issue <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Right Issue <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					
Bonus Issue <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Private Placement <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					

III Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousand)

Total Liabilities <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>0</td><td>5</td><td>5</td><td>0</td><td>8</td></tr></table>	1	0	5	5	0	8	Total Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>0</td><td>5</td><td>5</td><td>0</td><td>8</td></tr></table>	1	0	5	5	0	8
1	0	5	5	0	8								
1	0	5	5	0	8								

Source of Funds Paid-up Capital <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>4</td><td>0</td><td>4</td><td>9</td><td>4</td></tr></table>	4	0	4	9	4	Reserves & Surplus <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>4</td><td>5</td><td>9</td><td>8</td><td>2</td></tr></table>		4	5	9	8	2
4	0	4	9	4								
	4	5	9	8	2							
Secured Loans <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td></td><td>2</td><td>4</td><td>3</td><td>0</td></tr></table>			2	4	3	0	Unsecured Loans <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>6</td><td>6</td><td>0</td><td>2</td></tr></table>	1	6	6	0	2
		2	4	3	0							
1	6	6	0	2								

Application of Funds Net Fixed Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>5</td><td>2</td><td>4</td><td>3</td><td>0</td></tr></table>		5	2	4	3	0	Investments <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>3</td><td>3</td></tr></table>	3	3											
	5	2	4	3	0															
3	3																			
Net Current Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>(-)</td><td></td><td>1</td><td>2</td><td>0</td><td>1</td><td>2</td></tr></table>	(-)		1	2	0	1	2	Misc. Expenditure <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td></td><td></td><td></td><td>0</td></tr></table>					0	Accumulated Losses <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>6</td><td>5</td><td>0</td><td>5</td><td>7</td></tr></table>		6	5	0	5	7
(-)		1	2	0	1	2														
				0																
	6	5	0	5	7															

IV. Performance of Company (Amount in Rs. Thousand)

Turnover <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>1</td><td>3</td><td>5</td><td>3</td><td>9</td></tr></table>		1	3	5	3	9	Total Expenditure <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>1</td><td>2</td><td>1</td><td>4</td><td>5</td></tr></table>		1	2	1	4	5
	1	3	5	3	9								
	1	2	1	4	5								

Profit/Loss Before Tax  +   - <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>√</td><td></td></tr></table> 1394	√		Profit/Loss After Tax  +   - <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>√</td><td></td></tr></table> 829	√	
√					
√					
Earning Per Share Rs. <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>0.20</td></tr></table>	0.20	Dividend Rate % <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>NIL</td></tr></table>	NIL		
0.20					
NIL					

V. Generic names of three principle product/services of Company (as per Monetary Terms)  
Item Code No. 551512  
(ITC Code)  
Product Description – Art Silk & Polyester Fabrics.