



**Subhash** Silk Mills Limited

**38th**  
**Annual Report**  
**2007-2008**



## 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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## **NOTICE**

NOTICE is hereby given that the 38th 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 Tuesday, 30th September, 2008 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, 2008 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 Manoharlal Kapur who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Dhiraj Mehra 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 : 31st July, 2008

**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 23rd September, 2008 to 30th September, 2008 (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.

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#### **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 : 31st July, 2008

**SUBHASH V. MEHRA**  
Managing Director

## DIRECTOR'S REPORT

TO THE MEMBERS

Your Directors hereby present the 38th Annual Report along with the Audited Accounts of the Company for the year ended (9 months) 31st March, 2008.

### I. FINANCIAL RESULTS :

	For the year Ended 31.03.08 Rs. (Lakhs) (9 months)	For the year Ended 30.06.07 Rs. (Lakhs)
1. Total Income	57.99	159.12
2. Profit / Loss Before Depreciation, Interest and Taxes	19.95	110.36
3. Less : Interest	5.54	6.08
Depreciation	17.17	25.72
4. Profit / Loss Before Tax	(-) 2.64	78.56
5. Less : Provision for Taxes	2.28	0.92
6. Profit / Loss After Tax	(-) 4.92	77.64
7. Add : Balance b/f. from the Previous Year	(-)638.02	(-) 950.55
8. Less : Prior Year Tax Adjustments	(-) 0.17	(-) 2.12
8. Add : Impairment of Assets	0.00	237.00
9. Amount Available for Appropriation	(-) 643.11	(-) 638.02
APPROPRIATIONS :		
(i) Proposed Dividend on Equity	0.00	0.00
(ii) General Reserve	0.00	0.00
(iii) Balance carried to Balance Sheet	(-) 643.11	(-) 638.02

The Company's property at Khopoli has been fully leased out. We have also erected new buildings on the property and the premises are being rented to various clients. The said warehousing contracts have yielded an income of Rs.53.11 Lakhs in the current 9 month period under review and will yield about Rs.98 Lakhs in the next complete financial year.

Your Company has made sale of Readymade Garments to the service sector. We are procuring running orders from a few Corporate entities and Hotels for supply of uniforms for their staff.

### II. DIVIDEND:

Your Directors do not recommend any Dividend for the year ended 31<sup>st</sup> March, 2008 in view of the brought forward accumulated losses.

### III. FUTURE OPPORTUNITIES

Your Company is currently exploring new avenues of business in Textile:

- (a) We are in discussion with various buyers of textiles for sale of fabrics. We hope to start sales to a few of these buyers in the next couple of months and expect the trading turnover to be about Rs. 1 Crore for the financial year ending 31.03.2009.

### IV. 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.

**V. PERFORMANCE**

Sales for the current period are Rs.2.17 Lakhs. Further the Company has received Warehousing Charges of Rs 53.11 Lakhs.

**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 due to the lock-out.

**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 Sharegistry (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. DIRECTORS**

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

**X. 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.

**XI. 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.

**XII. 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

**SUBHASH MEHRA**  
Chairman

Place : Mumbai  
Dated: 31<sup>st</sup> July, 2008

# 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 five 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 2007-2008		
	Board meetings held during tenure as Director	Board Meeting attended	Last AGM
Shri Subhash V. Mehra (C)	4	4	Yes
Shri Sumeet S. Mehra (ED)	4	3	No
Shri Dhiraj S. Mehra	4	4	Yes
Shri Lav Kumar Vadehra (I)	4	4	Yes
Shri Manoharlal Kapur (I)	4	4	Yes
Shri Radhe Mohan Malhotra (I)	4	4	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 (ED)	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 9 month period ended 31st March, 2008, four Board Meetings were held as against the minimum requirement of three meetings. The meetings were held on, 27th July, 2007, 24th October, 2007, 21st December, 2007 and 31st January, 2008.

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 Manoharlal Kapur**, aged 77 years. He is a Chartered Accountant from Mumbai. He has been practicing since over 30 years and is highly experienced in Financial, Accounting and Income Tax Law. He has a wealth of experience, especially in taxation matters.
- (ii) **Shri Dhiraj Mehra**, aged 33 years is a BBA in Marketing from University of Notre Dame, USA. His marketing skills will be an asset to the Company and he is also very well versed in Legal, Financial and Taxation matters.

### **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 9 month period ended 31st March, 2008, the Committee has met three times. The meetings were held on 27th July, 2007, 24th October, 2007 and 31st January, 2008. 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 2007-08	No. of Board Meetings Held		Attended Last AGM
	(in Rs.)	(in Rs.)	(In Rs.)	Held	Attended	
Shri Subhash V. Mehra	-	-	-	4	4	Yes
Shri Sumeet S. Mehra	-	-	-	4	3	Yes
Shri Dhiraj S. Mehra	-	-	-	4	4	Yes
Shri Lav Kumar Vadehra	-	-	-	4	4	Yes
Shri Manoharlal Kapur	-	-	-	4	4	Yes
Shri Radhe Mohan Malhotra	-	-	-	4	4	Yes

**Executive Directors**

Executive Director	Relationship with other Directors	Business Relationship with the Company, if any	Remuneration paid during 2007-08			
			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 Shri Dhiraj & Sumeet Mehra	Managing Director	Rs.2,70,000	Rs.2,70,000	See note (a)	See note (c)
Shri Dhiraj S. Mehra	Son of Shri Subhash Mehra	Executive Director	Rs.1,80,000	Rs.1,80,000	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. 25-October-2006. 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, 2008 were NIL.

No requests for transfer or dematerialization were pending for approval as on 31st March, 2008.

#### 4. General Body Meetings

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

Year	Location	Date	Time
2004-2005	Indian Merchants Chamber, Mumbai	27 Dec 05	11.30am
2005-2006	Indian Merchants Chamber, Mumbai	19 Dec 06	11.30am
2006-2007	Indian Merchants Chamber, Mumbai	21 Dec 07	11.30am

II. Special Resolution

A Special Resolution was passed appointing Shri Manoharlal Kapur as Director, at the Annual General Meeting held on 27th December, 2005.

A Special Resolution was passed appointing Shri Radhe Mohan Malhotra as Director, at the Annual General Meeting held on 27th December, 2005.

A Special Resolution was passed re-appointing Shri Subhash Mehra as Chairman and Managing Director, at the Annual General Meeting held on 27th December, 2005.

A Special Resolution was passed re-appointing Shri Sumeet Mehra as Executive Director, at the Annual General Meeting held on 27th December, 2005.

A Special Resolution was passed appointing Shri Dhiraj Mehra as Executive Director, at the Annual General meeting held on 19th December, 2006

III. Postal Ballot

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

#### 5. 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 wherein 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.

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#### 6. General Shareholder Information

##### I. Annual General Meeting

Date & Time :

Tuesday, 30th September, 2008

Venue :

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

##### II. Financial Calendar 2008-09 (tentative)

Results for quarter ended 30-June-08

Results for quarter ended 30-Sep-08

Last week of July, 2008

Results for quarter ended 31-Dec-08

Last week of October, 2008

Results for quarter ended 31-Mar-09

Last week of January, 2009

Annual General Meeting

Last week of April, 2009  
September, 2009

##### III. Book Closure Date

Tuesday, 23rd September, 2008 to Tuesday, 30th  
September, 2008  
(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 2008-09.
- VII. Stock Code** The Bombay Stock Exchange – “530231”  
Scrip ID – “SUBSM”
- VIII. Registrar & Transfer Agent** M/s. Purva Sharegistry (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, 2008**

Category		%
Promoters		71.35
Financial Institutions / Banks / Mutual Funds	4.68	
FII's / NRI / OCBs		0.00
Bodies Corporate	6.29	
Others		<u>17.68</u>
<b>Total</b>		<b><u>100.00</u></b>

**XI. Dematerialisation of Shares**

Approximate 7.50% of the company's paid up equity has been dematerialised upto 31st March, 2008. 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 unecashed dividends for the year 2000-01 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, 2008 (9 months period), 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, 31st July, 2008

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**AUDITORS' REPORT**

**AUDITOR'S REPORT**

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

1. We have audited the attached Balance Sheet of **Subhash Silk Mills Ltd.** as on 31<sup>st</sup> March 2008 and also the Profit & Loss Account of the Company and the cash flow statement for the period 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 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2008 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. (vi) to the notes to the accounts regarding non-provision for leave encashment.

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 31<sup>st</sup> March, 2008;
- (ii) in the case of Profit & Loss Account of the **Loss** for the period ended on that date.
- (iii) in the case of the cash flow statement for the period ended on that date.

for S.M. Kapoor & Co.  
Chartered Accountants

Place: Mumbai  
Date : 31<sup>st</sup> July, 2008.

**(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 period 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 period 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 period which has not affected the going concern.
- (iii) In respect of its Inventories:
  - (a) In our opinion, the management at reasonable intervals has physically verified the finished goods, 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 6 parties covered in register u/s 301 aggregating to Rs.1,02,59,175.
  - (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, there is no transaction in excess of Rs. 5 lakhs in respect of any party and hence the question of reasonable prices in respect of such transactions regards to the prevailing market prices does not arise.
- (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, Sales-tax, 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 period.
    - (i) There is no disputed dues of Sale Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess.
- (xi) According to the information and explanation given to us, the company has accumulated losses at the end of the financial period, which is more than 50% of its net worth. However, the company has no cash losses in the current financial period or in the preceding period.
- (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 period.
- (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 period for long term investment and vice versa, other than temporary deployment pending application.
- (xvii) The Company has not made any preferential allotment during the period.
- (xviii) The company has not issued any debentures during the period under review.
- (xix) The Company has not raised any money by public issue during the period.
- (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 period.

for S.M. Kapoor & Co.  
Chartered Accountants

**(Shekhar Gupta)**  
**Partner**

Place: Mumbai  
Date: 31st July, 2008

Membership No. 15622

## BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule		31.03.2008 Rs.		30.06.2007 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	2,146,051		2,198,235	
Unsecured Loans	4	14,483,367	17,331,614	13,555,394	15,753,629
			103,105,226		102,229,437
<b>APPLICATION OF FUNDS</b>					
Gross Block		72,689,970		71,654,273	
Less :Depreciation		21,411,656		19,694,365	
Net Block	5	51,278,314		51,959,908	
Capital Work-in-Progress		115,095	51,393,409	-	51,959,908
<b>INVESTMENTS</b>	6	33,100	33,100	75,600.00	75,600.00
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	7	3,085,334		2,796,113	
Sundry Debtors	8	539,941		665,419	
Cash and Bank Balances	9	1,300,689		781,040	
Loans and Advances	10	254,142		407,765	
		5,180,106		4,650,337	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
Liabilities	11	17,556,236		16,559,262	
Provision for Taxation		257,000		121,300	
		17,813,236		16,680,562	
<b>NET CURRENT ASSETS</b>			(12,633,130)		(12,030,225)
<b>PROFIT &amp; LOSS ACCOUNT</b>			64,311,847		63,802,139
			103,105,226		103,807,422
<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

**SUMEET  
MEHRA**  
Director

**LAV KUMAR  
VADEHRA**  
Director

Place : Mumbai  
Date : 31st July, 2008



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

		31.03.2008		30.06.2007
	Schedule	Rs.		Rs.
<b>INCOME</b>				
Sales	12	216,811		9,144,534
Other Income:	13			
a. Operating Income		39,693	127,697	
b. Non Operating Income		5,311,585	7,194,591	7,322,288
Increase/(Decrease)in Stocks	14	230,660		(554,788)
		5,798,749		15,912,034
<b>EXPENDITURE</b>				
Materials consumed	15	366,411		834,605
Manufacturing Expenses	16	752,257		587,764
Payment to Employees'	17	821,485		1,460,861
Administrative Expenses	18	1,536,993		1,407,880
Selling& Other Expenses	19	326,518		583,962
Interest	20	542,278		608,093
Depreciation		1,717,292		2,572,137
		6,063,234		8,055,302
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE EXTRAORDINARY ITEMS</b>		(264,485)		7,856,732
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION</b>		(264,485)		7,856,732
Provision for Taxation		150,000		0
Provision for FBT		78,000		92,300
<b>PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION</b>		(492,485)		7,764,432
Balance Brought forward		(63,802,139)		(95,055,019)
Prior Year Tax Adjustments		(17,223)		(211,552)
Impairment of Assets		0		23,700,000
<b>BALANCE CARRIED FORWARD TO BALANCE SHEET</b>		(64,311,847)		(63,802,139)
<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

**SUMEET MEHRA**  
Director

**LAV KUMAR VADEHRA**  
Director

Place : Mumbai  
Date : 31st July, 2008

## SCHEDULES FORMING PART OF ACCOUNTS

	31.03.2008 Rs.	30.06.2007 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>50,000,000.00</u>	<u>50,000,000.00</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)	42,405,000	42,405,000
Less : Calls in arrears	<u>1,911,192</u> 40,493,808	<u>1,911,192</u> 40,493,808
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>REVALUATION RESERVES</b>		
<b>SHARE PREMIUM</b> 55,220,000		55,220,000
Less : Calls in arrears <u>9,238,000</u>	45,982,000	<u>9,238,000</u> 45,982,000
	<u>45,982,000</u>	<u>45,982,000</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
Car Loan – From Banks (Secured Ag. Hypothecation of Cars)	2,146,051	2,198,235
	<u>2,146,051</u>	<u>2,198,235</u>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
A. From Banks	3,224,192	4,561,499
B. From Directors	9,775,431	7,846,595
C. % Non Convertible Debentures	1,000,000	1,000,000
D. From others (shareholders)	483,744	147,300
	<u>14,483,367</u>	<u>13,555,394</u>

Note :- One Lakh - 0% Non Convertible Debentures of Rs.10 each have been issued to the Shareholders. The Debentures were redeemable at par to the holder on expiry of eight years from the Date of Allotment. These Debentures have been rolled over for a further period of two more years from 30.06.06 to 30.06.08.

## SCHEDULES FORMING PART OF ACCOUNTS (contd)

### SCHEDULE 5 : FIXED ASSETS

	Gross Block				Depreciation				Net Block	
	Cost as on 30 June, '07	Additions	Deductions/ Transfers	Cost as on 31 Mar, '08	As on 30 June, '07	For the Year	Deduction/ Transfer	As on 31 Mar, '08	As At 31 Mar, '08	As at 30 June, '07
Land-Freehold	5533502	471238.00	0.00	6004740.00	0.00	0.00	0.00	0.00	6004740.00	5533502.00
Factory Building	59625684.00	0.00	0.00	59625684.00	17000206.00	1493625.00	0.00	18493831.00	41131853.00	42625478.00
Electrical Installation	3099601.00	0.00	0.00	3099601.00	2243384.00	164356.00	0.00	2407740.00	691861.00	856217.00
Computer	107615.00	0.00	0.00	107615.00	25189.00	13083.00	0.00	38272.00	69343.00	82426.00
Vehicles	3275181.00	426639.00	0.00	3701820.00	425182.00	42803.00	0.00	467985.00	3233835.00	2849999.00
Office Equipment	12690.00	137820.00	0.00	150510.00	403.00	3425.00	0.00	3828.00	146682.00	12287.00
<b>Total</b>	<b>71654273.00</b>	<b>1035697.00</b>	<b>0.00</b>	<b>72689970.00</b>	<b>19694364.00</b>	<b>1717292.00</b>	<b>0.00</b>	<b>21411656.00</b>	<b>51278314.00</b>	<b>51959908.00</b>
P.Y.	66781461.00	5022812.00	180000.00	71654273.00	17129353.00	2572137.00	7125.00	19694365.00	51959908.00	49652108.44

31.03.2008

30.06.2007

Rs.

Rs.

### SCHEDULE 6 : INVESTMENTS

(Unquoted unless otherwise stated)

#### NON TRADE AT COST

i) In Government Security

National Savings Certificates

0

42,500

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

33,100

75,600

### SCHEDULE 7 : INVENTORIES

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

Raw Materials

229,571

171,010

Finished Goods

2,885,763

2,625,103

3,085,334

2,796,113

### SCHEDULE 8 : SUNDRY DEBTORS

(Unsecured considered good)

Over six months

522,815

523,245

Others

17,126

142,174

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

539,941

665,419

## SCHEDULES FORMING PART OF ACCOUNTS (contd)

	31.03.2008	30.06.2007
	Rs.	Rs.
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
Cash on hand	859,439	292,352
Scheduled Banks		
- in current account	441,250	438,688
- in deposit account	0	50,000
	1,300,689	781,040
<b>SCHEDULE 10 : LOANS AND ADVANCES</b>		
(Unsecured Considered good)		
Advances recoverable in cash or in kind for value to be recd.	71,092	104,866
Deposits	75,050	302,899
Advance Tax including TDS	108,000	0
	254,142	407,765
<b>SCHEDULE 11 : LIABILITIES</b>		
Sundry Creditors for goods	9,309,763	10,296,713
Sundry Creditors for expenses	478,175	614,103
Other Liabilities	7,768,298	5,648,446
	17,556,236	16,559,262
<b>SCHEDULE 12 : SALES</b>		
Cloth Sales	0	317,984
Sale of Racks	0	950,400
Professional Charges	0	7,717,000
Garment Sales	216,811	159,150
	216,811	9,144,534
<b>SCHEDULE 13 : OTHER INCOME</b>		
Warehousing Charges Received	5,311,585	3,314,785
Interest on I.T. Refund	0	354,670
Miscellaneous Receipts	39,693	127,697
Sundry Balances W/off.	0	3,525,136
	5,351,278	7,322,288
<b>SCHEDULE 14 : INCREASE/(DECREASE) IN STOCKS</b>		
Closing Stock of finished goods	2,855,763	2,625,103
Less : Opening Stock of Finished Goods	2,625,103	3,179,891
	230,660	(554,788)
<b>SCHEDULE 15 : MATERIALS CONSUMED</b>		
Opening Stocks		
Raw Materials	171,010	362,202
Work-in-Progress	0	0
Purchases	424,972	643,413
	595,982	1,005,615
Closing Stocks		
Raw Materials	229,571	171,010
Work-in-Progress	0	0.00
	229,571	171,010
	366,411	834,605

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

31.03.2008

30.06.2007

Rs.

Rs.

**SCHEDULE 16 : MANUFACTURING & OTHER EXPENSES**

Stores and Spares consumed	2,645	5,227
Processing Charges	47,874	133,443
Sampling Charges	8,913	15,838
Testing & Inspection Charges	0	1,448
Power and Fuel	786	115,237
Repairs to Building	672,537	305,339
Octroi, Freight and Cartage	19,502	11,232
	<u>752,257</u>	<u>587,764</u>

**SCHEDULE 17 : PAYMENT TO EMPLOYEES'**

Salary, Wages and Bonus	294,500	875,751
Directors Remuneration	450,000	524,000
E.S.I.C.	0	8,925
Gratuity Paid	26,930	0
Staff Welfare	50,055	52,185
	<u>821,485</u>	<u>1,460,861</u>

**SCHEDULE 18 : ADMINSTRATIVE EXPENSES**

Travelling & Conveyance (including Rs.0.00 Lacs of Directors, P.Y. 0 Lacs)	95,826	142,257
Insurance	74,700	49,369
Rates and Taxes	35,716	57,128
Postage, Telegram and Telephones	68,586	205,596
Legal and Professional Charges	346,614	310,715
Books & Periodicals	2,890	2,150
Audit Fees	12,627	16,854
Printing & Stationery	13,439	15,614
Motor Car Expenses	248,822	359,256
Miscellaneous Expenses	555,568	185,341
Other Repairs	82,205	63,600
	<u>1,536,993</u>	<u>1,407,880</u>

**SCHEDULE 19 : SELLING & OTHER EXPENSES**

Commission and Brokerage	173,550	212,560
Loss on Sale of Motor Car	0	35,875
Selling Expenses	152,968	335,527
	<u>326,518</u>	<u>583,962</u>

## SCHEDULES FORMING PART OF ACCOUNTS (contd)

	31.03.2008 Rs.	30.06.2007 Rs.
<b>SCHEDULE 20 : INTEREST</b>		
Banks	531,361	566,772
Interest on Service Tax & TDS	5,401	760
Interest on Sales Tax	0	20,865
Bank Charges	5,516	19,696
	<u>542,278</u>	<u>608,093</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) 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.

##### (iv) SALES

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

##### (v) RECOGNITION OF REVENUE

- (a) Sales : Sales is recognized as and when the goods are despatched to the party.

##### (vi) RETIREMENT BENEFIT SCHEMES

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

- (a) Employers contributions to Provident Funds has been charged to P&L A/c on accrual basis.
- (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.

##### (vii) 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.

(viii) METHOD OF ACCOUNTING

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

(ix) 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.

(x) 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.

(xi) INVESTMENTS

All long term Investments are valued at cost.

(xii) 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.

(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.

(xv) SEGMENT REPORTING

Based on the principles laid down in Accounting Standard 17 issued by the Institute of Chartered Accountants of India, the Company has only one segment of business and as such no segmented reporting is given.

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 and provision has been made in the books of account where required.

(3) Retirement Benefit Scheme (Employees not covered by the MOU) :

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 loss of the Company has been understated 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 loss of the Company has been understated to that extent.

(4) The Company has not made any provisions for deferred tax asset and liability 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, which came into effect from 1st April 2004, the Management carried out an internal impairment test as of 30th June, 2007 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 :	31.03.08	30.06.07
	Rs.	Rs.
Audit fees	7,500.00	10,000.00
Tax Audit	3,750.00	5,000.00
Service Tax	<u>1,377.00</u>	<u>1,854.00</u>
TOTAL	12,627.00	16,854.00

(8) Capital Work in Progress:	31.03.2008	30.06.2007
	Rs.	Rs.
Building Under Construction	<u>Rs.1,15,095.00</u>	<u>Rs. 0.00</u>
TOTAL	<u>Rs.1,15,095.00</u>	<u>Rs. 0.00</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	31.03.2008 (9 months) Value (Rs)	Qty	30.06.2007 Value (Rs)
<b>MANUFACTURING</b>				
(i) Purchase of Fabrics	2,323mts.	45,300.00	1,269 Mts	1,36,317.00
(i) Purchase of Raw Material (for Racks)	0pcs	<u>0.00</u>	1,681 Pcs	<u>3,93,326.00</u>
		<u>45,300.00</u>		<u>5,29,643.00</u>
(i) Sale of Racks	0pcs	0.00	45pcs	9,50,400.00
(ii) Sale of Garments	598pcs	1,91,044.00	346 Pcs	1,59,150.00
(iii) Sale of Fabrics	69mts	<u>12,367.00</u>	0mts	<u>0.00</u>
		<u>2,03,411.00</u>		<u>11,09,550.00</u>
<b>TRADING</b>				
(i) Purchase of Fabric	6,737mts	3,36,709.00	1207mts	1,13,770.00
(ii) Purchase of Ties	89 pcs	<u>6,131.00</u>	0 pcs	<u>0.00</u>
		<u>3,42,840.00</u>		<u>1,13,770.00</u>
(i) Sale of Fabric	0mts	0.00	24868 Mts	3,17,975.00
(ii) Sale of Ties	58 pcs	<u>13,400.00</u>	0 pcs	<u>0.00</u>
		<u>13,400.00</u>		<u>3,17,975.00</u>
Opening Stock :	Qty	Value (Rs)	Qty	Value (Rs)
Fabric	1,06,134 mts	27,96,113.00	1,30,984mts	31,79,891.00
Raw Material for Racks	0 pcs	<u>0.00</u>	707 pcs	<u>3,62,202.00</u>
		<u>27,96,113.00</u>		<u>35,42,093.00</u>
Closing Stock :				
Fabric	113447.34mts	30,82,049.00	1,06,134mts.	27,96,113.00
Ties	31pcs	<u>3,285.00</u>	0pcs	<u>0.00</u>
		<u>30,85,334</u>		<u>27,96,113.00</u>
Raw Material Consumed				
Fabrics & Trims	1308.14mts.	<u>6,83,758.00</u>		<u>0.00</u>

(10) CONSUMPTION OF STORES & SPARES:

	31.03.2008	30.06.2007
	Value (Rs.)	Value (Rs.)
a) Imported	-	-
b) Indigenous	<u>0.00</u>	<u>5,227.00</u>
TOTAL	0.00	5,227.00
	% of Total	% of Total
	-	-
	<u>100.00%</u>	<u>100.00%</u>
	100.00%	100.00%



(11) C.I.F. Value of Imports :	31.03.2008	30.06.2007
	Rs.	Rs.
a) Raw Materials	NIL	NIL
b) Stores and Spares	NIL	NIL
c) Capital Goods (Travelling Exp.)	NIL	NIL
d) Capital Goods (Looms)	<u>NIL</u>	<u>NIL</u>
TOTAL	NIL	NIL

(12) Expenditure in Foreign Currency :  
Traveling Expenses NIL NIL

(13) Earning in Foreign Exchange :  
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 Dhawan	Relative of Director
9.	Kamlavati Mehra	Relative of Director
10.	Nameeta Mehra	Relative of Director
11.	Ved Prakash Mehra	Relative of Director

(ii) Information about related party transactions Rs. In Lakhs

Related Party	Desc. Of Transaction	Payment	Receipt	O/s as on 31.03.2007
1. Subhash Knitting Ind.	Purchase of Fabric	1.23	-	47.10 (Cr)
2. Pragati Impex				20.28 (Cr)
3. Subhash Mehra	Director Remuneration	2.70	-	
4. Dhiraj Mehra	Director Remuneration	1.80	-	
5. Nandini Dhawan	Salary	0.54	-	
6. Subhash Trading Corp	Purchase of Cloth	1.06	-	22.35 (Cr)
7. Subhash Mehra	Loan Taken	-	0.28	77.36 (Cr)
8. Dhiraj Mehra	Loan Taken		2.85	3.82 (Cr)
9. Kamlavati Mehra	Loan Taken			0.35 (Cr)
10. Nameeta Mehra	Loan Taken	0.42	-	0
11. Ved Prakash Mehra	Loan Taken	-	-	0.70 (Cr)
12. Sumeet Mehra	Loan Taken	-	16.16	16.57 (Cr)

(15) 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.

(16) Calculation of Basic & Diluted Earnings Per Share :

(a) Net Profit / Loss as per Profit & Loss Account	Rs.(-)4,92,485.00
(b) Weighted Average No. of Shares as on 30.06.2006	42,40,500
(c) Basic & Diluted Earnings Per Share	Rs.(-)0.12

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

(18) Paise have been rounded off where applicable.

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

(20) Current period figures are for the period from 1<sup>st</sup> July 2007 to 31<sup>st</sup> March 2008 i.e. for 9 months and hence not comparable with the previous year figures.

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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

**Sumeet Mehra**  
Director

**Lav Kumar Vadehra**  
Director

Place : Mumbai  
Date : 31st July, 2008

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## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE PERIOD JULY 2007 TO MARCH 2008

	1st July, 2007 to 31st March, 2008 Rs.	2006-2007 Rs.
<b>A. Cash Flow from Operating Activities</b>		
a) Net profit before Tax & extraordinary items	(264,485)	7,856,732
Adjustment for :		
Depreciation	1,717,292	2,572,137
Interest	542,278	608,093
Provision for Tax	(228,000)	0
Prior Year Tax Adjustments	(17,223)	0
Bad Debts W/Off.	<u>0</u>	<u>35,875</u>
	2,014,348	3,216,105
b) Operating Profit before Working Capital Changes	1,749,862	11,072,837
Adjustment for :		
Trade & Other receivables	279,101	827,936
Inventories	(289,221)	745,980
Trade Payables	<u>(445,311)</u>	<u>(12,730,398)</u>
	(455,430)	(11,156,482)
c) Cash Generated from operations	<u>1,294,432</u>	<u>(83,645)</u>
Interest paid	542,278	608,093
d) Cash flow before Extraordinary items	<u>752,154</u>	<u>(691,738)</u>
Extraordinary items	0	0
Net Cash flow from Operating Activities	<u><u>752,154</u></u>	<u><u>(691,738)</u></u>
<b>B. Cash Flow from Investing Activities</b>		
Sale of Fixed Assets	0	107,000
Sale of Investments	42,500	0
Purchase of Fixed Assets	(1,150,792)	(2,702,950)
Net Cash flow from Investing Activities	<u><u>(1,108,292)</u></u>	<u><u>3,010,057</u></u>
<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	<u>875,789</u>	<u>3,914,666.00</u>
	<u><u>875,789</u></u>	<u><u>3,914,666.00</u></u>
<b>D. Net Increase/(Decrease) in Cash and Cash Equivalent (A+B+C)</b>	519,651	626,978.00
Cash and Cash Equivalent at the beginning of the year	781,040	154,062.00
Cash and Cash Equivalent at the end of the year	1,300,689	781,040.00

For S. M. Kapoor & Co.  
Chartered Accountants

For & on behalf of the Board

**SHEKHAR  
GUPTA**  
PARTNER  
Membership No. 15622  
Place : Mumbai  
Date : 31st July, 2008

**SUBHASH  
MEHRA**  
DIRECTOR

**RADHE MOHAN  
MALHOTRA**  
DIRECTOR

**LAV KUMAR  
VADEHRA**  
DIRECTOR

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

- I. Registration No. 

1	4	8	6	8
---	---	---	---	---
- II. Capital Raised during the year (Amount in Rs. Thousand)
- |  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
| Public Issue<br><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<br><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<br><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<br><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>3</td><td>1</td><td>0</td><td>5</td></tr></table>	1	0	3	1	0	5	Total Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>0</td><td>3</td><td>1</td><td>0</td><td>5</td></tr></table>	1	0	3	1	0	5
1	0	3	1	0	5								
1	0	3	1	0	5								

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>1</td><td>4</td><td>6</td></tr></table>			2	1	4	6	Unsecured Loans <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>1</td><td>4</td><td>4</td><td>8</td><td>3</td></tr></table>	1	4	4	8	3
		2	1	4	6							
1	4	4	8	3								

Application of Funds

Net Fixed Assets <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>5</td><td>1</td><td>3</td><td>9</td><td>3</td></tr></table>		5	1	3	9	3	Investments <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>3</td><td>3</td></tr></table>	3	3											
	5	1	3	9	3															
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>6</td><td>3</td><td>3</td></tr></table>	(-)		1	2	6	3	3	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>4</td><td>3</td><td>1</td><td>2</td></tr></table>		6	4	3	1	2
(-)		1	2	6	3	3														
				0																
	6	4	3	1	2															

- IV. Performance of Company (Amount in Rs. Thousand)
- |  |      |      |   |   |   |   |   |  |  |   |   |   |   |
|--|------|------|---|---|---|---|---|--|--|---|---|---|---|
| Turnover<br><table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td></td><td>5</td><td>5</td><td>6</td><td>8</td></tr></table> |      |      | 5   | 5   | 6 | 8 | Total Expenditure<br><table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td></td><td>5</td><td>8</td><td>3</td><td>3</td></tr></table> |  |  | 5 | 8 | 3 | 3 |
|  |      | 5    | 5   | 6   | 8 |   |   |  |  |   |   |   |   |
|  |      | 5    | 8   | 3   | 3 |   |   |  |  |   |   |   |   |
| Profit/Loss Before Tax<br>+   -<br><table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>✓</td><td>264</td></tr></table>     |      | ✓    | 264   | Profit/Loss After Tax<br>+   -<br><table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td>✓</td><td>492</td></tr></table> |   | ✓ | 492   |  |  |   |   |   |   |
|  | ✓    | 264  |   |   |   |   |   |  |  |   |   |   |   |
|  | ✓    | 492  |   |   |   |   |   |  |  |   |   |   |   |
| Earning Per Share Rs.<br><table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>(-)</td><td>0.12</td></tr></table>                     | (-)  | 0.12 | Dividend Rate %<br><table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>NIL</td></tr></table> | NIL   |   |   |   |  |  |   |   |   |   |
| (-)  | 0.12 |      |   |   |   |   |   |  |  |   |   |   |   |
| 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.

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

For & on behalf of the Board

**SHEKHAR  
GUPTA**  
Partner

**SUBHASH  
MEHRA**  
Director

**SUMEET  
MEHRA**  
Director

**LAV KUMAR  
VADEHRA**  
Director

Place : Mumbai  
Dated : 31st July, 2008

## SUBHASH SILK MILLS LIMITED

Regd. Office : Mehra 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 Tuesday, 30th September, 2008 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 \_\_\_\_\_

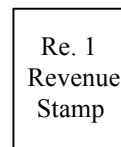
\_\_\_\_\_

being Member / Members of Subhash Silk Mills Limited, Mumbai 400 072 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 Friday, 30th September 2008 at 11.30 a.m. and at any adjournment thereof.

This \_\_\_\_\_ day of \_\_\_\_\_ 2008.



(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.