



**Subhash** Silk Mills Limited

**40th  
Annual Report  
2009-2010**

**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 Tuesday, 28th September, 2010 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 \_\_\_\_\_

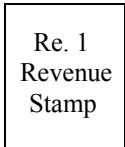
\_\_\_\_\_

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 Tuesday, 28th September 2010 at 11.30 a.m. and at any adjournment thereof.

This \_\_\_\_\_ day of \_\_\_\_\_ 2010.



(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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**NOTICE**

NOTICE is hereby given that the 40th 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, 28th September, 2010 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, 2010 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 Radhe Mohan Malhotra who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Manoharlal Kapur 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.

**SPECIAL BUSINESS :**

5. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION, THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION.

“RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956; read with Schedule XIII to the Companies Act, 1956; the consent of the members be and is hereby granted to the re-appointment of Shri Subhash Mehra as Chairman and Managing Director for a period of 5 years with effect from 1st April, 2010 on the terms and conditions as set out in the draft Agreement to be entered into between the Company and Shri Subhash Mehra placed before this meeting and initialed by the Chairman and Managing Director for the purpose of identification.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration, perquisites and any other entitlements including the monetary value thereof as specified in the said Agreement to the extent the Board of Directors may consider appropriate, as may be permitted or authorized in accordance with the provisions of the Companies Act, 1956 or re-enactment thereof and/or Rules or Regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Shri Subhash Mehra shall be suitably modified to give effect to such variation or increase as the case may be.”

**Regd. Office :**

G-15 Prem Kutir,  
177 Marine Drive,  
Mumbai – 400 020.

Place : Mumbai

Date : 31st July, 2010

BY ORDER OF THE BOARD

For **SUBHASH SILK MILLS LTD.**

**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 21st September, 2010 to 28th Septmber, 2010 (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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**EXPLANATORY STATEMENT PURSUANT TO SEC.173(2) OF THE COMPANIES ACT, 1956.**

**ITEM NO. 5**

Shri Subhash Mehra was appointed as Chairman and Managing Director with effect from 1st April, 2005 for a period of 5 years as per the Agreement dated 12th May, 2005, on the terms and conditions as laid down in the Agreement. Now, a fresh Agreement on revised terms and conditions is entered into for a period of 5 years with effect from 1st April, 2010 as detailed below:

- I. SALARY : Rs.50,000/- per month with such increments as may be decided by the Board of Directors (which includes any committee thereof) from time to time but subject to a maximum salary of Rs.1,50,000/- per month.
- II. PERKS : Prerequisites as stated below:
 

**CATEGORY A :**

  - a. Housing I – The Company shall provide rent-free accommodation to the Chairman and Managing Director within Mumbai city limits or at any other place as may be required from time to time.
  - b. Housing II – In case no accommodation is provided by the Company, the Chairman and Managing Director shall be entitled to house Rent Allowance subject to the ceilings laid down in housing.
  - c. Medical Reimbursement : Expenses incurred for self and family, subject to a ceiling of three months salary in a year or nine months salary over a period of three years.
  - d. Leave travel concession for self and family once in a year in accordance with the rules of the Company.
  - e. Club Fees : Fees of the clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
  - f. Personal Accident Insurance : Premium not to exceed Rs.50,000/- per annum.

**CATEGORY B :**

Contribution to Provident Fund, Super Annuation Fund or Annuity Fund, so however that these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity will be limited to half a month's Salary for each completed year of service.

**CATEGORY C :**

Provision of Car with driver and telephone at the Chairman and Managing Director's residence provided that personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Chairman and Managing Director.
- III. Commission @ 1% of the Net Profits of the Company, computed in accordance with sub-section (1) of Section 198 of the Companies Act, 1956, subject to, the amount being restricted to an amount equal to the annual salary.

None of the Directors of the Company is interested in the said Resolution, except Mr. Subhash Mehra, Mr. Sumeet Mehra and Mr. Dhiraj Mehra. However, keeping in consideration the importance of the matter the Board recommends the Resolution for your Approval.

**Regd. Office :**

G-15 Prem Kutir,  
177 Marine Drive,  
Mumbai 400 020.

Place : Mumbai

Date : 31st July, 2010

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

**SUBASH V. MEHRA**  
Managing Director

**DIRECTOR'S REPORT**

TO THE MEMBERS

Your Directors hereby present the 40th Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2010.

**I. FINANCIAL RESULTS :**

	For the year Ended 31.03.10 Rs. (Lakhs)	For the year Ended 31.03.09 Rs. (Lakhs)
1. Total Income	111.75	85.10
2. Profit / Loss Before Depreciation, Interest and Taxes	39.59	14.87
3. Less : Interest	3.77	6.59
Depreciation	25.98	25.95
4. Profit / Loss Before Tax	9.84	(-) 17.67
5. Less : Provision for Taxes	6.65	1.02
6. Profit / Loss After Tax	3.19	(-) 18.69
7. Add : Balance b/f. from the Previous Year	(-)662.02	(-)643.11
8. Less : Prior Year Tax Adjustments	(-) 0.02	(-) 0.22
8. Add : Impairment of Assets	0.00	0.00
9. Amount Available for Appropriation	(-) 658.85	(-) 662.02
APPROPRIATIONS :		
(i) Proposed Dividend on Equity	0.00	0.00
(ii) General Reserve	0.00	0.00
(iii) Balance carried to Balance Sheet	(-) 658.85	(-) 662.02

The Company's property at Khopoli has been fully leased out. The said warehousing contracts have yielded an income of Rs.102.58 Lakhs (P.Y. Rs.96.73 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. We are procuring running orders from a few Corporate entities and Hotels for supply of uniforms for their staff and also marketing fabrics in the wholesale and semi-wholesale markets.

**II. DIVIDEND :**

Your Directors do not recommend any Dividend for the year ended 31<sup>st</sup> March, 2010 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 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.13.95 Lakhs. Further the Company has received Warehousing Charges of Rs 102.58 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.

#### 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. Radhe Mohan Malhotra 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

Place : Mumbai  
Dated: 31<sup>st</sup> July, 2010

**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 2009-2010		
	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	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, 2010, five Board Meetings were held as against the minimum requirement of four meetings. The meetings were held on, 28th April, 2009, 31st July, 2009, 30th September, 2009, 31st October, 2009 and 29th January, 2010.

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 Radhe Mohan Malhotra**, aged 71 years is an expert in Human Resource Development and has honed his skills during his tenureship as General Manager of the Company for a number of years. His knowledge of various procedural issues and Government Departments and formalities are greatly appreciated by the Board from time to time.
- (ii) **Shri Manoharlal Kapur**, aged 79 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.



### 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 judgment 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 following up 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, 2010, the Committee has met four times. The meetings were held on 28th April, 2009, 31st July, 2009, 31st October, 2009 and 29th January, 2010. 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 Mohan Malhotra	-	-	-	5	4	Yes

**Executive Directors**

Executive Director	Relationship with other Directors	Business Relationship with the Company, if any	Remuneration paid during 2009-10			
			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 Sumeet Mehra and Shri Dhiraj Mehra	Managing Director	Rs.3,60,000	Rs.3,60,000	See note (a)	See note (c)
Shri Dhiraj S. Mehra	Son of Shri Subhash Mehra	Executive Director	Rs.5,73,600	Rs.5,73,600	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, 2010 were NIL.

No requests for transfer or dematerialization were pending for approval as on 31st March, 2010.

#### 4. General Body Meetings

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

Year	Location	Date	Time
2006-2007	Indian Merchants Chamber, Mumbai	21 Dec 07	11.30am
2007-2008	Indian Merchants Chamber, Mumbai	30 Sep 08	11.30am
2008-2009	Indian Merchants Chamber, Mumbai	30 Sep 09	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. 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, 28th September, 2010  
at 11:30a.m.

Venue :

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

##### II. Financial Calendar 2009-10 (tent.)

Results for quarter ended 30-June-10

Last week of July, 2010

Results for quarter ended 30-Sep-10

Last week of October, 2010

Results for quarter ended 31-Dec-10

Last week of January, 2011

Results for quarter ended 31-Mar-11

Last week of April, 2011

Annual General Meeting

September, 2011

##### III. Book Closure Date

21-Sept-2010 to 28-Sept-2010 (both 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 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, 2010**

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. Dematerialization of Shares**

Approximate 7.97% of the company's paid up equity has been dematerialized upto 31st March, 2010. 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 :

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

For Shares held in Demat Form :

to the Depository Participant.

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

The investors are advised to claim the uncashed dividends for the year 2001-02 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, 2010, 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, 2010

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## 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 31<sup>st</sup> March 2010 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 31<sup>st</sup> March, 2010 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, 2010 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 31<sup>st</sup> March, 2010;
- (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 : 31<sup>st</sup> July, 2010

**(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) 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 3 parties covered in register u/s 301 aggregating to Rs.1,33,66,795.
  - (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 to 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, 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 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: 31<sup>st</sup> July, 2010

**BALANCE SHEET AS AT 31ST MARCH, 2010**

	Schedule		31.03.2010 Rs.		31.03.2009 Rs.
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS FUNDS</b>					
Capital	1	40,493,808		40,493,808	
Reserves & Surplus	2	<u>45,982,000</u>	86,475,808	<u>45,982,000</u>	86,475,808
<b>LOAN FUNDS</b>					
Secured Loans	3	18,74,663		16,61,340	
Unsecured Loans	4	<u>1,40,94,160</u>	1,59,68,823	<u>1,42,89,867</u>	1,59,51,207
			<u>10,24,44,631</u>		<u>10,24,27,015</u>
<b>APPLICATION OF FUNDS</b>					
Gross Block		7,35,98,404		7,29,14,218	
Less :Depreciation		<u>2,62,10,255</u>		<u>2,40,06,315</u>	
Net Block	5	4,73,88,149		4,89,07,903	
Capital Work-in-Progress		<u>6,70,387</u>	4,80,58,536	<u>0</u>	4,89,07,903
<b>INVESTMENTS</b>	6	<u>33,100</u>	33,100	<u>33,100</u>	33,100
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	7	1,05,696		9,54,239	
Sundry Debtors	8	8,43,583		4,49,312	
Cash and Bank Balances	9	11,70,987		13,61,069	
Loans and Advances	10	<u>31,27,452</u>		<u>16,92,079</u>	
		<u>52,47,718</u>		<u>44,56,699</u>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
Liabilities	11	1,67,79,864		1,71,71,571	
Provisions		<u>0</u>		<u>2,000</u>	
		<u>1,67,79,864</u>		<u>1,71,73,571</u>	
<b>NET CURRENT ASSETS</b>			(1,15,32,146)		(1,27,16,872)
<b>PROFIT &amp; LOSS ACCOUNT</b>			65,885,141		6,62,02,884
			<u>10,24,44,631</u>		<u>10,24,27,015</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

**LAV KUMAR  
VADEHRA**  
Director

**DHIRAJ  
MEHRA**  
Director

Place : Mumbai  
Date : 31st July, 2010



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule	31.03.2010 Rs.	31.03.2009 Rs.
<b>INCOME</b>			
Sales	12	13,94,988	5,15,070
Other Income	13	1,06,28,346	98,96,609
Increase/(Decrease)in Stocks	14	(8,48,543)	(19,01,524)
		<u>1,11,74,792</u>	<u>85,10,156</u>
<b>EXPENDITURE</b>			
Materials consumed	15	3,75,938	6,63,902
Manufacturing Expenses	16	18,879	40,975
Payment to Employees'	17	13,86,069	9,15,035
Administrative Expenses	18	54,32,998	52,48,110
Selling& Other Expenses	19	2,200	1,55,467
Interest	20	3,76,677	6,59,047
Depreciation		25,97,530	25,94,656
		<u>1,01,90,291</u>	<u>1,02,77,192</u>
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE EXTRAORDINARY ITEMS</b>		9,84,501	(17,67,037)
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION</b>		9,84,501	(17,67,037)
Provision for Taxation		6,65,000	0
Provision for FBT		0	1,02,000
<b>PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION</b>		3,19,501	(18,69,037)
Balance Brought forward		(6,62,02,884)	(6,43,11,847)
Prior Year Tax Adjustments		(1,757)	(22,000)
<b>BALANCE CARRIED FORWARD TO BALANCE SHEET</b>		<u>(6,58,85,141)</u>	<u>(6,62,02,884)</u>
Basic & Diluted Earnings Per Share (Refer to Note No. 16 to Notes to Accounts)		0.08	(0.44)

**Notes to the Accounts 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

**LAV KUMAR  
VADEHRA**  
Director

**DHIRAJ  
MEHRA**  
Director

Place : Mumbai  
Date : 31st July, 2010

**SCHEDULES FORMING PART OF ACCOUNTS**

	31.03.2010 Rs.	31.03.2009 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	18,74,663	16,61,340
(Secured Ag. Hypothecation of Cars)	<u>18,74,663</u>	<u>16,61,340</u>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
A. From Banks	7,27,365	19,63,178
B. From Directors	<u>1,33,66,795</u>	<u>1,23,26,689</u>
	<u>1,40,94,160</u>	<u>1,42,89,867</u>

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

	Gross Block				Depreciation				Net Block	
	Cost as on 1st April, '09	Additions	Deductions/ Transfers	Cost as on 31 Mar, '10	As on 1st April, '09	For the Year	Deduction/ Transfer	As on 31 Mar, '10	As At 31 Mar, '10	As at 31 Mar, '09
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	0	0	5,96,25,684	2,04,85,330	19,91,498	0	2,24,76,828	3,71,48,856	3,91,40,354
Electrical Installation	30,99,601	4,47,423	0	35,47,024	26,26,882	2,20,356	0	28,47,238	6,99,786	4,72,719
Computer	2,00,905	0	0	2,00,905	63,069	32,567	0	95,636	1,05,269	1,37,836
Vehicles	37,01,820	12,72,064	10,35,301	39,38,583	8,19,659	3,45,206	3,93,590	7,71,275	31,67,308	28,82,161
Office Equipment	1,66,373	0	0	1,66,373	11,375	7,903	0	19,278	1,47,095	1,54,998
<b>Total</b>	<b>7,29,14,218</b>	<b>17,19,487</b>	<b>10,35,301</b>	<b>7,35,98,404</b>	<b>2,40,06,315</b>	<b>25,97,530</b>	<b>3,93,590</b>	<b>2,62,10,255</b>	<b>4,73,88,149</b>	<b>4,89,07,903</b>
P.Y.	7,26,89,970	2,24,248	0	7,29,14,218	2,14,11,659	25,94,656	0	2,40,06,315	4,89,07,903	5,12,78,311

31.03.2010

31.03.2009

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

1,05,696

9,54,239

1,05,6969,54,239**SCHEDULE 8 : SUNDRY DEBTORS**

(Unsecured considered good)

Over six months

0

1,32,915

Others

8,43,583

3,16,397

(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)

8,43,5835,39,941

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

	31.03.2010 Rs.	31.03.2009 Rs.
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
Cash on hand	6,00,117	11,31,305
Scheduled Banks		
- in current account	<u>5,70,870</u>	<u>2,29,764</u>
	<u>11,70,987</u>	<u>13,61,069</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b> (Unsecured Considered good)		
Advances recoverable in cash or in kind for value to be recd.	10,79,664	11,30,663
Deposits	12,63,752	3,13,752
Advance Tax including TDS	<u>7,84,036</u>	<u>2,47,664</u>
	<u>31,27,452</u>	<u>2,54,142</u>
<b>SCHEDULE 11 : LIABILITIES</b>		
Sundry Creditors for goods	72,13,188	76,53,823
Sundry Creditors for expenses	7,77,109	7,39,632
Other Liabilities	<u>87,89,567</u>	<u>87,78,116</u>
	<u>1,67,79,864</u>	<u>1,71,71,571</u>
<b>SCHEDULE 12 : PROVISIONS</b>		
Provision for Taxation – FBT (Net of taxes paid)	<u>0</u>	<u>2,000</u>
	<u>0</u>	<u>2,000</u>
<b>SCHEDULE 13 : OTHER INCOME</b>		
Warehousing Charges Received (Gross TDS Rs.2.47 Lacs)	10,257,889	96,73,421
Interest Recd. Gross (TDS Rs.4687/-)	23,363	0
Miscellaneous Receipts	<u>3,47,094</u>	<u>2,23,188</u>
	<u>1,06,28,346</u>	<u>98,96,609</u>
<b>SCHEDULE 14 : INCREASE/(DECREASE) IN STOCKS</b>		
Closing Stock of finished goods	1,05,696	9,54,239
Less : Opening Stock of Finished Goods	<u>9,54,239</u>	<u>28,55,763</u>
	<u>(8,48,543)</u>	<u>(19,01,524)</u>
<b>SCHEDULE 15 : MATERIALS CONSUMED</b>		
Opening Stocks		
Raw Materials	0	2,29,571
Work-in-Progress	<u>0</u>	<u>0</u>
Purchases	<u>3,75,938</u>	<u>4,34,331</u>
	<u>3,75,938</u>	<u>6,63,902</u>
Closing Stocks		
Raw Materials	0	0
Work-in-Progress	<u>0</u>	<u>0</u>
	<u>3,75,938</u>	<u>6,63,902</u>

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

	31.03.2010	31.03.2009
	Rs.	Rs.
<b>SCHEDULE 16 : MANUFACTURING &amp; OTHER EXPENSES</b>		
Stores and Spares consumed	3,581	13,641
Processing Charges	0	7,475
Sampling Charges	0	1,919
Octroi, Freight and Cartage	15,298	17,940
	<u>18,879</u>	<u>40,975</u>
<b>SCHEDULE 17 : PAYMENT TO EMPLOYEES'</b>		
Salary, Wages and Bonus	13,37,265	8,43,448
E.S.I.C.	0	5,286
Gratuity Paid	0	0
Staff Welfare	48,804	66,301
	<u>13,86,069</u>	<u>9,15,035</u>
<b>SCHEDULE 18 : ADMINSTRATIVE EXPENSES</b>		
Travelling & Conveyance	1,15,955	94,872
Insurance	35,278	70,139
Rates and Taxes	16,02,079	2,10,789
Directors Remuneration	8,40,000	8,40,000
Postage, Telegram and Telephones	1,74,908	1,18,101
Legal and Professional Charges	4,66,070	3,86,557
Electricity Expenses	24,851	11,037
Advertisement Expenses	9,260	5,223
Loss on Sale of Car	2,41,711	0
Audit Fees	50,000	50,000
Printing & Stationery	32,982	24,446
Motor Car Expenses	2,85,961	4,94,643
Brokerage & Commission	1,15,000	0
Repairs to Building	10,69,826	19,56,714
Miscellaneous Expenses	3,36,477	9,37,165
Other Repairs	32,640	48,425
	<u>54,32,998</u>	<u>52,48,110</u>
<b>SCHEDULE 19 : SELLING &amp; OTHER EXPENSES</b>		
Commission and Brokerage	0	1,40,047
Entertainment Expenses	2,200	15,420
	<u>2,200</u>	<u>1,55,467</u>

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

	31.03.2010 Rs.	31.03.2009 Rs.
<b>SCHEDULE 20 : INTEREST</b>		
Banks	3,67,941	6,37,578
Bank Charges	<u>8,736</u>	<u>21,469</u>
	<u><u>3,76,677</u></u>	<u><u>6,59,047</u></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

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 2010 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 :

	31.03.10	31.03.09
	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:	31.03.2010	31.03.2009
	Rs.	Rs.
Building Under Construction	<u>Rs.6,70,387.00</u>	<u>Rs.0.00</u>
TOTAL	<u>Rs.6,70,387.00</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	31.03.2010 Value (Rs)	Qty	31.03.2009 Value (Rs)
<b>MANUFACTURING</b>				
(i) Purchase of Fabrics	0	0.00	960 Kgs	3,71,207.00
	0	<u>0.00</u>	1058 Mtrs	<u>3,71,207.00</u>
(i) Sale of Garments	93 Pcs	4,650.00	32 Pcs, 56 Mtrs	42,870.00
(ii) Sale of Fabrics	20,034.90 Mtrs	9,88,543.00	1102 Mtrs,	4,72,200.00
	615 Kgs	<u>9,93,193.00</u>	9,527 Kgs	<u>5,15,070.00</u>
<b>TRADING</b>				
	Qty	Value (Rs)	Qty	Value (Rs)
(i) Purchase of Fabric	1,096 Mtrs	1,12,888.00	0	0.00
(ii) Purchase of Garments	5,195 Pcs	2,63,050.00	1619 Pcs	63,124.00
		<u>3,75,938.00</u>		<u>63,124.00</u>
(i) Sale of Fabric	1,096 Mtrs	1,37,000.00	0	0.00
(ii) Sale of Garments	4,630 Pcs	2,64,795.00		<u>0.00</u>
		<u>4,01,795.00</u>		
	Qty	Value (Rs)	Qty	Value (Rs)
Opening Stock :				
Fabric	20,034.90 Mtrs	8,87,830.00	1,13,447.34 Mtrs	30,82,049.00
	618 Kgs			
Tie	31 Pcs	3,285.00	31 Pcs	3,285.00
Garments	1,619 Pcs	63,124.00		
		<u>9,54,239.00</u>		<u>30,85,334.00</u>
Closing Stock :				
Fabric	3 Kgs .	690.00	20,034.90 Mtrs	8,87,830.00
			618 Kgs	
Ties	31 Pcs	2,053.00	31 Pcs	3,285.00
Garments	2,091 Pcs	1,02,953.00	1,619 Pcs	63,124.00
		<u>1,05,696</u>		<u>9,54,239.00</u>
Raw Material Consumed				
Fabric and Trims		0.00		6,63,902.00

(10) CONSUMPTION OF STORES & SPARES:

	31.03.2010	31.03.2009
	Value (Rs.)	Value (Rs.)
	% of Total	% of Total
a) Imported	-	-
b) Indigenous	<u>3,581.00</u>	<u>13,641.00</u>
TOTAL	13,641.00	13,641.00
	100%	100.00%
	100%	100.00%

(11) C.I.F. Value of Imports :	31.03.2010	31.03.2009
	Rs.	Rs.
a) Raw Materials	NIL	NIL
b) Stores and Spares	NIL	NIL
TOTAL	NIL	NIL

(12) Expenditure in Foreign Currency : NIL NIL



(13) Earning in Foreign Exchange : 31.03.2010 31.03.2009  
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

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

Related Party	Desc. Of Transaction	Payment	Receipt	O/s as on 31.03.2010
1. Subhash Knitting Ind.	Loan	4.14	4.11	48.89 (Cr)
2. Pragati Impex	Creditors	0.57	0.41	20.57 (Cr)
3. Subhash Mehra	Director	3.60	-	
4. Dhiraj Mehra	Director	4.80	-	
	Remuneration			
5. Subhash Trading Corp	Creditors	1.50	3.20	21.46 (Cr)
6. Subhash Mehra	Loan Taken	26.06	14.05	68.33 (Cr)
7. Dhiraj Mehra	Loan Taken	3.68	5.12	11.57 (Cr)
8. Sumeet Mehra	Loan Taken	12.85	33.82	53.77 (Cr)
9. Subhash Fabrics P Ltd	Creditors			1.78 (Cr)
10. Nandini Dhawan	Salary	1.80		

(15) Calculation of Basic & Diluted Earnings Per Share : 31.03.2010 31.03.2009  
(a) Net Profit / Loss as per Profit & Loss Account Rs.3,19,501 (18,69,038)  
(b) Weighted Average No. of Shares 42,40,500 42,40,500  
(c) Basic & Diluted Earnings Per Share Rs.0.08 Rs.(-)0.44

(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 year 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

**LAV KUMAR  
VADEHRA**  
Director

**DHIRAJ  
MEHRA**  
Director

Place : Mumbai  
Date : 31<sup>st</sup> July, 2010

## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE PERIOD APRIL 2009 TO MARCH, 2010

	1 <sup>st</sup> April, 2008 to 31 <sup>st</sup> March, 2009 Rs.	1 <sup>st</sup> April, 2008 to 31 <sup>st</sup> March, 2009 Rs.
<b>A. Cash Flow from Operating Activities</b>		
a) Net profit before Tax & extraordinary items	9,84,501	(17,67,037)
Adjustment for :		
Depreciation	25,97,530	25,94,656
Interest	3,76,677	6,59,047
Provision for Tax	(6,65,000)	(1,02,000)
Prior Year Tax Adjustments	(1,757)	(22,000)
Loss on Sale of Fixed Assets	2,41,711	0
	25,49,162	31,29,703
b) Operating Profit before Working Capital Changes	35,33,662	13,62,666
Adjustment for :		
Trade & Other receivables	18,29,644	(13,47,308)
Inventories	8,48,543	21,31,095
Trade Payables	(3,93,707)	(6,39,665)
	(13,74,808)	(6,39,665)
c) Cash Generated from operations	21,58,854	15,06,788
Interest paid	3,76,677	6,59,047
d) Cash flow before Extraordinary items	17,82,177	8,47,741
Extraordinary items	0	0
Net Cash flow from Operating Activities	17,82,177	8,47,741
<b>B. Cash Flow from Investing Activities</b>		
Sale of Fixed Assets	4,00,000	0
Sale of Investments	0	0
Purchase of Fixed Assets	(23,89,874)	(1,09,153)
Net Cash flow from Investing Activities	(19,89,874)	(1,09,153)
<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	17,616	(6,78,211)
	17,616	(6,78,211)
<b>D. Net Increase/(Decrease) in Cash and Cash Equivalent (A+B+C)</b>	(190,081)	60,377
Cash and Cash Equivalent at the beginning of the year	13,61,069	13,00,689
Cash and Cash Equivalent at the end of the year	11,70,987	13,61,069

For S. M. Kapoor & Co.  
Chartered Accountants

For & on behalf of the Board

**SHEKHAR  
GUPTA**  
PARTNER  
Membership No. 15622  
Place : Mumbai  
Date : 31st July, 2010

**SUBHASH  
MEHRA**  
DIRECTOR

**LAV KUMAR  
VADEHRA**  
DIRECTOR

**DHIRAJ  
MEHRA**  
DIRECTOR

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

I. Registration No. 

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

Public Issue	Right Issue						
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					
Bonus Issue	Private Placement						
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><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	Total Assets												
<table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>2</td><td>4</td><td>4</td><td>5</td></tr></table>	1	0	2	4	4	5	<table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>2</td><td>4</td><td>4</td><td>5</td></tr></table>	1	0	2	4	4	5
1	0	2	4	4	5								
1	0	2	4	4	5								

Source of Funds	Reserves & Surplus											
Paid-up Capital	<table border="1" style="display: inline-table;"><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	5	9	8	2							
<table border="1" style="display: inline-table;"><tr><td>4</td><td>0</td><td>4</td><td>9</td><td>4</td></tr></table>	4	0	4	9	4							
4	0	4	9	4								
Secured Loans	Unsecured Loans											
<table border="1" style="display: inline-table;"><tr><td></td><td></td><td>1</td><td>8</td><td>7</td><td>5</td></tr></table>			1	8	7	5	<table border="1" style="display: inline-table;"><tr><td>1</td><td>4</td><td>0</td><td>9</td><td>4</td></tr></table>	1	4	0	9	4
		1	8	7	5							
1	4	0	9	4								

Application of Funds	Investments												
Net Fixed Assets	<table border="1" style="display: inline-table;"><tr><td>3</td><td>3</td></tr></table>	3	3										
3	3												
<table border="1" style="display: inline-table;"><tr><td></td><td>4</td><td>8</td><td>0</td><td>5</td><td>9</td></tr></table>		4	8	0	5	9							
	4	8	0	5	9								
Net Current Assets	Misc. Expenditure												
<table border="1" style="display: inline-table;"><tr><td>(-)</td><td></td><td>1</td><td>1</td><td>5</td><td>3</td><td>2</td></tr></table>	(-)		1	1	5	3	2	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>0</td></tr></table>					0
(-)		1	1	5	3	2							
				0									
	Accumulated Losses												
	<table border="1" style="display: inline-table;"><tr><td></td><td>6</td><td>5</td><td>8</td><td>8</td><td>5</td></tr></table>		6	5	8	8	5						
	6	5	8	8	5								

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

Turnover	Total Expenditure												
<table border="1" style="display: inline-table;"><tr><td></td><td>1</td><td>2</td><td>0</td><td>2</td><td>3</td></tr></table>		1	2	0	2	3	<table border="1" style="display: inline-table;"><tr><td></td><td>1</td><td>1</td><td>0</td><td>3</td><td>8</td></tr></table>		1	1	0	3	8
	1	2	0	2	3								
	1	1	0	3	8								

Profit/Loss Before Tax	Profit/Loss After Tax
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<table border="1" style="display: inline-table;"><tr><td>+</td><td>-</td></tr><tr><td>√</td><td></td></tr></table> 985	+	-	√		<table border="1" style="display: inline-table;"><tr><td>+</td><td>-</td></tr><tr><td>√</td><td></td></tr></table> 320	+	-	√	
+	-								
√									
+	-								
√									

Earning Per Share Rs.	Dividend Rate %		
<table border="1" style="display: inline-table;"><tr><td>0.08</td></tr></table>	0.08	<table border="1" style="display: inline-table;"><tr><td>NIL</td></tr></table>	NIL
0.08			
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.

**Subhash Silk Mills Limited**  
G-15, Prem Kutir, Ground Floor, 177 Marine Drive, Mumbai 400020

To,  
The Shareholders,  
Subhash Silk Mills Limited.

**Addendum to the Annual Report 2009-2010**

Pursuant to the Annual Report 2009-2010 of the Company already mailed to you, and in compliance with the amended Listing Agreement with Bombay Stock Exchange, the following information and/or reports are to be considered as part of the Annual Report of the Company for the period 2009-2010 and have been adopted by the Board of Directors.

Accordingly, please find enclosed herewith the following information and/or reports:

1. Code of Conduct as adopted by the Board of Directors and Management of the Company.
2. Management Discussion & Analysis Report forming part of the Directors' Report for the year ended 31st March, 2010.
3. CEO and CFO certification of the accounts and financials of the Company for the year ended 31st March, 2010.
4. Auditors Certificate on Corporate Governance.

For Subhash Silk Mills Ltd.

**Subhash Mehra**  
Managing Director

Place : Mumbai

Date : 31st January, 2011

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1. CODE OF CONDUCT FOR M/S. SUBHASH SILK MILLS LTD.

**Introduction**

This code of conduct has been adopted by M/s Subhash Silk Mills Ltd. to comply with the applicable rules of the Stock Exchanges where securities of the Company are listed.

The purpose of this Code of Conduct (the "Code") is to conduct the business of the Company in accordance with the applicable laws, regulations, rules and with the highest standard of ethics and values. The Code of Conduct serves as a guide for our daily business interactions, reflecting our standards for proper behaviour and our corporate values. The Code conveys the manner in which each of us approach our business. This Code applies to each and every employee of the Company including Directors, Senior Management, Officers and employees.

**Philosophy**

The core value underlying our corporate philosophy is "integrity". It is our responsibility to ensure that the Company is managed in a manner that protects and furthers the interests of our stakeholders. We recognize society as an important stakeholder in this enterprise and therefore it is part of our responsibility to practice good corporate citizenship.

**Corporate Governance Policy**

The Corporate Governance Policy guides the conduct of the affairs of the Company and defines the roles, responsibilities and authorities of the key entities in the structure of the Company. This Code forms an integral part of the Company's Corporate Governance Policy. The directors, senior management and employees must adhere to the Corporate Governance Policy of the Company.

**Good Corporate Citizenship**

In the conduct of the Company's business, the practice of good corporate citizenship is a prerequisite and embraces the following:

***Dealing with People in the Organisation***

In dealing with each other, directors, senior management and employees shall uphold the values which are at the core of our Company Philosophy – honesty, diligence, teamwork, trust, collaboration, objectivity, respect for each other. These values form the basis of our management systems.

***A Gender Friendly Workplace***

As a good corporate citizen, Subhash Silk Mills is committed to a gender friendly workplace. We provide equal opportunities for men and women in the workplace and prevent/strop/redress sexual harassment at the workplace. As an employer we strive to follow good employment practices.

Sexual harassment includes unwelcome sexually determined behaviour such as: unwelcome physical contact; a demand or request for sexual favours; sexually coloured remarks; showing pornography and any other unwelcome physical, verbal or non-verbal conduct of a sexual nature.

We encourage our employees to report any harassment concerns and are responsive to employee complaints about harassment or other unwelcome and offensive conduct.

The Company promotes professional behavior and the treatment of all our employees with respect.

#### ***Relationships with Suppliers and Customers***

All directors, senior management and employees shall ensure that in their dealings with suppliers and customers, the Company's interests are never compromised. Accepting gifts and presents of more than a nominal value, gratuity payments and other payments from suppliers or customers will be viewed as serious breach of discipline as this could lead to compromising the Company's interests.

#### ***Legal Compliance***

It is the Company's policy to comply fully with all applicable laws and regulations. Ensuring legal and regulatory compliance is the responsibility of the Chief Executive Officer. The Company cannot accept practices that are unlawful or damaging to its reputation. In the event of an unclear legal implication, the Company's Legal Advisor shall be consulted for advice.

#### ***Health and Safety***

The Company is committed to provide good physical working conditions and encourages high standards of hygiene and housekeeping.

#### ***Environment Policies***

The Company has a commitment towards sustainable development. Accordingly, the Company is committed to Best Practices in environmental matters arising out of business activities.

#### ***Personal Conduct***

All directors, senior management and employees have the obligation to conduct themselves in an honest and ethical manner and act in the best interest of the Company at all times. They are expected to demonstrate exemplary personal conduct in the following manner:

#### ***Avoidance of Conflict of Interest***

All directors, senior management and employees are to avoid situations in which their personal interest could be in conflict with the interest of the Company. It may be hard to provide a comprehensive guide in this regard, however it is imperative that if there is any indication of a conflict, then management must be informed and their guidance sought in the matter.

#### ***Transparency***

All directors, senior management and employees shall ensure that their business actions are transparent except where the needs of business are such that such transparency would conflict with business interests. All actions are open to audit and the conduct of activities is totally accountable.

#### ***Confidentiality***

The Directors, senior management and employees shall not disclose or use any confidential information gained in the course of their employment and/or association with the Company for any personal benefit or for the advantage of any other person known to them. No information shall be provided to the press, media or any other external agency except within approved policies.

#### ***Leading by Example***

The Directors and senior management are the face of the Company. Through their words and deeds they convey the Company's beliefs.

#### ***Waivers***

Any waiver of any provision of this Code of Conduct for a director, senior management or employee must be placed for approval before the Company's Board of Directors/ Corporate Management Committee, as appropriate.

#### ***Non Adherence***

Any instance of non-adherence to the Code of Conduct / any other observed unethical behaviour on the part of those covered under this Code should be brought to the attention of the immediate reporting authority, who shall in turn report the same to the Head of Corporate Human Resources.

This Code of Conduct has been adopted by the Board of Directors and by all members of the staff and management of the Company and may be considered a part of the Corporate Governance Report of the Company for the year 2009-2010.

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2. Management Discussion & Analysis Report forming part of the Directors' Report 2009-2010

#### ***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 111.75 Lakhs as against 85.10 Lakhs in the previous year. The turnover increased by 31% compared to the previous year. Profit before interest, depreciation and taxes were Rs.39.59 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 system 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,

**Subhash Mehra**

*Chairman*

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### 3. CEO and CFO Certification for the Financial Accounts

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, 2010 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*

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**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, 2010, 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. Due to oversight by the Management, the Code of Conduct and Management Discussion & Analysis Report was inadvertently omitted from the original Corporate Governance Report. The Management has rectified this lacuna and we are now certifying these changes.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has now 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 January, 2011

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