

**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 2012-13		
	Board meetings held during tenure as Director	Board Meeting attended	Last AGM
Shri Subhash V. Mehra (C) (upto 22 <sup>nd</sup> February, 2013)	5	3	Yes
Shri Sumeet S. Mehra (C)	6	6	Yes
Shri Dhiraj S. Mehra	6	6	Yes
Shri Lav Kumar Vadehra (I)	6	6	Yes
Shri Manoharlal Kapur (I)	6	6	Yes
Shri Radhe Mohan Malhotra (I)	6	6	No

## 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	Other Committee **	
	Directorship#	Membership	Chairmanship
Shri Subhash V. Mehra (C) (upto 22 <sup>nd</sup> February, 2013)	0	0	0
Shri Sumeet S. Mehra (C)	0	0	0
Shri Dhiraj S. Mehra (ED)	0	0	0
Shri Lav Kumar Vadehra (I)	0	0	0
Shri Manoharlal Kapur (I)	0	0	0
Shri Radhe Mohan Malhotra (I)	0	0	0

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

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

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

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

During the year ended 31st March, 2013, six Board Meetings were held as against the minimum requirement of four meetings. The meetings were held on, 15th May, 2012, 31st July, 2012, 27th September, 2012, 12th November, 2012 and 7th February, 2013 and 22nd March, 2013.

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

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

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

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

- (i) **Shri Sumeet S. Mehra** aged 42 years, has been Executive Director of the Company since a number of years. His management skills, finely honed at Harvard Business School where he attended a 3 month Management Course are an asset to the Company. He has been appointed as Chairman of the Company.
- (ii) **Shri Dhiraj S. Mehra**, aged 38 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. He has been appointed as Managing Director of the Company.
- (iii) **Shri Lav Kumar Vadehra**, aged 70 years. He is a Graduate in Science and Foreign Trade. He worked in senior positions for the State Trading Corporation in New Delhi, New York and Mumbai for 12 years, eventually leaving to start his own pharma-chemical manufacturing and trading business. He has over 40 years experience.
- (iv) **Shri Manoharlal Kapur**, aged 81 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 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 Stock 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, 2013, the Committee has met four times. The meetings were held on 15th May, 2012, 31st July, 2012, 12th November, 2012 and 7th February, 2013. 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 2012-13	No. of Board Meetings Held		Attended Last AGM
				Held	Attended	
	(in Rs.)	(in Rs.)	(In Rs.)			
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	5,000	-	-	5	5	Yes
Shri Manoharlal Kapur	5,000	-	-	5	5	Yes
Shri Radhe Mohan Malhotra	5,000	-	-	5	5	Yes

### Executive Directors

Executive Director	Relationship with other Directors	Business Relationship with the Company, if any	Remuneration paid during 2012-13			
			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 (upto 22 <sup>th</sup> February, 2013)	Father of Shri Sumeet Mehra and Shri Dhiraj Mehra	Managing Director	Rs.5,39,286	Rs.5,39,286	See note (a)	See note (d)
Shri Dhiraj S. Mehra	Son of Shri Subhash Mehra	Managing Director	Rs.12,00,000	Rs.12,00,000	See note (b)	See note (d)
Shri Sumeet Mehra	Son of Shri Subhash Mehra	Chairman	Rs.6,90,000	Rs.6,90,000	See note (c)	See note (d)

- 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-2010. 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. 22-March-2013. No severance fees is payable to the Managing Director.
- c) 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. 22-March-2013. No severance fees is payable to the Chairman.
- d) 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, 2013 were NIL.

No requests for transfer or dematerialization were pending for approval as on 31st March, 2013.

#### **4. General Body Meetings**

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

Year	Location	Date	Time
2009-2010	Indian Merchants Chamber, Mumbai	28 Sep 10	11.30am
2010-2011	Indian Merchants Chamber, Mumbai	29 Sep 11	11.30am
2011-2012	Indian Merchants Chamber, Mumbai	27 Sep 12	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.

A Special Resolution was passed reappointing Shri Subhash Mehra as Chairman and Managing Director, at the Annual General meeting held on 29th September, 2010.

A Special Resolution was passed appointing Shri Sumeet Mehra as Executive Director, at the Annual General meeting held on 27th September, 2012.

III. Postal Ballot

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

#### **5. Code of Conduct for Directors' / Management Personnel**

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

I hereby confirm that the Company has obtained from all the members of the Board and management personnel affirmation that they have complied with the Code of Conduct for Directors' / Management Personnel in respect of the financial year 2012-13.

Dhiraj Mehra  
Managing Director

## **6. CEO and CFO Certification**

The Managing Director and the Audit Committee Chairman of the Company give annual certification of the financial reporting and internal controls to the Board in terms of Clause 49. The Managing Director and the Audit Committee Chairman also give quarterly certification on financial results while placing the financial certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

## **7. Means of Communication**

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

“Management Discussion & Analysis” forms part of the Annual Report.

## **8. DISCLOSURES**

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

None of the transactions with any of the related parties 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 24 – 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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- 9. General Shareholder Information**
- I. Annual General Meeting**
- Date & Time : Wednesday, 19th June, 2013  
at 11:30a.m.
- Venue : Jolly Conference Room,.  
Indian Merchants Chamber, Churchgate,  
Mumbai 400020
- II. Financial Calendar 2013-14 (tent.)**
- Results for quarter ended 30-June-13 Last week of July, 2013  
Results for quarter ended 30-Sep-13 Last week of October, 2013  
Results for quarter ended 31-Dec-13 Last week of January, 2014  
Results for quarter ended 31-Mar-14 Last week of April, 2014  
Annual General Meeting September, 2014
- III. Book Closure Date** 13-June-2013 to 19-June-2013  
(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 2013-14.
- VII. Stock Code** The Bombay Stock Exchange – “530231”  
Scrip ID – “SUBSM”
- VIII. Registrar & Transfer Agent** M/s. Purva Shareregistry (India) Pvt. Ltd.,  
Shiv Shakti Industrial Estate,  
9, Sitaram Mill Compound,  
J.R. Boricha Marg,  
Lower Parel, Mumbai 400011  
Tel. : 022-23016761 / 23018261
- IX. Share Transfer System**
- Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects.
- The Company obtains from a company secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.



**X. Distribution of Shareholding as on 31st March, 2013**

<b>Category</b>	<b>%</b>
Promoters	71.75
Financial Institutions / Banks / Mutual Funds	4.68
FII's / NRI / OCBs	0.00
Bodies Corporate	6.31
Others	<u>17.26</u>
<b>Total</b>	<b><u>100.00</u></b>

**XI. Dematerialisation of Shares**

Approximate 61.59% of the company's paid up equity has been dematerialised upto 31st March, 2013. Trading in Equity Shares of the Company is permitted only in dematerialized form w.e.f. April, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI)

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

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

**XIII. Plant locations**

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

**XIV. Address for Correspondence**

**I. Investor Correspondence :**

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

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

The investors are advised to claim the uncashed dividends for the year 2005-06 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, 2012, 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, 22nd May, 2013