

Subhash Silk Mills Limited

**39th
Annual Report
2008-2009**

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 39th 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 Wednesday, 30th September, 2009 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, 2009 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 Lav Kumar Vadehra who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Sumeet Mehra who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint M/s. S. M. Kapoor & Co. Chartered Accountants as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

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 Dhiraj Mehra as Whole-Time Director for a period of 5 years with effect from 1st April, 2009 on the terms and conditions as set out in the draft Agreement to be entered into between the Company and Shri Dhiraj Mehra placed before this meeting and initialed by the Executive 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 Dhiraj 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.

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

Place : Mumbai
Date : 31st July, 2009

SUBHASH V. MEHRA
Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. THE FORM OF PROXY IS HERETO ANNEXED.
2. The instrument appointing a Proxy should be deposited at the Registered Office of the Company, duly completed not less than forty eight hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 23rd September, 2009 to 30th September, 2009 (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.

EXPLANATORY STATEMENT PURSUANT TO SEC.173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Shri Dhiraj Mehra was appointed as Whole-Time Director with effect from 25th October, 2006 for a period of 5 years as per the Agreement dated 15th November, 2006, 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, 2009 as detailed below:

- I. **SALARY** : Rs.40,000/- 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.1,00,000/- per month.
- II. **PERKS** : Prerequisites as stated below:

CATEGORY A :

- a. Housing I – The Company shall provide rent-free accommodation to the Whole-Time 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 Whole-Time 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 Whole-Time 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 Whole-Time 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, 2009

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 39th Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2009.

I. FINANCIAL RESULTS :

	For the year Ended 31.03.09 Rs. (Lakhs)	For the year Ended 31.03.08 Rs. (Lakhs) (9 months)
1. Total Income	85.10	57.99
2. Profit / Loss Before Depreciation, Interest, Taxes	14.87	19.95
3. Less : Interest	6.59	5.54
Depreciation	25.95	17.17
4. Profit / Loss Before Tax	(-) 17.67	(-) 2.64
5. Less : Provision for Taxes	1.02	2.28
6. Profit / Loss After Tax	(-) 18.69	(-) 4.92
7. Add : Balance b/f. from the Previous Year	(-) 643.11	(-) 638.02
8. Less : Prior Year Tax Adjustments	(-) 0.22	(-) 0.17
8. Add : Impairment of Assets	0.00	0.00
9. Amount Available for Appropriation	(-) 662.02	(-) 643.11
APPROPRIATIONS :		
(i) Proposed Dividend on Equity	0.00	0.00
(ii) General Reserve	0.00	0.00
(iii) Balance carried to Balance Sheet	(-) 662.02	(-) 643.11

The Company's property at Khopoli has been fully leased out. The said warehousing contracts have yielded an income of 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 31st March, 2009 in view of the brought forward accumulated losses.

III. DIRECTORS RESPONSIBILITY STATEMENT :

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with a proper explanation relating to material departures.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the period.
- (iii) The Directors of have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

IV. PERFORMANCE

Sales for the current period are Rs.5.15 Lakhs. Further the Company has received Warehousing Charges of Rs 96.73 Lakhs.

VI. SUBSIDIARY COMPANY :

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

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

A) Conservation of Energy

Your Company has made efforts and implemented various steps recommended by technical experts to reduce the energy consumption at various levels.
Consumption of Energy at Khopoli this last year was negligible.

B) Foreign Exchange Earning and Outgo

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

C) Research and Development

There has been no significant Research and Development during the year under review due to the lock-out.

VIII. DEMATERIALISATION OF SHARES

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

IX. DIRECTORS

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

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 (Particulars 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: 31st July, 2009

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 2008-2009		
	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	4	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 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, 2009, five Board Meetings were held as against the minimum requirement of four meetings. The meetings were held on, 30th April, 2008, 31st July, 2008, 30th September, 2008, 31st October, 2008 and 31st January, 2009.

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 Lav Kumar Vadehra**, aged 66 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.

- (ii) **Shri Sumeet Mehra**, aged 38 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.
- (iii) **Shri Dhiraj Mehra**, aged 34 years is a BBA in Marketing from University of Notre Dame, USA. His marketing skills will be an asset to the Company and he is also very well versed in Legal, Financial and Taxation matters.

3. Board Committees

A. Audit Committee

I. Composition, names of members and Chairperson

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

II. Terms of Reference

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

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with 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, 2009, the Committee has met four times. The meetings were held on 30th April, 2008, 31st July, 2008, 31st October, 2008 and 31st January, 2009. 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.

Subhash Silk Mills Limited

Name of Director	Sitting Fees Paid	Commission Payable	Total Payments Paid/Payable in 2008-09	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	No

Executive Directors

Executive Director	Relationship with other Directors	Business Relationship with the Company, if any	Remuneration paid during 2008-09			
			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.4,80,000	Rs.4,80,000	See note (b)	See note (c)

a) The appointment is subject to termination by three months notice in writing on either side. The appointment is for a period of five years w.e.f. 1-April-2005. No severance fees is payable to the Managing Director.

b) The appointment is subject to termination by three months notice in writing on either side. The appointment is for a period of five years w.e.f. 25-October-2006. No severance fees is payable to the Executive Director.

c) The Company did not grant any stock options to its Directors or Employees.

C. Shareholders / Investor Grievance Committee

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

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

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

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

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

The total number of complaints received and replied to the satisfaction of the shareholders during the year under review was NIL. Outstanding complaints as on 31st March, 2009 were NIL.

No requests for transfer or dematerialization were pending for approval as on 31st March, 2009.

4. General Body Meetings

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

Year	Location	Date	Time
2005-2006	Indian Merchants Chamber, Mumbai	19 Dec 06	11.30am
2006-2007	Indian Merchants Chamber, Mumbai	21 Dec 07	11.30am
2007-2008	Indian Merchants Chamber, Mumbai	30 Sep 08	11.30am

II. Special Resolution

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

III. Postal Ballot

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

5. DISCLOSURES

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

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

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

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

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

Date & Time :

Wednesday, 30th September, 2009
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-09
Results for quarter ended 30-Sep-09
Results for quarter ended 31-Dec-09
Results for quarter ended 31-Mar-10
Annual General Meeting

Last week of July, 2009
Last week of October, 2009
Last week of January, 2010
Last week of April, 2010
September, 2010

III. Book Closure Date

Tuesday, 23rd September, 2009 to Tuesday, 30th
September, 2009
(both days inclusive).

IV. Dividend Payment date

N/A.

V. Listing of Equity Share on

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

VI. Annual Listing Fees

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

VII. Stock Code

The Bombay Stock Exchange – “530231”
Scrip ID – “SUBSM”

VIII. Registrar & Transfer Agent

M/s. Purva 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, 2009

Category	%
Promoters	72.70
Financial Institutions / Banks / Mutual Funds	4.68
FII's / NRI / OCBs	0.00
Bodies Corporate	6.29
Others	16.33
Total	100.00

XI. Dematerialisation of Shares

Approximate 7.97% of the company's paid up equity has been dematerialised upto 31st March, 2009. 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, 2009, 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, 2009

AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of **Subhash Silk Mills Ltd.** as on 31st March 2009 and also the Profit & Loss Account of the Company and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - (c) The Balance Sheet and Profit & Loss Account and the cash flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion the Balance Sheet and the profit and loss account subject to note No. (vi), regarding non provision of leave encashment complies with the mandatory accounting standards referred in Section 211 (3C) of the Companies Act, 1956.
 - (e) On the basis of the written representation received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanation given to us, the said accounts read subject to the:

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

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

- (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2009;
- (ii) in the case of Profit & Loss Account of the **Loss** 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 : 31st July, 2009

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.
 - (e) 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.1,23,26,689.
 - (f) The terms and conditions of the loans are, in our opinion, prima facie not prejudicial to the interests of the company.
 - (g) 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: 31st July, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule		31.03.2009 Rs.		31.03.2008 Rs.
SOURCES OF FUNDS					
SHAREHOLDERS FUNDS					
Capital	1	40,493,808		40,493,808	
Reserves & Surplus	2	45,982,000	86,475,808	45,982,000	86,475,808
LOAN FUNDS					
Secured Loans	3	16,61,340		2,146,051	
Unsecured Loans	4	1,42,89,867	1,59,51,207	14,483,367	17,331,614
			<u>10,24,27,015</u>		<u>10,31,05,226</u>
APPLICATION OF FUNDS					
Gross Block		7,29,14,218		72,689,970	
Less :Depreciation		2,40,06,315		21,411,656	
Net Block	5	4,89,07,903		51,278,314	
Capital Work-in-Progress		0	4,89,07,903	115,095	51,393,409
INVESTMENTS	6	33,100	33,100	33,100	33,100
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	7	9,54,239		30,85,334	
Sundry Debtors	8	4,49,312		5,39,941	
Cash and Bank Balances	9	13,61,069		13,00,689	
Loans and Advances	10	16,92,079		2,54,142	
		<u>44,56,699</u>		<u>51,80,106</u>	
CURRENT LIABILITIES & PROVISIONS					
Liabilities	11	1,71,71,571		1,75,56,236	
Provisions		2,000		2,57,000	
		<u>1,71,73,571</u>		<u>1,78,13,236</u>	
NET CURRENT ASSETS			(1,27,16,872)		(1,20,30,225)
PROFIT & LOSS ACCOUNT			6,62,02,884		6,43,11,847
			<u>10,24,27,015</u>		<u>10,31,05,226</u>
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

**DHIRAJ
MEHRA**
Director

**LAV KUMAR
VADEHRA**
Director

Place : Mumbai
Date : 31st July, 2009

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

		31.03.2009	31.03.2008
	Schedule	Rs.	(9 months) Rs.
INCOME			
Sales	12	5,15,070	2,16,811
Other Income	13	98,96,609	53,51,278
Increase/(Decrease)in Stocks	14	(19,01,524)	2,30,660
		<u>85,10,156</u>	<u>57,98,749</u>
EXPENDITURE			
Materials consumed	15	6,63,902	3,66,411
Manufacturing Expenses	16	40,975	7,52,257
Payment to Employees'	17	9,15,035	8,21,485
Administrative Expenses	18	52,48,110	15,36,993
Selling& Other Expenses	19	1,55,467	3,26,518
Interest	20	6,59,047	5,42,278
Depreciation		25,94,656	17,17,292
		<u>1,02,77,192</u>	<u>60,63,234</u>
PROFIT/(LOSS) FOR THE YEAR BEFORE EXTRAORDINARY ITEMS		(17,67,037)	(2,64,485)
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION		(17,67,037)	(2,64,485)
Provision for Taxation		0	1,50,000
Provision for FBT		1,02,000	78,000
PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION		(18,69,037)	(4,92,485)
Balance Brought forward		(6,43,11,847)	(6,38,02,139)
Prior Year Tax Adjustments		(22,000)	(17,223)
BALANCE CARRIED FORWARD TO BALANCE SHEET		<u>(6,62,02,884)</u>	<u>(6,43,11,847)</u>

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

**DHIRAJ
MEHRA**
Director

**LAV KUMAR
VADEHRA**
Director

Place : Mumbai
Date : 31st July, 2009

SCHEDULES FORMING PART OF ACCOUNTS

	31.03.2009 Rs.	31.03.2008 Rs.
SCHEDULE 1 :		
CAPITAL		
AUTHORISED		
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>
ISSUED, SUBSCRIBED & PAID-UP		
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
SCHEDULE 2 : RESERVES AND SURPLUS		
REVALUATION RESERVES		
SHARE PREMIUM 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>
SCHEDULE 3 : SECURED LOANS		
Car Loan – From Banks	16,61,340	21,46,051
(Secured Ag. Hypothecation of Cars)	<u>16,61,340</u>	<u>21,46,051</u>
SCHEDULE 4 : UNSECURED LOANS		
A. From Banks	19,63,178	32,24,192
B. From Directors	1,23,26,689	97,75,431
C. % Non Convertible Debentures	0	10,00,000
D. From others (shareholders)	0	4,83,744
	<u>1,42,89,867</u>	<u>1,44,83,367</u>

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

	Gross Block				Depreciation				Net Block	
	Cost as on 31 Mar, '08	Additions	Deductions/Transfers	Cost as on 31 Mar, '09	As on 31 Mar, '08	For the Year	Deduction/Transfer	As on 31 Mar, '09	As At 31 Mar, '09	As at 31 Mar, '08
Land-Freehold	60,04,740	1,15,095	0	61,19,835	0	0	0	0	61,19,835	60,04,740
Factory Building	5,96,25,684	0	0	5,96,25,684	1,84,93,832	19,91,498	0	2,04,85,330	3,91,40,354	4,11,31,852
Electrical Installation	30,99,601	0	0	30,99,601	24,07,740	2,19,142	0	26,26,882	4,72,719	6,91,861
Computer	1,07,615	93,290	0	2,00,905	38,273	24,796	0	63,069	1,37,836	69,342
Vehicles	37,01,820	0	0	37,01,820	4,67,985	3,51,674	0	8,19,659	28,82,161	32,33,835
Office Equipment	1,50,510	15,863	0	1,66,373	3,829	7,546	0	11,375	1,54,998	1,46,681
Total	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
P.Y.	7,16,54,273	10,35,697	0	7,26,89,970	1,96,94,365	17,17,293	0	2,14,11,658	5,12,78,312	5,19,59,908

31.03.2009

31.03.2008

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

2,29,571

Finished Goods

9,54,23928,85,7639,54,23930,85,334**SCHEDULE 8 : SUNDRY DEBTORS**

(Unsecured considered good)

Over six months

1,32,915

5,22,815

Others

3,16,397

17,126

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

4,49,3125,39,941

SCHEDULES FORMING PART OF ACCOUNTS (contd)

	31.03.2009	31.03.2008
	Rs.	Rs.
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash on hand	11,31,305	8,59,439
Scheduled Banks		
- in current account	2,29,764	4,41,250
	<u>13,61,069</u>	<u>13,00,689</u>
SCHEDULE 10 : LOANS AND ADVANCES (Unsecured Considered good)		
Advances recoverable in cash or in kind for value to be recd. (includes Rs.11.05 Lacs receivable from a Company in which Directors are interested)	11,30,663	71,092
Deposits	3,13,752	75,050
Advance Tax including TDS	2,47,664	1,08,000
	<u>16,92,079</u>	<u>2,54,142</u>
SCHEDULE 11 : LIABILITIES		
Sundry Creditors for goods	76,53,823	93,09,763
Sundry Creditors for expenses	7,39,632	4,78,175
Other Liabilities	87,78,116	77,68,298
	<u>1,71,71,571</u>	<u>1,75,56,236</u>
SCHEDULE 12 : PROVISIONS		
Provision for Taxation – FBT (Net of taxes paid)	2,000	2,57,000
	<u>2,000</u>	<u>2,57,000</u>
SCHEDULE 13 : OTHER INCOME		
Warehousing Charges Received (Gross TDS Rs.2.47 Lacs)	96,73,421	53,11,585
Miscellaneous Receipts	2,23,188	39,693
	<u>98,96,609</u>	<u>53,51,278</u>
SCHEDULE 14 : INCREASE/(DECREASE) IN STOCKS		
Closing Stock of finished goods	9,54,239	28,55,763
Less : Opening Stock of Finished Goods	28,55,763	26,25,103
	<u>(19,01,524)</u>	<u>2,30,660</u>
SCHEDULE 15 : MATERIALS CONSUMED		
Opening Stocks		
Raw Materials	2,29,571	171,010
Work-in-Progress	0	171,010
Purchases	4,34,331	424,972
	<u>6,63,902</u>	<u>595,982</u>
Closing Stocks		
Raw Materials	0	229,571
Work-in-Progress	0	229,571
	<u>6,63,902</u>	<u>366,411</u>

SCHEDULES FORMING PART OF ACCOUNTS (contd)

	31.03.2009	31.03.2008
	Rs.	Rs.
SCHEDULE 16 : MANUFACTURING & OTHER EXPENSES		
Stores and Spares consumed	13,641	2,645
Processing Charges	7,475	47,874
Sampling Charges	1,919	8,913
Power and Fuel	0	786
Octroi, Freight and Cartage	17,940	19,502
	<u>40,975</u>	<u>79,720</u>
SCHEDULE 17 : PAYMENT TO EMPLOYEES'		
Salary, Wages and Bonus	8,43,448	2,94,500
E.S.I.C.	5,286	0
Gratuity Paid	0	26,930
Staff Welfare	66,301	50,055
	<u>9,15,035</u>	<u>3,71,485</u>
SCHEDULE 18 : ADMINSTRATIVE EXPENSES		
Travelling & Conveyance	94,872	95,826
Insurance	70,139	74,700
Rates and Taxes	2,10,789	35,716
Directors Remuneration	8,40,000	4,50,000
Postage, Telegram and Telephones	1,18,101	68,586
Legal and Professional Charges	3,86,557	3,46,614
Electricity Expenses	11,037	0
Advertisement Expenses	5,223	0
Books & Periodicals	0	2,890
Audit Fees	50,000	12,627
Printing & Stationery	24,446	13,439
Motor Car Expenses	4,94,643	2,48,822
Repairs to Building	19,56,714	6,72,537
Miscellaneous Expenses	9,37,165	5,55,568
Other Repairs	48,425	82,205
	<u>52,48,110</u>	<u>26,59,529</u>
SCHEDULE 19 : SELLING & OTHER EXPENSES		
Commission and Brokerage	1,40,047	1,73,550
Entertainment Expenses	15,420	1,52,968
	<u>1,55,467</u>	<u>3,26,518</u>

SCHEDULES FORMING PART OF ACCOUNTS (contd)

	31.03.2009 Rs.	31.03.2008 Rs.
SCHEDULE 20 : INTEREST		
Banks	6,37,578	5,31,361
Interest on Service Tax & TDS	0	5,401
Bank Charges	21,469	5,516
	<u>6,59,047</u>	<u>5,42,278</u>

SCHEDULE 21: NOTES TO THE ACCOUNTS**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:****I. SIGNIFICANT ACCOUNTING POLICIES:****(i) BASIC OF PREPARATION OF FINANCIAL STATEMENTS**

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

(ii) USE OF ESTIMATES

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

(iii) FIXED ASSETS

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

(iv) DEPRECIATION

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

(v) IMPAIRMENT

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

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

(vi) INVESTMENTS

All long term Investments are valued at cost.

(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 loss of the Company has been understated to that extent.
- (b) The Company has not provided for Gratuity which is unascertained and will be provided as and when it is paid by which the loss of the Company has been understated to that extent.

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

- (5) As per the Accounting Standard (AS) 28 – Impairment of Assets, which came into effect from 1st April 2004, the Management carried out an internal impairment test as of 31st March 2009 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.

Subhash Silk Mills Limited

(7) Auditors remuneration includes :

	31.03.09	31.03.08
	Rs.	Rs.
Audit fees	30,000.00	7,500.00
Tax Audit	20,000.00	3,750.00
Service Tax	<u>5,150.00</u>	<u>1,377.00</u>
TOTAL	55,150.00	12,627.00

(8) Capital Work in Progress:

	31.03.2009	31.03.2008
	Rs.	Rs.
Building Under Construction	<u>Rs.0.00</u>	<u>Rs.1,15,095.00</u>
TOTAL	Rs.0.00	Rs.1,15,095.00

(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	31.03.2009 Value (Rs)	Qty	31.03.2008 Value (Rs)
MANUFACTURING				
(i) Purchase of Fabrics	960 Kg 1058 Mtrs	3,71,207.00	2,323 Mts	45,300.00
		<u>3,71,207.00</u>		<u>45,300.00</u>
(i) Sale of Garments	32 Pcs, 56 Mtrs	42,870.00	598 Pcs	1,91,044.00
(ii) Sale of Fabrics	1,102 Mtrs, & 9,527 Kgs.	4,72,200.00	69 Mtrs	12,367.00
		<u>5,15,070.00</u>		<u>2,03,411.00</u>
TRADING				
(i) Purchase of Fabric	Qty 0	Value (Rs)	Qty 6,737 Mtrs	Value (Rs) 3,36,709.00
(ii) Purchase of Ties	0		89 Pcs	6,131.00
(iii) Purchase of Garments	1619 Pcs	63,124.00		
		<u>3,42,840</u>		<u>3,42,840.00</u>
(i) Sale of Fabric	0	0	0	0.00
(ii) Sale of Ties	0	0	58 Pcs	13,400.00
		<u>13,400</u>		<u>13,400.00</u>
Opening Stock :				
Fabric	1,13,447.34 Mts	30,82,049.00	1,06,134 Mts	27,96,113.00
Tie	31 Pcs	3,285.00	0	0.00
		<u>31,79,891</u>		<u>27,96,113.00</u>
Closing Stock :				
Fabric	20,034.90 Mtrs & 618 Kgs .	8,87,830.00	1,13,447.34 Mtrs .	30,82,049.00
Ties	31 Pcs	3,285	31 Pcs	3,285.00
Garments	1619 Pcs	63,124.00		
		<u>9,54,239</u>		<u>30,85,334.00</u>
Raw Material Consumed				
Fabric and Trims		6,63,902	1,308.14 Mts	6,83,758.00

(10) CONSUMPTION OF STORES & SPARES:

	Value (Rs.)	31.03.2009 % of Total	Value (Rs.)	31.03.2008 % of Total
a) Imported	-	-	-	-
b) Indigenous	13,641.00	100%	2,645.00	100.00%
TOTAL	13,641.00	100%	2,645.00	100.00%

	31.03.2009 Rs.	31.03.2008 Rs.
(11) C.I.F. Value of Imports :		
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 :
F.O.B. Value of Exports NIL NIL

(14) Related Party disclosure under Accounting Standard 18

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

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

(ii) Information about related party transactions

		Rs. In Lakhs		
Related Party	Desc. Of Transaction	Payment	Receipt	O/s as on 31.03.2009
1. Subhash Knitting Ind.	Loan		1.82	48.92 (Cr)
2. Pragati Impex	Creditors		-	20.73 (Cr)
3. Subhash Mehra	Director	3.60	-	
	Remuneration			
4. Dhiraj Mehra	Director	4.80	-	
	Remuneration			
5. Subhash Trading Corp	Creditors	-	-	19.76 (Cr)
6. Subhash Mehra	Loan Taken	-	2.99	80.35 (Cr)
7. Dhiraj Mehra	Loan Taken		6.31	10.13 (Cr)
8. Nameeta Mehra	Loan Taken	4.07	4.07	0
9. Sumeet Mehra	Loan Taken	-	16.22	32.79 (Cr)
10. Subhash Commercial Corp.	Debtors			1.33 (Dr.)
11. Subhash Fabrics P Ltd	Creditors			1.78 (Cr)

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

(a)	Net Profit / Loss as per Profit & Loss Account	Rs.(-)18,91,037.00
(b)	Weighted Average No. of Shares as on 31.03.2009	42,40,500
(c)	Basic & Diluted Earnings Per Share	Rs.(-)0.45

- (16) The Company is in the process of identifying suppliers concerned under SME and is yet to ascertain the account for liability, if any, in this regard which is however not expected to be material.
- (17) **SEGMENT REPORTING**
Since the Company is dealing in only one segment i.e. Textile and hence Segment reporting is not applicable.
- (18) Figures have been rounded off to the nearest rupee.
- (19) Previous years figures have been regrouped wherever necessary.
- (20) The statement of significant accounting policies and the notes form an integral part of the accounts for the period ended.
- (21) Previous period figures are for the period from 1st July 2007 to 31st March 2008 i.e. for 9 months and hence not comparable with the current year figures.

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

SHEKHAR GUPTA
Partner

**SUBHASH
MEHRA**
Director

**DHIRAJ
MEHRA**
Director

**LAV KUMAR
VADEHRA**
Director

Place : Mumbai
Date : 31st July, 2009

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE PERIOD APRIL 2008 TO MARCH, 2009

	1 st April, 2008 to 31 st March, 2009 Rs.	1 st July, 2007 to 31 st March, 2008 Rs.
A. Cash Flow from Operating Activities		
a) Net profit before Tax & extraordinary items	(17,67,037)	(2,64,485)
Adjustment for :		
Depreciation	25,94,656	17,17,292
Interest	6,59,047	5,42,278
Provision for Tax	(1,02,000)	(2,28,000)
Prior Year Tax Adjustments	(22,000)	(17,223)
Bad Debts W/Off.	0	0
	31,29,703	20,14,348
b) Operating Profit before Working Capital Changes	13,62,666	17,49,862
Adjustment for :		
Trade & Other receivables	(13,47,308)	2,79,101
Inventories	21,31,095	(2,89,221)
Trade Payables	(6,39,665)	(4,45,311)
	1,44,122	(4,55,431)
c) Cash Generated from operations	15,06,788	12,94,431
Interest paid	6,59,047	5,42,278
d) Cash flow before Extraordinary items	8,47,741	7,52,153
Extraordinary items	0	0
Net Cash flow from Operating Activities	8,47,741	752,153
B. Cash Flow from Investing Activities		
Sale of Fixed Assets	0	0
Sale of Investments	0	42,500
Purchase of Fixed Assets	(1,09,153)	(11,50,792)
Net Cash flow from Investing Activities	(1,09,153)	(11,08,292)
C. Cash Flow from Financing Activities		
Proceeds from issue of Capital (inclusive of Premium & Exclusive of Bonus shares)	0	0
Proceeds from borrowing	(6,78,211)	8,75,789
	(6,78,211)	8,75,789
D. Net Increase/(Decrease) in Cash and Cash Equivalent (A+B+C)	60,377	5,19,650
Cash and Cash Equivalent at the beginning of the year	13,00,689	7,81,040
Cash and Cash Equivalent at the end of the year	13,61,069	13,00,689

For S. M. Kapoor & Co.
Chartered Accountants

For & on behalf of the Board

**SHEKHAR
GUPTA**
PARTNER
Membership No. 15622
Place : Mumbai
Date : 31st July, 2009

**SUBHASH
MEHRA**
DIRECTOR

**DHIRAJ
MEHRA**
DIRECTOR

**LAV KUMAR
VADEHRA**
DIRECTOR

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILEI. Registration No.

1	4	8	6	8
---	---	---	---	---

II Capital Raised during the year (Amount in Rs. Thousand)

Public Issue

N	I	L
---	---	---

Right Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

Private Placement

N	I	L
---	---	---

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

Total Liabilities

1	0	2	4	2	7
---	---	---	---	---	---

Total Assets

1	0	2	4	2	7
---	---	---	---	---	---

Source of Funds

Paid-up Capital

4	0	4	9	4
---	---	---	---	---

Reserves & Surplus

	4	5	9	8	2
--	---	---	---	---	---

Secured Loans

		1	6	6	1
--	--	---	---	---	---

Unsecured Loans

1	4	2	9	0
---	---	---	---	---

Application of Funds

Net Fixed Assets

	4	8	9	0	8
--	---	---	---	---	---

Investments

3	3
---	---

Net Current Assets

(-)		1	2	7	1	7
-----	--	---	---	---	---	---

Misc. Expenditure

				0
--	--	--	--	---

Accumulated Losses

	6	6	2	0	3
--	---	---	---	---	---

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

Turnover

	1	0	4	1	2
--	---	---	---	---	---

Total Expenditure

	1	2	1	7	9
--	---	---	---	---	---

Profit/Loss Before Tax

+	-
	✓

 1767

Profit/Loss After Tax

+	-
	✓

 1891

Earning Per Share Rs.

(-)0.45

Dividend Rate %

NIL

V. Generic names of three principle product/services of Company (as per Monetary Terms)

Item Code No. 551512

(ITC Code)

Product Description – Art Silk & Polyester Fabrics.

As per our report of even date.

For & on behalf of the Board

For S. M. Kapoor & Co.

Chartered Accountants

**SHEKHAR
GUPTA**
Partner**SUBHASH
MEHRA**
Director**DHIRAJ
MEHRA**
Director**LAV KUMAR
VADEHRA**
Director

Place : Mumbai

Dated : 31st July, 2009

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 Wednesday, 30th September, 2009 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

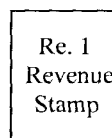
I/We _____ of _____

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 Wednesday, 30th September 2009 at 11.30 a.m. and at any adjournment thereof.

This _____ day of _____ 2009.



(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.

BOOK POST

If undelivered please return to :
Subhash Silk Mills Ltd.
G-15, Ground Floor, Prem Kutir,
177 Marine Drive,
Mumbai 400020