

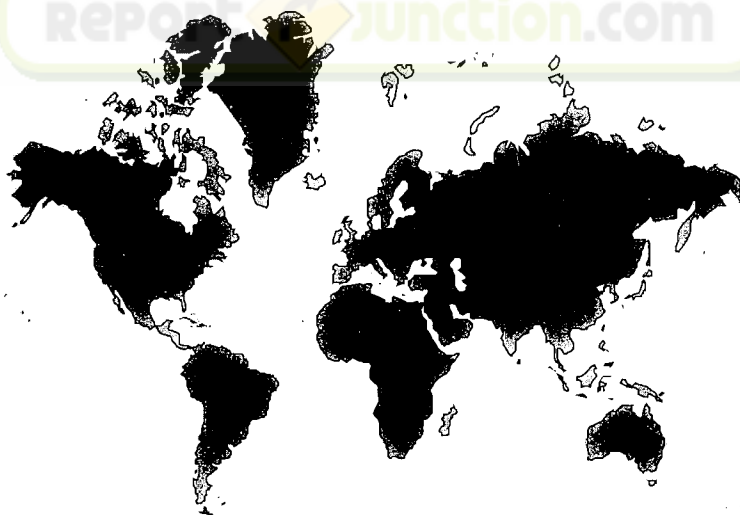
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Super Spinning Mills Limited

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Annual Report 1997





Super Spinning Mills Limited

Chairman

Mr L G Ramamurthi

Vice-Chairman & Managing Director

Mr Sumanth Ramamurthi

Board of Directors

Mr L G Balakrishnan
Mr C R Ramamurthy
Mr S Ramaswamy Naidu
Mr D Sarath Chandran
Mr G Somasekhar
Mr M V Subaraman (IDBI Nominee)
Mr Sudarsan Varadaraj
Mr Vidyaprakash D
Mr B Vijayakumar
Mr K S Vijayaraghavan

Company Secretary

Mr N Mohanram

Auditors

M/s Reddy, Goud & Janardhan

Bankers

Union Bank of India
State Bank of India
Standard Chartered Bank
CitiBank
Deutsche Bank
ANZ Grindlays Bank

Registered & Central Office

"ELGI TOWERS"
P B 7113, 737-D, Green Fields
Puliakulam Road
Coimbatore - 641 045
Tamil Nadu

Mills

A Unit : Kirikera, Andhra Pradesh
B Unit : Kotnur, Andhra Pradesh
C Unit : D-Gudalur, Tamil Nadu

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Subsidiary Companies

Standard General Finance Limited
SGF Investment Company Limited
Super Farm Products Limited

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Notice to Members

Notice is hereby given that the 35th Annual General Meeting of the Company will be held on **Friday, the 29th August, 1997 at 5 p.m.** at Chamber Hall, Chamber of Commerce Building, Avanashi Road, Coimbatore - 641 018 to transact the following business.

Ordinary Business

1. To receive, consider and adopt the following :
 - a) The Profit and Loss Account for the year ended 31st March, 1997,
 - b) The audited Balance Sheet as at 31st March, 1997 and
 - c) The reports of the Directors and the Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Mr L G Balakrishnan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr B Vijayakumar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr Vidyaprakash D who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company and approve their remuneration.

Special Business

7. 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 and other applicable provisions read with Schedule XIII of the Companies Act, 1956, Mr Sumanth Ramamurthi be and is hereby appointed as Vice-Chairman and Managing Director of the Company for a period of five years with effect from 1.4.1997 on the following terms and conditions :

Remuneration

- I. **Salary** : Rs. 40000 per month in the scale of 40000 - 4000
- II. **Commission** : 2% of the Net Profit of the Company subject to the over all ceiling laid down in Section 198 and 309 of the Companies Act, 1956.

III. **Perquisites** : In addition to the Salary and Commission, perquisites shall be allowed as detailed below :

1. **Housing** : Unfurnished residential accommodation will be provided. In its absence, 50% of the salary will be paid as house rent allowance.
2. Following perquisites shall be allowed subject to the maximum of 50% of the salary.
 - a) **Medical** : Reimbursement of expenses actually incurred for self and his family.
 - b) **Leave Travel Concession** : For self and his family.
 - c) **Gas, Water, etc.** : Reimbursement of expenditure incurred on gas, electricity, water and furnishing.
 - d) **Club Fees** : For self.
 - e) **Insurance** : Life, Health and personal accident insurance cover for self.
3. He shall also be eligible to the following benefits which shall not be included in the computation of the ceiling on the remuneration.
 - a) **P F / S A F** : Contribution to Provident Fund and/or Super Annuation Fund and/or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - b) **Gratuity** : Payable at the rate not exceeding half a month's salary of each year of completed service or at the rate as may be modified from time to time as per the payment of Gratuity Act, 1972.
4. Free use of Company Car and telephone at his residence.

Resolved Further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr Sumanth Ramamurthi, Vice-Chairman and Managing Director shall not exceed the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limits as may be notified by the Government from time to time as minimum remuneration.

Coimbatore
9th June, 1997

By Order of the Board
L G Ramamurthi
Chairman

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Annexure to Notice

Directors' Report

Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956.

The tenure of Mr Sumanth Ramamurthi as Managing Director of the Company expired on 31.3.97. The Board of Directors at their Meeting held on 19th March, 1997 re-appointed Mr Sumanth Ramamurthi as Vice-Chairman and Managing Director for a further period of five years with effect from 1.4.1997. The Company has received necessary approval from IDBI for this appointment. The Board, therefore, recommends the Ordinary Resolution set at item No. 7 of the accompanying notice.

None of the Directors except Mr L G Ramamurthi, Mr Sumanth Ramamurthi and Mr Vidyaprakash D are interested in the resolution.

The terms of remuneration as set out in the resolution may be regarded as an abstract of the terms of contract and memoranda of interest for the purpose of Section 302 of the Companies Act, 1956.

Coimbatore
9th June, 1997

By Order of the Board
L G Ramamurthi
Chairman

Notes

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy. Such proxy need not be a member of the Company.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **1st August, 1997 to 29th August, 1997** (both days inclusive).
3. The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government for and upto the Financial Year 1992-93. The concerned members may, therefore, submit their claims to the Registrar of Companies (Tamil Nadu), State Bank Road, Coimbatore - 641 018.

To the Members,

Your Directors have pleasure in presenting the 35th Annual Report together with audited statement of accounts for the financial year ended 31st March, 1997.

Financial Results	31.3.97 Rs. Lacs	31.3.96 Rs. Lacs
Sales - Domestic	10958.18	10171.69
- Exports	3977.61	3839.29
	14935.79	14010.98
Other Income	411.19	159.15
Increase / (Decrease) in stock of Finished Goods	(294.48)	54.76
Total Income	15052.50	14224.89
Operating Profit	2308.67	1634.22
Less : Interest	478.88	390.52
Gross Profit	1829.79	1243.70
Less : Depreciation	763.88	610.05
Profit Before Tax	1065.91	633.65
Less : Provision for Taxation	115.00	10.00
Profit After Tax	950.91	623.65
Add : Prior year Income / (Expenses)	2.07	(15.03)
Add : Excess Provision for Taxation for earlier years reversed	13.08	—
Net Profit	966.06	608.62
Add : Balance brought forward	59.99	69.87
Profit available for appropriation	1026.05	678.49
Appropriations		
Debenture Redemption Reserve	52.50	70.00
Dividend Recommended	176.00	148.50
General Reserve	750.00	400.00
Balance carried forward	47.55	59.99
	1026.05	678.49

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Dividend

Your Directors recommend a dividend of **32%**, absorbing a sum of **Rs. 176 lacs**, without deduction of tax at source.

Review of Operations

In the raw material front, after a spurt in prices during the last two years, cotton prices have shown a declining trend. However yarn prices ruled steadily and yarn realisation was maintained at previous year levels. Power cut and power tariff inseparably went up and adversely affected the power situation in Andhra Pradesh. Two of our units, situated in Andhra Pradesh, have experienced a power cut ranging from 40% to 60% throughout the year. The power tariff escalation was about 20% both in Tamil Nadu and Andhra Pradesh. This has increased the overall energy cost by 20% as compared to the previous year. Among the various factors, drop in cotton prices contributed a major share towards higher profitability of the Company.

Though the turnover of the Company showed only a marginal growth of 6%, the net profit, excluding the other income generated out of sale of investments amounting to Rs. 177 lacs, registered a growth of 33% over the corresponding figures of the previous year. Taking into account the recessionary trend prevailing in the industry, your Directors consider that the performance of the Company could be regarded as more than satisfactory.

Exports

The Company maintained its export performance during the year and strives continuously to give strong thrust on exports. The Company generated convertible foreign exchange earnings of Rs. 3878 lacs. The foreign exchange utilised during the year amounted to Rs. 711 lacs towards purchase of machinery and spares. Hence positive inflow of foreign exchange amounted to Rs. 3167 lacs.

Modernisation

The new generation G5/1 Ring Frames of LMW were replaced for the old ring frames in the second phase of on going modernisation programme at the Company's 'A' Unit, which has been completed by January, 1997.

Industrial Relations

The Directors are glad to report that a comprehensive productivity linked wage settlement has been concluded with the workers at the Company's 'C' Unit (100% EOU) for a period of five years with effect from 1st April, 1997.

The industrial relations at all the three units of the Company remains cordial.

Outlook for the current year

The recent Finance Budget pragmatically attempted to address the genuine grievances of industries. The existence of the political stalemate, during early April, has stagnated the revival of the domestic market. Adoption of the budget in its original form by the new government has raised our hope and we earnestly expect that the liberalised credit policy announced by RBI will also gearup momentum to the textile industry.

Unless the state takes some drastic measures to improve the health of the power utilities, power situation in Andhra Pradesh will not meet the need of the industries in the coming years.

Raw Material prices during the current season is expected to be steady. The Company's continuous effort on the implementation of modernisation schemes will further improve the productivity and competitive competency of our products both in the export and domestic front. In addition to the above, our focus on exports will also help us to balance the adverse factors and we expect that the operating results will show an improvement during the current year.

Directors

Mr Sumanth Ramamurthi has been re-appointed as Vice-Chairman and Managing Director for a further period of five years with effect from 1.4.1997 subject to the approval of Members.

Mr L G Balakrishnan, Mr B Vijayakumar and Mr Vidyaprakash D retire by rotation at the ensuing Annual General Meeting. The retiring Directors are eligible for re-appointment.

Auditors

M/s Reddy, Goud & Janardhan, the Auditors of the Company retire at the ensuing Annual General Meeting and have given their consent for re-appointment.



Statutory Information

A statement showing the details of employees under Section 217 (2A) of the Companies Act, 1956 is enclosed.

Information required as per Clause 43 of Listing Agreement is given in the annexure to this report.

Fixed Deposits

87 Fixed Deposits amounting to Rs. 8.60 lacs have remained unclaimed as on 31st March, 1997. Subsequently, 13 deposits amounting to Rs. 1.51 lacs have been renewed or repaid.

Acknowledgment

Your Directors wish to thank the Company's Bankers, Financial Institutions, Customers and Suppliers for their unstinted support and co-operation.

Your Directors wish to place on record their deep sense of appreciation for the tremendous confidence reposed by the shareholders and deposit holders in the Company.

The Board of Directors also wish to thank the employees at all levels for their excellent support and contribution made by them towards achieving the objectives of the Company.

Coimbatore
9th June, 1997

By Order of the Board
L. G. Ramamurthi
Chairman

Annexure to the Directors' Report

A. Conservation of Energy

The benefits of energy saving measures implemented so far were satisfactory. Energy saving, chokes and tube lights were tried in lighting and found successful. Also installation of additional capacitors for power factor correction and energy saving spindles were continued. Intramill energy audit is being conducted every 6 months to take corrective measures on a regular basis. Newly introduced lubricating oils were successfully tried out in Compressors, D.G. Sets and noticed the savings in energy consumption.

The energy generated by our wind mills has lowered our power cost by Rs. 32 lacs during the year under review.

The details of energy consumption is given at the end of this annexure.

B. Research & Development

(i) The R & D efforts of the Company are directed towards improvement/upgradation of manufacturing process for improving quality and productivity, conservation of energy, reducing the waste in the process and improved working environment to the workers.

(ii) Benefits derived as a result of the above R & D

Improvement in productivity and quality enabled the Company to get better price for the products manufactured. Maintenance of the machines for longer life and better working environment for the workers. Saving in energy and reduction in labour cost are the achievements of the R & D Department.

(iii) Future Plan of action

Efforts are continuing to enlarge the scope of R & D facility to as many areas of operation as possible.

(iv) Expenditure on R & D	Rs. Lacs
Revenue	4.51
Capital	—
Total R & D Expenditure	4.51
As a percentage of Turnover	0.03

Technology Absorption, Adaptation and Innovation

Continuous efforts are made towards technology absorption. The Company commenced the Re-Engineering process in the organisation to fundamentally rethink and redesign the business process to achieve dramatic improvement in critical measures of performance such as cost, quality, service and speed. This will enable the Company to compete more effectively in the competitive global environment.

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FORM - A**Conservation of Energy (Consolidated for all units)****A. Power and Fuel Consumption** 31.3.97 31.3.96

1. Electricity

a) Purchased

Units in lacs	237.2	269.7
Total Amount in Rs.lacs	727.7	694.4
Rate per Unit in Rs.	3.1	2.6

b) Own Generation

i) Through Diesel Generator

Units in lacs	296.1	222.1
Units per Litre of Diesel oil	3.3	3.4
Cost per Unit in Rs.	3.0	2.9

ii) Through Windmill generation

Units in lacs	13.4	12.1
Total amount in Rs. lacs	32.4	29.1
Rate per Unit in Rs.	2.4	2.4

Other fuels are not used.

B. Consumption per unit of production

(Production of various counts has been converted to the standard count of 40s)

Electricity (in units) 4.4 4.3

**Statement under Clause 43 of Listing Agreement
Projections Vs Performance**

(Rs. in lacs)

Particulars	For the year ended 31.3.97	
	Projections	Actuals
Sales	11070	14936
PBIDT	2088	2309
Interest	366	479
Depreciation	500	764
Tax	214	115
PAT	1008	951

The actual Sales and PBIDT is higher compared to the projection. However, the Net Profit is marginally low due to increase in the interest cost and higher depreciation.

Annexure to the Directors' Report showing the Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.

SI No	Name	Age	Qualification & Experience (years)	Designation	Nature of duties	Gross remuneration/Rs.	Date of Commencement of Employment	Previous Employment
1	Mr L G Ramamurthi	67	DAE (37)	Chairman	Duties pertaining to the office of the Chairman	12,76,000	01.04.1993	Elgi Equipments Limited, Coimbatore
2	Mr Sumanth Ramamurthi	39	BS ELECL ENGG (9)	Managing Director	Management of the Company	11,27,500	01.04.1992	Festo Elgi Private Limited, Coimbatore
3	Mr T S Subramanian	49	B.Tech., MBA(26)	Vice-President (Technical)	General Administration	3,20,425	20.08.1982	Meenakshi Mills Limited, Madurai
*4	Mr S M Edward	43	M.Sc., Elec. (18)	Vice-President (Information Systems)	Duties pertaining to Information Systems	1,75,924	08.11.1996	BPL Limited Bangalore

Note: 1. Nature of employment is non contractual except Chairman and Managing Director who are appointed for a period of five years at a time.

2. Gross remuneration includes salary, allowances, Company's contribution to Provident and Super Annuation Fund and expenditure incurred by the Company for other facilities.

3. Mr L G Ramamurthi and Mr Sumanth Ramamurthi are related to Mr Vidyaprakash D.

*4. Employed for part of the year and 50% of the remuneration is borne by M/s Elgi Electric and Industries Limited and M/s Elgi Wiessner Air Technic Private Limited.



5 Year Highlights

	Rs. Lacs				
	1993	1994	1995	1996	1997
Operating Results					
Sales and Other Income	6028.6	10075.8	12138.0	14170.1	15347.0
Operating Profit	1044.4	1792.4	1632.7	1651.2	2308.7
Interest	477.3	508.7	399.5	390.5	478.9
Gross Profit	567.1	1283.7	1233.2	1260.7	1829.8
Depreciation	397.5	438.0	472.4	610.1	763.9
Taxes	—	50.0	70.0	10.0	115.0
Net Profit	164.7	785.7	687.1	608.6	966.1
Dividend	54.0	108.0	117.8	148.5	176.0
Retained Profit	110.7	677.7	569.3	460.1	790.1
Performance Parameters					
Net Fixed Assets	2999.3	3383.3	4233.2	4455.9	5769.2
Share Capital	300.0	300.0	412.5	550.0	550.0
Reserves	1752.5	2430.2	4349.6	4947.2	5785.4
Net Worth	2052.5	2730.2	4762.1	5497.2	6335.4
Return on Net Worth (%)	8	29	14	11	15
Borrowings	3635.3	3031.9	3943.6	3927.8	4763.5
Debt Equity Ratio	1 : 1	0.8 : 1	0.3 : 1	0.2 : 1	0.1 : 1
Dividend (%)	18	36	32	27 *	32
Earnings per share	5.5	26.2	18.7 **	11.1 *	17.6

** Calculated on weighted average capital during the year.

* On the enhanced capital of Rs. 550 lacs.

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Balance Sheet as at 31st March, 1997

	Schedule	31.3.97 Rs. Lacs	31.3.96 Rs. Lacs
Sources of Funds			
Shareholders' Funds			
Share Capital	1	550.00	550.00
Reserves & Surplus	2	5785.43	4947.19
		<u>6335.43</u>	<u>5497.19</u>
Loan Funds			
Secured Loans	3	3779.53	3137.22
Deferred Credits	4	134.26	227.06
Unsecured Loans	5	849.75	563.54
		<u>4763.54</u>	<u>3927.82</u>
Total Funds Employed		<u>11098.97</u>	<u>9425.01</u>
Application of Funds			
Fixed Assets	6		
Gross Block		10106.66	7987.68
Less : Depreciation		4351.77	3646.31
Net Block		<u>5754.89</u>	<u>4341.37</u>
Capital Work-in-progress		14.33	114.51
		<u>5769.22</u>	<u>4455.88</u>
Investments	7	135.03	174.19
Current Assets, Loans & Advances	8		
Inventories		4404.35	3969.87
Sundry Debtors		419.40	246.09
Cash & Bank Balances		185.64	267.40
Other Current Assets		112.55	131.64
Loans & Advances		<u>2046.08</u>	<u>1792.25</u>
		<u>7168.02</u>	<u>6407.25</u>
Less : Current Liabilities and Provisions	9	<u>1983.21</u>	<u>1625.45</u>
Net Current Assets		5184.81	4781.80
Miscellaneous Expenditure	9	9.91	13.14
Total Funds Deployed		<u>11098.97</u>	<u>9425.01</u>

Schedules 1 to 9 and Notes on the Accounts form part of this Balance Sheet

As per our report of date attached
 For **Reddy, Goud & Janardhan**
 Chartered Accountants
B Gopal Das
 Partner
 Coimbatore, 9th June, 1997

L G Ramamurthi
 Chairman
Sumanth Ramamurthi
 Vice-Chairman and Managing Director
N Mohanram
 Company Secretary