

**SUPER**



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## Super Spinning Mills Limited



**Annual Report 1998**





# Super Spinning Mills Limited

## Chairman

Mr L G Ramamurthi

## Vice-Chairman and 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  
ABN Amro Bank

## Registered & Central Office

"ELGI TOWERS"  
P B 7113, Green Fields  
737-D, 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



## Directors' Report

To the Members,

Your Directors have pleasure in presenting the 36th Annual Report together with the audited statement of accounts for the financial year ended 31st March, 1998.

<b>Financial Results</b>	<b>31.3.98</b>	<b>31.3.97</b>
	<b>Rs. Lacs</b>	<b>Rs. Lacs</b>
<b>Sales - Domestic</b>	<b>10782</b>	<b>10958</b>
- Exports	<b>5025</b>	<b>3978</b>
	<b>15807</b>	<b>14936</b>
Other Income	<b>160</b>	<b>411</b>
Increase / (Decrease) in stock of Finished Goods	<b>302</b>	<b>(294)</b>
<b>Total Income</b>	<b>16269</b>	<b>15053</b>
<b>Operating Profit</b>	<b>2530</b>	<b>2309</b>
Less : Interest	<b>540</b>	<b>479</b>
<b>Gross Profit</b>	<b>1990</b>	<b>1830</b>
Less : Depreciation	<b>901</b>	<b>764</b>
<b>Profit Before Tax</b>	<b>1089</b>	<b>1066</b>
Less : Provision for Taxation	<b>80</b>	<b>115</b>
<b>Profit After Tax</b>	<b>1009</b>	<b>951</b>
Add : Prior year Income / (Expenses)	<b>(2)</b>	<b>2</b>
Add : Excess Provision for Taxation for earlier years written back	<b>—</b>	<b>13</b>
<b>Net Profit</b>	<b>1007</b>	<b>966</b>
Add : Balance brought forward	<b>48</b>	<b>60</b>
<b>Profit available for appropriation</b>	<b>1055</b>	<b>1026</b>
<b>Appropriations</b>		
Debenture Redemption Reserve	<b>52</b>	<b>52</b>
Tax on Dividend Payment	<b>18</b>	<b>—</b>
Proposed Dividend	<b>165</b>	<b>176</b>
Provision for Dividend Tax	<b>17</b>	<b>—</b>
General Reserve	<b>700</b>	<b>750</b>
Balance carried forward	<b>103</b>	<b>48</b>
	<b>1055</b>	<b>1026</b>

### Dividend

Your Directors recommend a dividend of 30%, absorbing a sum of **Rs. 182 lacs**, including tax on dividend.

### Review of Operations

The year 1997-98 could be the most turbulent year of operation. In spite of political imbroglio and a recessive domestic and export markets, there was some sign of

revival. The raw material prices were at reasonable levels and exports were showing sign of growth. As a result of these two factors, the Company's half yearly results for the period ended 30th September, 1997 showed a healthy trend.

In the international front, the South East Asian Region was under severe economic crisis which led to the devaluation of their currencies and has had a disastrous impact on yarn exports from India. To survive in this changed scenario, export prices had to be brought down to unremunerative levels. Despite these constraints, your Company's exports showed a substantial growth.

Much of the yarn meant for exports was diverted to the domestic markets, which led to an over supply position, further depressing the over all price situation.

The Company had the advantage of lower cotton prices during the first nine months of the year. There was a general expectation that the raw material price would continue to rule at a reasonable level during the cotton season. Negating this hope, the crop output in many parts of India was far less than the expected level which resulted in increase in raw material prices.

The average power tariff escalation during the year was about 20% both in Andhra Pradesh and Tamil Nadu. Your Company could manage to control the average cost of power at Rs. 3.11 per unit as against Rs. 3.01 per unit of the previous year by increased generation and utilisation of captive power.

Higher operating efficiency achieved during the year has also contributed for the better operating results of the Company compared to the previous year. Taking into account the over all business environment, your Directors consider its performance during the year under review as satisfactory.

### Exports

Even though the export performance during the second half of the year was affected, the Company has achieved an export growth of 26% over previous year. The Company generated foreign exchange earnings of Rs. 4920 lacs. The foreign exchange utilised during the year amounted to Rs. 1446 lacs towards purchase of machinery and spares. Hence positive inflow of foreign exchange amounted to Rs. 3474 lacs.

### Industrial Relations

The Company has entered into a new work load and wage agreement with the workers at the Company's B unit at Kotnur, Hindupur for a period of five years with effect from 1st January, 1998.

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



## Directors' Report

### Outlook for the current year

The economic sanctions announced by certain countries is expected to depress the industry further and the countries with whom the textile industry has trading relationships may have a negative fall out. The budget without any specific incentive for the revival of the industry has further led to a lack of confidence in the economy. With continuing South East Asian economic uncertainties, the outlook in the export market is disturbing. Raw material prices continue to show an increasing trend. With the continued over supply situation, there is no improvement in the domestic yarn prices. There are no indications of revival of any of the core sectors including the textile industry. These unfavourable macro environment is a matter of concern and have bearing on the current year's operation.

### Directors

Mr L G Ramamurthi has been re-appointed as Chairman for a further period of five years with effect from 1.4.1998 subject to the approval of members.

Mr D Sarath Chandran, Mr C R Ramamurthy and Mr K S Vijayaraghavan 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.

### Fixed Deposits

78 Fixed Deposits amounting to Rs.8.78 lacs have remained unclaimed as on 31st March, 1998. Subsequently, 37 deposits amounting to Rs. 4.53 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  
25th June, 1998

By Order of the Board  
**L G Ramamurthi**  
Chairman

## Annexure to the Directors' Report

### A. Conservation of Energy

Energy saving measures implemented in different areas viz., use of improved version overhead traveller clearers, special type of blowers for ring frames, scientific operation of exhaust and supply air fan in humidification systems, modified spindle drives for ring frames, etc. resulted in considerable savings in the power cost. Continuous thrust is being given to explore further possibility in this vital aspects. The energy generated by our wind mills has lowered our power cost by Rs. 40 lacs during the year under review.

#### Details of Conservation of Energy (Consolidated for all units) as prescribed in Form A.

<b>a. Power and Fuel Consumption</b>	<b>31.3.98</b>	<b>31.3.97</b>
1. Electricity		
a) Purchased		
Units in lacs	154.2	237.2
Total Amount in Rs.lacs	574.4	727.7
Rate per Unit in Rs.	3.7	3.1
b) Own Generation		
i) Through Diesel Generator		
Units in lacs	410.1	296.1
Units per Litre of Diesel oil	3.4	3.3
Total amount in Rs. lacs	1155.2	887.7
Cost per Unit in Rs.	2.8	3.0
ii) Through Windmill generation		
Units in lacs	14.3	13.4
Total amount in Rs. lacs	40.0	32.4
Rate per Unit in Rs.	2.8	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)	4.6	4.4
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### B. Research & Development

The R & D efforts of the Company are directed towards improvement of manufacturing process, yarn quality and productivity with the support of re-engineering exercise. Efforts are continuing to enlarge the scope of R & D facility to as many areas as possible. The total R & D Expenditure incurred for the year is Rs. 3.01 lacs which is 0.02% of the turnover.

### C. Technology Absorption, Adaptation and Innovation

In this year our export yarn were offered to the buyers free from contamination using special type of clearers in Autoconers. To get improved yarn quality with maximum production, State-of-art preparatory machines are already in operation. To venture into production of value added yarn viz., multiply, gassed, mercerised and bleached yarn, necessary machineries have been installed.



## 5 Year Highlights

	1994	1995	1996	1997	1998
<b>Operating Results</b>					
Sales and Other Income	10076	12138	14170	15347	15967
Operating Profit	1792	1633	1651	2309	2530
Interest	509	400	391	479	540
Gross Profit	1284	1233	1261	1830	1990
Depreciation	438	472	610	764	901
Taxes	50	70	10	115	80
Net Profit	786	687	609	966	1007
Dividend (Including dividend tax)	108	118	149	176	182
Retained Profit	678	569	460	790	825
<b>Performance Parameters</b>					
Net Fixed Assets	3383	4233	4456	5769	7578
Share Capital	300	413	550	550	550
Reserves	2430	4350	4947	5785	6603
Net Worth	2730	4762	5497	6335	7153
Return on Net Worth (%)	29	14	11	15	14
Borrowings	3032	3944	3928	4764	6051
Debt Equity Ratio	0.8 : 1	0.3 : 1	0.2 : 1	0.1 : 1	0.2 : 1
Dividend (%)	36	32	27	32	30
Earnings per share (Rs.)	26.2	18.7	11.1	17.6	18.3



# Balance Sheet as at 31st March, 1998

Sources of Funds	Schedule	31.3.98 Rs. Lacs	31.3.97 Rs. Lacs
<b>Shareholders' Funds</b>			
Share Capital	1	550.00	550.00
Reserves & Surplus	2	6603.32	5785.43
		<u>7153.32</u>	<u>6335.43</u>
<b>Loan Funds</b>			
Secured Loans	3	5005.62	3779.53
Deferred Credits	4	41.46	134.26
Unsecured Loans	5	1003.99	849.75
		<u>6051.07</u>	<u>4763.54</u>
<b>Total</b>		<u>13204.39</u>	<u>11098.97</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>	6		
Gross Block		12753.49	10106.66
Less : Depreciation		5188.40	4351.77
Net Block		<u>7565.09</u>	<u>5754.89</u>
Capital Work-in-progress		13.07	14.33
		<u>7578.16</u>	<u>5769.22</u>
<b>Investments</b>	7	146.81	135.03
<b>Current Assets, Loans &amp; Advances</b>	8		
Inventories		5376.65	4404.35
Sundry Debtors		344.02	419.40
Cash & Bank Balances		111.22	185.64
Other Current Assets		107.64	112.55
Loans & Advances		<u>2155.39</u>	<u>2046.08</u>
		<u>8094.92</u>	<u>7168.02</u>
Less : Current Liabilities and Provisions	9	2622.18	1983.21
Net Current Assets		<u>5472.74</u>	<u>5184.81</u>
Miscellaneous Expenditure	10	6.68	9.91
<b>Total</b>		<u>13204.39</u>	<u>11098.97</u>

Schedules 1 to 10 and Notes on the Accounts form part of this Balance Sheet

As per our report of date attached  
For **Reddy, Goud & Janardhan**  
Chartered Accountants  
**Balakrishna S. Bhat**  
Partner  
Coimbatore, 25th June, 1998

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





### Profit and Loss Account for the year ended 31st March, 1998

	Schedule	31.3.98 Rs. Lacs	31.3.97 Rs. Lacs
<b>Income</b>			
Sales : - Domestic	10782.15	10958.18	
- Exports	5024.95	3977.61	
		<b>15807.10</b>	14935.79
Other Income	11	159.75	411.19
Increase/(Decrease) in Stock of Finished Goods	12	301.73	(294.48)
		<b>16268.58</b>	15052.50
<b>Expenditure</b>			
Raw Materials	13	8217.39	7886.82
Salaries & Wages	14	1330.99	1164.66
Power & Fuel		1543.52	1432.50
Stores		483.47	459.84
Lease Rental		20.73	26.75
Repairs & Maintenance	15	686.68	614.06
Processing Charges		492.06	436.02
Selling Expenses	16	547.14	435.32
Administrative Expenses	17	391.43	260.76
Donations		25.00	27.10
Interest	18	540.60	478.88
		<b>14279.01</b>	13222.71
<b>Gross Profit</b>		<b>1989.57</b>	1829.79
Less : Depreciation		900.84	763.88
<b>Profit before tax</b>		<b>1088.73</b>	1065.91
Less : Provision for Taxation		80.00	115.00
<b>Profit after tax</b>		<b>1008.73</b>	950.91
Add : Prior year Income / (Expenses)		(1.74)	2.07
Add : Excess provision for taxation for earlier years written back		—	13.08
<b>Net Profit</b>		<b>1006.99</b>	966.06
Add : Balance brought forward		47.55	59.99
<b>Profit available for Appropriation</b>		<b>1054.54</b>	1026.05
Debenture Redemption Reserve		52.50	52.50
Tax on Dividend Payment		17.60	—
Proposed Dividend		165.00	176.00
Provision for Dividend Tax		16.50	—
General Reserve		700.00	750.00
Balance carried forward		102.94	47.55
		<b>1054.54</b>	1026.05

Schedules 11 to 18 and Notes on the Accounts form part of this Profit and Loss Account

As per our report of date attached  
For **Reddy, Goud & Janardhan**  
Chartered Accountants  
**Balakrishna S. Bhat**  
Partner  
Coimbatore, 25th June, 1998

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





## Schedules Annexed to the Accounts

	31.3.98 Rs. Lacs	31.3.97 Rs. Lacs	
<b>Share Capital</b>			<b>Schedule 1</b>
Authorised, Issued, Subscribed and Paid-up 55,00,000 Equity Shares of Rs. 10 each	550.00	550.00	
(Of the above, 27,50,000 equity shares of Rs. 10 each were issued as fully paid-up Bonus Shares by capitalisation of Reserves)			
<b>Reserves and Surplus</b>			<b>Schedule 2</b>
Share Premium	1487.50	1487.50	
Capital Reserve	48.18	48.18	
Wind Mill Subsidy	10.00	—	
General Reserve			
As per last Balance Sheet	3399.20	2584.20	
Add : Transfer from Profit and Loss Account	700.00	750.00	
Add : Transfer from Debenture Redemption Reserve	60.00	65.00	
Add : Transfer from Investment Allowance (Utilised) Reserve	488.00	—	
	4647.20	3399.20	
Investment Allowance (Utilised) Reserve			
As per last Balance Sheet	488.00	488.00	
Less : Transfer to General Reserve	488.00	—	
	—	488.00	
Debenture Redemption Reserve			
As per last Balance Sheet	315.00	327.50	
Add : Transfer from Profit & Loss Account	52.50	52.50	
Less : Transfer to General Reserve	60.00	65.00	
	307.50	315.00	
Profit and Loss Account	102.94	47.55	
	6603.32	5785.43	
<b>Secured Loans</b>			<b>Schedule 3</b>
Debentures - 1,00,000 - 14% Secured Non Convertible Redeemable Debentures - Series II	20.00	40.00	
2,00,000 - 14% Secured Non Convertible Redeemable Debentures - Series III (Including premium on redemption)	130.00	170.00	
2,50,000 - 19% Secured Non Convertible Redeemable Debentures - Series IV (Including premium on redemption. Earliest date of redemption 28th September, 1998)	262.50	262.50	
Term Loan from IDBI, ICICI and IRBI	556.25	376.25	
Term Loan from ABN Amro Bank	594.00	—	
Working capital borrowings from Banks	3442.87	2930.78	
(See Note No. 14 regarding Security for loans)	5005.62	3779.53	
<b>Deferred Credits</b>			<b>Schedule 4</b>
Dues under Hire Purchase Agreement	61.89	186.30	
Less : Finance Charges pertaining to the period beyond 31.3.1998	20.43	52.04	
	41.46	134.26	



## Schedules Annexed to the Accounts

	31.3.98 Rs. Lacs	31.3.97 Rs. Lacs
<b>Unsecured Loans</b>		<b>Schedule 5</b>
Fixed Deposits	774.03	546.77
Trade Deposits	70.39	82.82
Interest accrued and due on above	0.07	11.16
Loan from Directors	9.00	9.00
Short term loans	150.50	200.00
	<b>1003.99</b>	<b>849.75</b>

<b>Fixed Assets (Rs. Lacs)</b>										<b>Schedule 6</b>
	<b>Gross Block</b>				<b>Depreciation</b>				<b>Net Block</b>	
	As at 31.3.97	Additions	Sales/ Transfers	As at 31.3.98	Upto 31.3.97	For the year	Withdrawn during the year	Upto 31.3.98	As at 31.3.98	As at 31.3.97
Land	55.48	—	—	55.48	—	—	—	—	55.48	55.48
Buildings	904.46	167.87	1.36	1070.97	174.11	25.49	—	199.60	871.37	730.35
Plant & Machinery	8987.95	2524.37	95.22	11417.10	4137.12	859.48	63.47	4933.13	6483.97	4850.83
Office Furniture & Fittings	61.35	17.44	—	78.79	20.04	4.95	—	24.99	53.80	41.31
Motor Vehicles	96.84	42.00	8.75	130.09	20.50	10.92	0.74	30.68	99.41	76.34
Livestock	0.58	0.48	—	1.06	—	—	—	—	1.06	0.58
Total	10106.66	2752.16	105.33	12753.49	4351.77	900.84	64.21	5188.40	7565.09	5754.89
Capital work-in-progress	14.33	13.07	14.33	13.07	—	—	—	—	13.07	14.33
Total	10120.99	2765.23	119.66	12766.56	4351.77	900.84	64.21	5188.40	7578.16	5769.22
Previous Year	8102.19	2225.92	207.12	10120.99	3646.31	763.88	58.42	4351.77	5769.22	4455.88

<b>Investments (Rs. Lacs)</b>					<b>Schedule 7</b>
	Face Value	Market Value	31.3.98 Cost	31.3.97 Cost	
<b>Non-Trade Unquoted</b>					
HDFC Corporate Bonds	14.09	—	14.09	4.16	
15,000 Equity Shares of Rs. 10 each in Elgi Ultra Industries Ltd., fully paid up	1.50	—	1.50	1.50	
1,850 Equity Shares of Rs. 100 each in Super Farm Products Ltd., fully paid up	1.85	—	1.85	—	
<b>Trade - Unquoted</b>					
5,000 Equity shares of Rs. 100 each in Super Kamalam Processing & Dyeing Ltd., fully paid up	5.00	—	5.01	5.01	
<b>Shares in Subsidiary Company</b>					
49,000 Equity Shares of Rs. 100 each in Standard General Finance Ltd., fully paid up	49.00	—	49.00	49.00	
75,000 Equity Shares of Rs. 100 each in SGF Investment Company Ltd., fully paid up	75.00	—	75.00	75.00	
Time Share in Dakshin Holiday Resort Pvt. Ltd.	0.36	—	0.36	0.36	

Note : Aggregate value of unquoted investment Cost – Rs. 146.81 lacs (Previous year Rs. 135.03 lacs).

Following investments were purchased and sold during the year

Name of the Company	No. of Shares	Purchase Cost – Rs.	Sale Proceeds – Rs.
Elgi Equipments Ltd.	24340	9979400	4137800