

SARA ELGI

*A n n u a l R e p o r t*

2  
2

0  
0

0  
0

2  
3



Report Junction.com

SUPER



# Super Spinning Mills Limited

**Chairman**
**Mr L G Ramamurthi**
**Vice-Chairman and Managing Director**
**Mr Sumanth Ramamurthi**
**Board of Directors**
**Mr C R Ramamurthy**  
**Mr S Ramaswamy Naidu**  
**Mr D Sarath Chandran**  
**Mr Sudarsan Varadaraj**  
**Mr Vidyaprakash D**  
**Mr B Vijayakumar**
**Company Secretary**
**Mr N Mohan Ram**
**Auditors**
**M/s Reddy, Goud & Janardhan**
**Bankers**
**Union Bank of India**  
**State Bank of India**  
**Citibank**  
**The Bank of Nova Scotia**  
**Andhra Bank**  
**IDBI Bank**
**Registered and Central Office**
**"ELGI TOWERS"**  
**P B 7113, 737-D, Green Fields**  
**Puliakulam Road**  
**Coimbatore - 641 045**  
**Tamil Nadu**
**Contents**

Notice to Members	2
Directors' Report and Management Discussion & Analysis	3
Balance Sheet	8
Profit and Loss Account	9
Schedules	10
Notes Forming Part of Accounts	15
Auditors' Report	22
Cash Flow Statement	24
Report on Corporate Governance	25
Information to the Shareholders	29

**Phone : (0422) 2311711**
**Fax : (0422) 2311611, 2315111**
**E-mail : super@ssh.saraelgi.com**
**Internet : www.saraelgi.com**
**Mills**
**A & O.E Unit : Kirikera, Andhra Pradesh**  
**B Unit : Kotnur, Andhra Pradesh**  
**C Unit : D-Gudalur, Tamilnadu**  
**Garment Unit: Neelambur, Tamilnadu**  
**T F O Unit : Urumandampalayam, Tamilnadu**



## Notice of Annual General Meeting

Notice is hereby given that the 41<sup>st</sup> Annual General Meeting will be held on **Wednesday, the 30<sup>th</sup> July, 2003 at 4.00 PM** at Ardra Convention Centre, "Kaanchan", No.9, North Hozur 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 31<sup>st</sup> March, 2003.
  - b. The audited Balance sheet as at 31<sup>st</sup> March, 2003 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 Vidyaprakash D, 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 Auditors of the Company and approve their remuneration.

### Special Business :

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special 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 L G Ramamurthi be and is hereby appointed as Chairman of the Company for a period of five years with effect from 01.04.2003 on the following terms and conditions.

### Remuneration

- I. **Salary** : Rs. 1,50,000/- per month in the scale of Rs. 1,50,000 – 15,000/-
- II. **Commission** : 2% of the net profit of the company subject to the overall ceiling laid down in Section 198 and 309 of the Companies Act, 1956.

### III. Perquisites.

**In addition to 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. **The 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:** Leave Travel Concession for self and his family.
- c) **Gas, Water etc:** Reimbursement of expenditure incurred on gas, electricity, water, furnishing and appliances.
- d) **Club fee:** 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) **PF/ SAF** : 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** : 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's Car and Telephone at his residence.

**Resolved Further** that in the event of no profits or inadequacy of profits, the remuneration payable to Mr L G Ramamurthi, Chairman, 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.

**Resolved Further** that the terms and conditions set out for appointment and / or agreements shall be altered and varied from time to time by the Board as it may, at its discretion, deem fit so as not to exceed the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 or any other amendments made there under in this regard.

By Order of the Board  
 Coimbatore  
 26<sup>th</sup> May, 2003  
**Sumanth Ramamurthi**  
 Vice-Chairman and Managing Director



### Explanatory Statement pursuant to the provision of Section 173(2) of the Companies Act, 1956.

#### Item No.6

The tenure of Mr L G Ramamurthi, as Chairman expired on 31.03.2003. The Board of Directors of the Company at their Meeting held on 31<sup>st</sup> January, 2003 re appointed Mr L G Ramamurthi as Chairman of the Company for a further period of five years with effect from 1.4.2003. His salary has been revised from Rs. 1,20,000/- to Rs. 1,50,000/- per month. The Board therefore, recommends the Special resolution set out as Item No. 6 of the accompanying notice.

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

The terms of the remuneration as said 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.

#### 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. Instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 01.07.2003 to 30.07.2003 (both days inclusive).
4. The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government for and upto the Financial Year 1994-95. The concerned members may, therefore, submit their claims to the Registrar of Companies (Tamil Nadu), Stock Exchange Building, Coimbatore.
5. As per the amended provisions of the Companies Act, 1956 dividend remaining unclaimed for a period of 7 years has to be transferred to Investors Education and Protection Fund established by the Government. Accordingly dividend relating to the financial year 1995-96 declared on 30-8-1996 and remaining unclaimed will be transferred to the above fund in August 2003.

### Directors' Report and Management Discussion & Analysis

To the Members,

Your Directors have pleasure in presenting the 41<sup>st</sup> Annual Report together with audited statement of accounts for the financial year ended 31<sup>st</sup> March, 2003. We have included, as a part of this report the Management Discussion and Analysis.

Financial Results	31.03.2003 Rs. Lacs	31.03.2002 Rs. Lacs
<b>Sales</b> - Yarn Domestic	14007	11613
- Yarn Exports	12416	11622
- Garments - Domestic	420	27
- Garments - Export	19	8
- Fabric	1	14
- Trading Goods (Cotton)	1239	6273
	<b>28102</b>	<b>29557</b>
Add : Increase/(Decrease) in stock of finished goods	145	(127)
Add : Other Income	261	139
<b>Total Income</b>	<b>28508</b>	<b>29569</b>
<b>Operating Profit</b>	<b>4241</b>	<b>3385</b>
Less : Interest	897	1038
<b>Gross Profit</b>	<b>3344</b>	<b>2347</b>
Less : Depreciation	1524	1350
<b>Profit Before Tax</b>	<b>1820</b>	<b>997</b>
Less : Provision for Taxation	378	115
Less : Deferred Tax	32	(10)
<b>Profit After Tax</b>	<b>1410</b>	<b>872</b>
Less : Prior year expenses	4	3
Less : Taxes relating to earlier years	7	—
<b>Net Profit</b>	<b>1399</b>	<b>869</b>
Add : Balance brought forward	55	59
<b>Profit available for appropriation</b>	<b>1454</b>	<b>928</b>
<b>Appropriations</b>		
Proposed Dividend	275	193
Tax on Dividend	35	—
General Reserve	1000	700
Balance carried forward	144	55
	<b>1454</b>	<b>928</b>



### Dividend

Your Directors recommend a dividend of 50%, absorbing a sum of Rs. 310 lacs, including tax on dividend.

### Review of Performance

Your Directors are happy to share the sterling all-round performance of the Company for the year under review. The production and sale of yarn during the year has gone up. The exports have increased by about 8% and the domestic sales have increased by about 21%. Your Company has successfully balanced the Global and domestic market operations to achieve growth in sales, sustained realisation and improved profits.

Our vision of scaling up in the value chain of the product is also materialising. The Garment manufacturing activity has contributed a reasonable growth in the turnover and the product acceptability is quite encouraging. Outsourcing of Semi-finished products and strict quality compliance on the product have stepped up the turnover.

The trading activity in cotton has consciously been reduced in view of the uncertainty in the international markets, falling quality standards and discouraging margins. Hence the cotton-trading turnover was dropped from Rs. 63 Crores to Rs. 12 Crores.

The textile industry has continuously bumped with volatile market conditions throughout the year both in raw material and price realisation front. The Company was able to wither the adverse situations and by taking optimum utilisation of its infrastructure, sustained modernisation programmes to achieve high productivity and quality. The focus on value added products, product-mix, constant customer care and services resulted in improved realisation.

On the expenditure side efficient procurement of raw material and sourcing from international markets have brought the material cost under control. Effective savings in power cost by outsourcing the power from private generating sources coupled with incentive scheme provided by the AP Transco and higher productivity have also improved the profit performance of the Company. Steady drop in interest rate and constant focus on inventory and receivables management kept the finance cost low.

Your Directors are glad to conclude that all the above factors have contributed for an impressive performance of the Company in the year under review.

### SARA Apparels And Fashions

Company has established a garment manufacturing division with sophisticated machinery last year. This division has made considerable progress in manufacturing and marketing the garments. The quality of the product is very well accepted in the market. The first full year of operation has resulted in a turnover of Rs. 439 lacs. Viewing the future prognosis of this business we are setting up one more Garment Unit in Thekkalur Village in Coimbatore District.

### Prospects

Considering the Global positioning of the textile industry, the evolved future road map of this sector is full of surprises and challenges. We are of the opinion that the present recessionary trend will be the future permanent trend. In order to be successful in the industry, we need to manage the situation and successfully manoeuvre the business opportunities to our benefit. Now the Global competition warrants modernisation, quality leading to customer satisfaction, value for money at a low cost, transparent business policies, strict compliances of environmental norms etc.

In the given circumstances, your directors are committed to adopt the situation and create an enterprise value to our Company. We have initiated the steps for the implementation of the concept of TPM and value engineering in our Company involving the total participation of everyone concerned. The project of seed development, for a better raw material tomorrow, is likely to yield effective results in the ensuing years.

Despite the challenges, your directors are confident of achieving reasonable level of performance in current year, but ofcourse, with high productivity, technology adaptation and better product and market mix.

### Directors

Mr B Vijayakumar and Mr Vidyaprakash D, Directors of the Company retire by rotation at the ensuing Annual General Meeting. The retiring Directors are eligible for reappointment.



### 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), Directors responsibility statement under Section 217 (2AA) of the Companies Act, 1956 and a report on Corporate Governance are enclosed.

### Fixed Deposits

61 Fixed Deposits amounting to Rs. 12.61 lacs remained unclaimed as on 31<sup>st</sup> March 2003. Subsequently 28 deposits amounting to Rs. 7.32 lacs have been renewed or repaid.

### Acknowledgement

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 the deposit holders in the Company.

The Board of Directors also wishes to thank the employees at all levels for their excellent support and contribution made by them towards achieving this results despite severe constrains.

Coimbatore  
26<sup>th</sup> May, 2003

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

## Annexure to the Directors' Report

### A. Conservation of Energy

Out sourcing of energy, use of inverters in high power consumption areas viz. humidification plants, Autoconers etc, Maximum utilization of DG sets for the EOU are expected to conserve energy consumption significantly. Further avenues viz. Wind energy, further installation of medium size gas power plant, optimum utilization of transformers are being explored to minimize the power cost.

### B. Research & Development

R&D efforts are being made to fabricate attachments to reduce the process waste and hairiness during spinning. This in turn will result in the reduction of raw materials consumption and there by the manufacturing cost. Improved water purification systems are being experimented at pilot level. Efforts are being made through contract farming to commercialise the newly developed cottonseeds. This new seed fields long staple with better strength cotton, which will be a substitute for imported cotton.

### C. Technology Absorption, Adaptation and Innovation

State of art high speed autoconers, Indigenous high performance contamination sorters, Imported

attachments for hair reduction in spinning were incorporated in our manufacturing process to improve the value addition and productivity during this year.

### D. Directors Responsibility Statement u/s. 217 (2AA):

Your Directors have taken necessary steps to ensure that:

- i. All applicable accounting standards have been followed in the preparation of annual accounts.
- ii. All the necessary accounting policies have been adhered to and all necessary adjustments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of financial year and of the profit of the Company for the period.
- iii. Proper and sufficient care has been taken 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 the preventing and detecting fraud and other irregularities.
- iv. The annual accounts have been prepared on a going concern basis.





**FORM-A - CONSERVATION OF ENERGY**  
(Consolidated for all units)

**AS PRESCRIBED IN FORM A**

<b>a. Power &amp; Fuel Consumption</b>	<b>31.3.2003</b>	<b>31.3.2002</b>
1. Electricity		
(a) Purchased		
units in lacs	<b>640.4</b>	486.3
Total Amount in Rs. lacs	<b>2247.4</b>	1899.7
Rate per unit in Rs.	<b>3.5</b>	3.9
(b) Own Generation		
(i) Through Diesel Generator		
Units in lacs	<b>171.3</b>	220.1
Units per Litre of Diesel oil	<b>4.0</b>	3.7
Total amount in Rs. lacs	<b>628.0</b>	927.2
Cost per Unit in Rs.	<b>3.7</b>	4.2
(ii) Through Windmill generation		
Units in lacs	<b>20.5</b>	22.7
Total Amount in Rs. lacs	<b>61.5</b>	71.9
Rate per Unit in Rs.	<b>3.0</b>	3.2
2. Other fuels are not used.		
<b>b. Consumption per unit of production</b>		
(Production of various counts has been converted to the standard count of 40s)		
Electricity (in units) per kg.	<b>5.5</b>	4.9

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

Sl. 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	73	DAE (42)	Chairman	Duties pertaining to the office of the Chairman	6652476	01.04.1993	Elgi Equipments Limited Coimbatore
2	Mr Sumanth Ramamurthi	45	BS ELECL ENGG (14)	Vice-Chairman and Managing Director	Management of the Company	7312766	01.04.1992	Festo Elgi Pvt Ltd, Cbe

- Note :**
- Chairman and Vice-Chairman and Managing Director are appointed for a period of 5 years at a time.
  - Gross remuneration includes salary, allowances, Company's contribution to Provident and Super Annuation Fund and expenditure incurred by the Company for other facilities.
  - Mr L G Ramamurthi and Mr Sumanth Ramamurthi are related to Mr Vidyaprakash D.



## 5 Year Highlights

	Rs. Lacs				
	1999	2000	2001	2002	2003
<b>Operating Results</b>					
Sales and Other Income	16683	18229	24615	29695	28363
Operating Profit	2146	2454	3352	3385	4241
Interest	669	804	1118	1038	897
Gross Profit	1477	1650	2234	2347	3344
Depreciation	1110	1154	1369	1350	1524
Taxes	45	70	80	105	410
Net Profit	316	420	781	889	1399
Dividend	122 *	153 *	182 *	193	310 *
Retained Profit	194	267	599	696	1089
<b>Performance Parameters</b>					
Net Fixed Assets	7761	8273	9716	10303	10517
Share Capital	550	550	550	550	550
Reserves	6812	7085	7685	6470 **	7559
Net Worth	7362	7635	8235	7020 **	8109
Return on Net Worth (%)	4	6	9	13	17
Borrowings	6236	7672	10280	10322	11712
Debt : Equity	0.8 : 1	1 : 1	1.2 : 1	1.5 : 1	1.4 : 1
Dividend (%)	20	25	30	35	50
Earnings per share (Rs.)	5.7	7.6	14.2	16.2	25.4

\* Including Dividend Tax

\*\* After transfer of Rs.1933 Lacs to Deferred Tax Liability



**Balance Sheet as at 31st March, 2003**

	Schedule	31.3.2003 Rs. Lacs	31.3.2002 Rs. Lacs
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Capital	1	550.00	550.00
Reserves & Surplus	2	7558.72	6470.11
		<u>8108.72</u>	<u>7020.11</u>
<b>Loan Funds</b>			
Secured Loans	3	10280.35	8228.56
Unsecured Loans	4	1432.13	2093.25
		<u>11712.48</u>	<u>10321.81</u>
<b>Total</b>		<u>19821.20</u>	<u>17341.92</u>
<b>Application of Funds</b>			
<b>Fixed Assets :</b>			
Gross Block	5	21612.60	19660.50
Less : Depreciation		<u>11173.57</u>	<u>9715.42</u>
Net Block		10439.03	9945.08
Capital Work-in-progress		<u>78.12</u>	<u>358.09</u>
		10517.15	10303.17
<b>Investments</b>	6	1188.92	1124.79
<b>Current Assets, Loans &amp; Advances</b>			
Inventories		7047.75	4471.02
Sundry Debtors		1114.02	1319.24
Cash & Bank Balances		145.99	163.53
Other Current Assets		417.94	188.31
Loans & Advances		<u>4137.15</u>	<u>3721.00</u>
		12862.85	9863.10
Less : Current Liabilities & Provisions	8	<u>2974.13</u>	<u>2161.25</u>
Net Current Assets		9888.72	7701.85
<b>Deferred Tax (Net)</b>	9	(1954.74)	(1922.74)
<b>Miscellaneous Expenditure</b>	10	181.15	134.85
<b>Total</b>		<u>19821.20</u>	<u>17341.92</u>

Schedules 1 to 10 and Notes on accounts form part of this Balance Sheet.

As per our report of even date attached  
For **Reddy, Goud & Janardhan**  
Chartered Accountants  
**Balakrishna S Bhat**  
Partner  
Coimbatore, 26<sup>th</sup> May, 2003

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


**Profit and Loss Account for the year ended 31st March, 2003**

	Schedule	31.3.2003 Rs. Lacs	31.3.2002 Rs. Lacs
<b>Income</b>			
Sales	11	28101.73	29556.77
Other Income	12	260.89	138.58
Increase/(Decrease) in Stock of Finished Goods	13	145.43	(126.85)
		<u>28508.05</u>	<u>29568.50</u>
<b>Expenditure</b>			
Raw Materials	14	10063.73	10603.26
Purchases - Cotton (Trading Goods)		1194.90	6136.24
Purchases - Semi Finished Yarn		3125.87	1238.32
Salaries & Wages	15	1974.77	1714.82
Power & Fuel		2884.34	2796.94
Stores		788.95	617.61
Repairs & Maintenance	16	771.70	448.76
Processing Charges		1302.50	960.75
Selling Expenses	17	1350.67	1023.39
Administrative Expenses	18	810.04	643.39
Interest	19	896.83	1038.45
		<u>25164.30</u>	<u>27221.93</u>
<b>Gross Profit</b>		<u>3343.75</u>	<u>2346.57</u>
Less : Depreciation		<u>1523.54</u>	<u>1349.92</u>
<b>Profit before Tax</b>		<u>1820.21</u>	<u>996.65</u>
Less : Provision for Taxation		<u>378.00</u>	<u>115.00</u>
Less : Deferred Tax		<u>32.00</u>	<u>(10.31)</u>
<b>Profit after Tax</b>		<u>1410.21</u>	<u>891.96</u>
Less : Prior year Expenses		<u>4.48</u>	<u>3.22</u>
Less : Taxes relating to earlier years		<u>6.89</u>	<u>—</u>
<b>Net Profit</b>		<u>1398.84</u>	<u>888.74</u>
Add : Balance brought forward		<u>55.50</u>	<u>59.26</u>
<b>Profit available for Appropriation</b>		<u>1454.34</u>	<u>948.00</u>
<b>Appropriations</b>			
Proposed Dividend		275.00	192.50
Tax on dividend		35.23	—
General Reserve		1000.00	700.00
Balance Carried Forward		144.11	55.50
		<u>1454.34</u>	<u>948.00</u>
<b>Basic Earnings per share (in Rs.)</b>		<u>25.43</u>	<u>16.16</u>

Schedules 11 to 19 and Notes on accounts form part of this Profit and Loss Account.

As per our report of even date attached  
 For **Reddy, Goud & Janardhan**  
 Chartered Accountants  
**Balakrishna S Bhat**  
 Partner  
 Coimbatore, 26<sup>th</sup> May, 2003

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