

SARA ELGI

42nd Annual Report
2003 - 04

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Super Spinning Mills Ltd.

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Super Spinning Mills Limited

Chairman

Vice-Chairman and Managing Director

Board of Directors

Company Secretary

Auditors

Bankers

Registered and Central Office

Mr L G Ramamurthi

Mr Sumanth Ramamurthi

Mr C S K Prabhu

Mr C R Ramamurthy

Mr S Ramaswamy Naidu

Mr D Sarath Chandran

Mr Sudarsan Varadaraj

Mr Vidyaprakash D

Mr B Vijayakumar

Mr N Mohan Ram

M/s Reddy, Goud & Janardhan

Union Bank of India

State Bank of India

Citibank N A

The Bank of Nova Scotia

Andhra Bank

IDBI Bank

"ELGI TOWERS"

P B 7113, 737-D, Green Fields

Puliakulam Road

Coimbatore - 641 045

Tamilnadu

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Internet : www.saraelgi.com

Mills

A & O.E Unit : Kirikera, Andhra Pradesh

B Unit : Kotnur, Andhra Pradesh

C Unit : D-Gudalur, Tamilnadu

**Garment Units: Neelambur & Thekkalur
Tamilnadu**

**T F O Unit : Urumandampalayam,
Tamilnadu**

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Notice of Annual General Meeting

Notice is hereby given that the 42nd Annual General Meeting of the Company will be held on Friday, the **23rd July, 2004 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 31st March, 2004.
 - b. The audited Balance sheet as at 31st March, 2004 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. D Sarath Chandran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Sudarsan Varadaraj, 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(s), the following resolution as an ordinary Resolution.**

Resolved that pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr C S K Prabhu be and is hereby appointed as a Director of the Company and he is liable to retire by rotation.

By Order of the Board
Sumanth Ramamurthi
 Coimbatore
 25th May, 2004 Vice-Chairman and Managing Director

Explanatory Statement in pursuant to Section 173 of the Companies Act, 1956

Item No.6

Mr C S K Prabhu is a Chartered Accountant from Coimbatore practicing for more than three decades. In order to induct professional independent Director in to Board, Mr C S K Prabhu was appointed as an Additional Director of the Company on 21.11.2003 under Section 260 of the Companies Act, 1956. Mr C S K Prabhu holds office upto the date of ensuing

Annual General Meeting. Notice has been received from a member as required under Section 257 of the Companies Act, 1956 alongwith requisite deposit amount proposing him as a candidate for the office of the Directors. The Board of Directors considered it desirable that Company should continue to avail itself of his services and therefore the resolution in Item No. 6 is proposed.

None of the Directors are interested in this resolution except Mr C S K Prabhu.

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 Share Transfer Books of the Company will remain closed **from 01.07.2004 to 23.07.2004** (both days inclusive).
4. The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government for and up to the financial year 1994-95. The concern members may therefore to submit their claims to the Registrar of Companies, Coimbatore (Tamilnadu), 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 the Investors Education and Protection Fund established by the Government. Accordingly dividend relating to the financial year 1996-97 declared on 29.8.97 and remaining unclaimed will be transferred to the above fund after August, 2004.
6. As per the directions of SEBI, Company has appointed Intime Spectrum Registry Ltd., as Registrar and share transfer agent of the company for carrying out both physical and electronic share transfers. All the members are requested to forward their share transfer deed(s) and other communications directly to its investor relation centre at the following address:

M/s Intime Spectrum Registry Limited,
 "SURYA" 35, Mayflower Avenue,
 Behind Senthil Nagar, Sowripalayam Road,
 Coimbatore-28.



Directors' Report and Management Discussion & Analysis

To the Members,

Your Directors have pleasure in presenting the 42nd annual report together with the audited statement of accounts for the financial year ended 31st March, 2004.

Financial Results	31.03.2004	31.03.2003
	Rs. Lacs	Rs. Lacs
Sales		
- Yarn Domestic	14832	14007
- Yarn Exports	14739	12416
- Garments - Domestic	293	420
- Garments - Export	54	19
- Fabric	736	1
- Trading Goods (Cotton)	2862	1239
	33516	28102
Add : Increase in Stock of Finished Goods	391	145
Add : Other Income	525	261
Total Income	34432	28508
Operating Profit	4186	4241
Less : Interest	1082	897
Gross Profit	3104	3344
Less : Depreciation	1631	1524
Profit Before Tax	1473	1820
Less : Provision for Taxation	280	378
Less : Deferred Tax	152	32
Profit After Tax	1041	1410
Less : Prior year expenses	9	4
Less : Taxes relating to earlier years	(11)	7
Net Profit	1043	1399
Add : Balance brought forward	144	55
Profit available for appropriation	1187	1454
Appropriations		
Proposed Dividend	220	275
Tax on Dividend	28	35
General Reserve	150	1000
Balance Carried Forward	789	144
	1187	1454

Dividend

Your Directors recommend a dividend of 40%, absorbing a sum of Rs. 248 lacs, including Tax on Dividend.

Your Directors are happy to inform you that the company has continued to achieve a reasonable performance for the year under review also. The total turn over of the company has increased by 19% to Rs. 335 crores from Rs.281 crores. The Exports have increased by 19% to Rs.148 crores from Rs.124 crores. The cotton-trading turnover has increased to Rs. 28 crores from Rs.12 crores. The increase in total Sales

was mainly on account of outsourcing of yarn and fabric sales. Inspite of the high fluctuation in demand for yarn, both in domestic and export markets, your company could achieve the above results.

The raw material cost during the year rose sharply affecting the profitability during the second quarter of the year. The average price realisation also declined due to accumulation of stock resulted out of difficulties in implementing the Cenvat procedure compounded by protracted transporter's strike. During the year under consideration, your company could control the other input costs to achieve reasonable operating profits neutralising the above adverse factors.

We are happy to state that during the second part of the year, we have invested Rs 13 crores in Andhrapradesh Gas Power Corporation Ltd, which would enable the Company to procure 3.5 MW of power for Hindupur units at a lesser price. In addition to the above a Wind Mill of 1250 KW capacity has been installed in Tamilnadu. As a result, there were considerable savings in the power cost during the second half of the year and the benefits will continue to accrue fully from the current year onwards.

The capacity and infrastructure created is efficiently utilised to achieve high productivity, quality and control of overheads. A sustained modernisation and upgradation programme is being pursued. The interest cost has marginally increased on account of high raw material inventory and investment on modernisation and upgradation. Efforts are initiated to reduce the interest cost also. Your Directors therefore wish to state that in the given volatile textile scenario the performance of your company is satisfactory.

SARA Apparels and Fashions

The expansion in Garment manufacturing division was completed in February 2004. The facility established has started producing products that is very well received by the market for its international qualities. The capacity of our garment units has been increased from 700 to 2000 pieces per day. Your Directors are working towards establishing a brand for our products in the coming years. We are confident that with value-addition, being the focus, your company will be able to provide end-to-end products to realise the best in the near future.

ISO 14001

Our Company has established and maintained environmental management system as per the requirement of IS/ISO 14001. The system has been established through implementation of the requirements specified in the environmental management system manual, procedures and work instructions.

Human Resources Development and Industrial Relations

Our company is in the process of implementing Total Productive Manufacturing (TPM) involving all employees and building ownership by encouraging continuous improvement through small group activities. Several training programmes were also conducted for the self-development of employees at all levels. Industrial relation during the year under review at all units of the Company continued to be cordial.

Prospects

The Indian Textile industry has already started acclimatization to the Global trends in terms of expectations of quality, pricing



and variety. While free market offers unlimited opportunities, it is also replete with threats, particularly from "export led" economies, to de-stabilize our local market. The sign of which are already visible and will intensify further in the years to come. In order to strengthen the industry, we need to focus on the economies of scale and large-scale integration of decentralized segments. Our strengths need to be converted in to competitive edge to exploit the opportunities offered by the free market economy while weaknesses hindering its growth have to be eliminated or their impact minimised.

We have already taken necessary steps towards Global positioning of your Company and with the continuous upgradation of manufacturing technologies enabling high productivity with quality and range of products with value addition, the challenges would be managed efficiently given the normal circumstances.

Internal control systems and their adequacy

The Company has an adequate system of internal controls commensurate with its size and nature of business and ensures adequate protection of the Company's resources, provision of accurate and speedy financial reports and to ensure compliances with the Company's policies, procedures and legal obligations. The internal control is supplemented by extensive programme of internal audits. The audit committee meets periodically with the management, internal auditors, cost auditors and the statutory auditors to review the internal audit and internal control systems.

Directors

Mr D Sarath Chandran and Mr Sudarsan Varadaraj retires by rotation at the ensuing Annual General Meeting and offer themselves 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), Directors responsibility statement under Section 217 (2AA) of the Companies Act, 1956 and a report on Corporate Governance are enclosed.

Fixed Deposits

26 Fixed Deposits amounting to Rs. 4.35 lacs remained unclaimed as on 31st March, 2004. Subsequently 4 deposits amounting to Rs. 0.90 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 constraints.

By Order of the Board
L G Ramamurthi
Chairman

Coimbatore
25th May, 2004

Annexure to the Directors' Report

A. Conservation of Energy :

Installation of hi-tech transformer, high capacity windmill, outsourcing of gas power by investment in APGPCL shares, the use of inverters in high power consumption area and measures to reduce air leakages in various departments resulted in conserving energy significantly. Further sourcing of unconventional energy and energy saving measures in different areas are being explored to minimise the power consumption and reducing the power cost.

B. Research & Development :

Attachment for reducing the hairiness in the Ring Frames, modifications to minimise waste extraction during spinning are being made in Research & Development Department. In addition, ozone system to supply drinking water and to clean waste water is also in the progress of R&D work. These efforts will minimise the manufacturing cost significantly. Efforts are being made through contract forming to commercialise the newly developed cotton seed and to procure the cotton with minimum contamination level. The newly developed cotton seed will yield better strength and substitute for imported cotton.

C. Technology Absorption, Adaptation and Innovation :

State of art high-speed autoconers, Indigenous high performance combers and contamination sorters, Imported attachments are being incorporated in our manufacturing process. In addition, a state of art garment factory has also been established by us to add value to our yarn production.

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

Your Directors have taken necessary steps to ensure that:

- All applicable accounting standards have been followed in the preparation of annual accounts.
- 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 that period.
- 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.
- 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

a. Power & Fuel Consumption		31.3.2004	31.3.2003
1. Electricity			
(a) Purchased			
Units in Lacs	705.8	640.4	
Total amount in Rs. Lacs	2278.7	2247.4	
Rate per unit in Rs.	3.2	3.5	
(b) Own generation			
(i) Through Diesel Generator			
Units in Lacs	79.5	171.3	
Units per litre of diesel oil	22.3	4.0	
Total amount in Rs. Lacs	299.7	628.0	
Cost per unit in Rs.	3.8	3.7	
(ii) Through Windmill generation			
Units in Lacs	33.4	20.5	
Total amount in Rs. Lacs	90.1	61.5	
Rate per unit in Rs.	2.7	3.0	
2. 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) per kg.	4.8	5.5	

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	74	DAE (43)	Chairman	Duties pertaining to the office of the Chairman	7045184	01.04.1993	Elgi Equipments Ltd., Coimbatore
2	Mr Sumanth Ramamurthi	46	BS ELECL ENGG (15)	Vice-Chairman and Managing Director	Management of the Company	7054060	01.04.1992	Festo Elgi Pvt Ltd, Coimbatore

- Note : 1. Chairman and Vice-Chairman and Managing Director are appointed for a period of 5 years at a time.
2. Gross remuneration includes Salary, Allowances, Company's contribution to Provident and Superannuation Funds and expenditure incurred by the Company for other facilities.
3. Mr L G Ramamurthi and Mr Sumanth Ramamurthi are related to Mr Vidyaprakash D.

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5 Year Highlights

	Rs. Lacs				
	2000	2001	2002	2003	2004
Operating Results					
Sales and Other Income	18229	24615	29695	28363	34041
Operating Profit	2454	3352	3385	4241	4186
Interest	804	1118	1038	897	1082
Gross Profit	1650	2234	2347	3344	3104
Depreciation	1154	1369	1350	1524	1631
Taxes	70	80	105	410	432
Net Profit	420	781	889	1399	1043
Dividend	153*	182*	193	310*	248*
Retained Profit	267	599	696	1089	795
Performance Parameters					
Net Fixed Assets	8273	9716	10303	10517	11498
Share Capital	550	550	550	550	550
Reserves	7085	7685	6470**	7559	8353
Net Worth	7635	8235	7020**	8109	8903
Return on Net Worth (%)	6	9	13	17	12
Borrowings	7672	10280	10322	11712	17125
Debt : Equity	1 : 1	1.2 : 1	1.5 : 1	1.4 : 1	1.9 : 1
Dividend (%)	25	30	35	50	40
Earnings per share (Rs.)	7.6	14.2	16.2	25.4	19.0

* Including Dividend Tax

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

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Balance Sheet as at 31st March, 2004

Sources of Funds	Schedule	31.3.2004 Rs. Lacs	31.3.2003 Rs. Lacs
Shareholders' Funds			
Capital	1	550.00	550.00
Reserves & Surplus	2	8353.24	7558.72
		<u>8903.24</u>	<u>8108.72</u>
Loan Funds			
Secured Loans	3	13077.04	10280.35
Unsecured Loans	4	4047.47	1432.13
		<u>17124.51</u>	<u>11712.48</u>
Deferred Tax Liability	9	2134.56	1979.96
Total		<u>28162.31</u>	<u>21801.16</u>
Application of Funds			
Fixed Assets	5		
Gross Block		24107.22	21612.60
Less : Depreciation		12743.30	11173.57
Net Block		<u>11363.92</u>	<u>10439.03</u>
Capital Work-in-progress		133.95	78.12
		<u>11497.87</u>	<u>10517.15</u>
Investments	6	2447.83	1188.92
Deferred Tax Assets	9	28.18	25.22
Current Assets, Loans and Advances	7		
Inventories		13416.66	7047.75
Sundry Debtors		1517.28	1114.02
Cash & Bank Balances		139.28	145.99
Other Current Assets		409.16	417.94
Loans and Advances		5484.09	4137.15
		<u>20966.47</u>	<u>12862.85</u>
Less : Current Liabilities and Provisions	8	6925.63	2974.13
Net Current Assets		<u>14040.84</u>	<u>9888.72</u>
Miscellaneous Expenditure	10	147.59	181.15
Total		<u>28162.31</u>	<u>21801.16</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, 25th May, 2004

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

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Profit and Loss Account for the year ended 31st March, 2004

	Schedule	31.3.2004 Rs. Lacs	31.3.2003 Rs. Lacs
Income			
Sales	11	33516.26	28101.73
Other Income	12	524.82	260.89
Increase in Stock of Finished Goods	13	391.49	145.43
		<u>34432.57</u>	<u>28508.05</u>
Expenditure			
Raw Materials	14	16246.49	13189.60
Purchases - Cotton (Trading Goods)		2823.05	1194.90
Salaries & Wages	15	2270.55	1974.77
Power & Fuel		2905.26	2884.34
Stores		821.67	788.95
Lease Rental		112.02	6.32
Repairs & Maintenance	16	774.45	771.70
Processing Charges		1892.86	1302.50
Selling Expenses	17	1551.50	1350.67
Administrative Expenses	18	849.27	803.72
Interest	19	1082.33	896.83
		<u>31329.45</u>	<u>25164.30</u>
Gross Profit		3103.12	3343.75
Less : Depreciation		1630.53	1523.54
Profit Before Tax		1472.59	1820.21
Less : Provision for Taxation		280.00	378.00
Less : Deferred Tax		151.64	32.00
Profit After Tax		1040.95	1410.21
Less : Prior year Expenses		8.75	4.48
Less : Taxes relating to earlier years		(10.51)	6.89
Net Profit		1042.71	1398.84
Add: Balance brought forward		144.11	55.50
Profit available for Appropriation		1186.82	1454.34
Appropriations			
Proposed Dividend		220.00	275.00
Tax on Dividend		28.19	35.23
General Reserve		150.00	1000.00
Balance Carried Forward		788.63	144.11
		<u>1186.82</u>	<u>1454.34</u>
Basic Earnings per share (in Rs.)		<u>18.96</u>	<u>25.43</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, 25th May, 2004

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

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Schedules Annexed to the Accounts

	31.3.2004 Rs. Lacs	31.3.2003 Rs. Lacs
Share Capital		Schedule 1
Authorised		
55,00,000 Equity Shares of Rs.10 each	<u>550.00</u>	<u>550.00</u>
Issued, Subscribed and Paid-up		
55,00,000 Equity Shares of Rs.10 each fully paid (Of the above 27,50,000 equity shares of Rs.10 each were issued as fully paid up bonus shares by Capitalisation of Reserves)	<u>550.00</u>	<u>550.00</u>
Reserves and Surplus		Schedule 2
Share Premium	1487.50	1487.50
Capital Reserve	48.18	48.18
Wind Mill & Genset Subsidy	30.00	30.00
General Reserve		
As per last Balance Sheet	5848.93	4848.93
Add : Transfer from Profit & Loss Account	<u>150.00</u>	<u>1000.00</u>
	5998.93	5848.93
Profit and Loss Account	<u>788.63</u>	<u>144.11</u>
	<u>8353.24</u>	<u>7558.72</u>
Secured Loans		Schedule 3
(a) Term Loan from IDBI	130.00	395.00
(b) Term Loans from EXIM Bank	2700.00	3200.00
(c) Term Loans from ICICI Bank Ltd	2050.00	950.00
(d) Term Loan from UTI Bank Ltd	—	200.00
(e) Term Loan from HDFC Ltd	84.17	120.36
(f) Term Loan from CITI Bank N A	1372.50	—
(g) Working Capital Borrowings from Banks (See Note No.18 regarding Security for Loans)	6740.37	5414.99
	<u>13077.04</u>	<u>10280.35</u>
Unsecured Loans		Schedule 4
Fixed deposits	362.54	420.50
Trade deposits	47.03	56.98
Interest accrued and due on above	4.14	4.93
Short Term Loans from Banks	<u>3633.76</u>	<u>949.72</u>
	<u>4047.47</u>	<u>1432.13</u>