

43rd Annual Report
2004 - 05

SUPER



Super Spinning Mills Limited

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Field to Fashion



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Super Spinning Mills Limited

Chairman

Vice-Chairman and Managing Director

Executive Director

Board of Directors

Company Secretary

Auditors

Bankers

Registered and Central Office

Contents

Notice to the Members	2
Directors' Report and Management Discussion & Analysis	5
Balance Sheet	9
Profit and Loss Account	10
Schedules	11
Notes Forming Part of Accounts	16
Auditors' Report	23
Cash Flow Statement	25
Report on Corporate Governance	26
Information to the Shareholders	33

Mr L G Ramamurthi

Mr Sumanth Ramamurthi

Mr K R Seethapathy

Mr S Jeyaraman

Mr C S K Prabhu

Mr C R Ramamurthy

Mr D Sarath Chandran

Mr Sudarsan Varadaraj

Mr Vidyaprakash D

Mr B Vijayakumar

Mr Vijay Venkataswamy

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

ICICI Bank

"ELGI TOWERS"

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Mills

A & O.E Unit : Kirikera, Andhra Pradesh

B Unit : Kotnur, Andhra Pradesh

C Unit : D-Gudalur, Tamilnadu

**Garment Units: Neelambur, Thekkalur &
New Tirupur, Tamilnadu**

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



Notice of Annual General Meeting

Notice to the Members

Notice is hereby given that the 43rd Annual General Meeting of the Company will be held on **Friday, the 29th July, 2005 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 audited Profit and Loss Account for the year ended 31st March, 2005.
 - (b) The audited Balance Sheet as at 31st March, 2005 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 C R Ramamurthy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr Vidyaprakash D, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix 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, if any, read with Schedule XIII of the Companies Act, 1956, Mr K R Seethapathy be and is hereby inducted and appointed as an Executive Director of the Company for a period of five years with effect from 1.11.2004 on the following terms and conditions.

Remuneration

- (I) **Salary** : Rs.34,000/- per month in the scale of Rs.34,000 – 4000.
- (II) **Commission** : 0.5% of the net profit of the Company, subject to a maximum of Rs. 4 lacs.

(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 medical expenses incurred for him and his family.
 - (b) **LTC** : Leave Travel Concession for him and his family.
 - (c) **Gas, Water etc** : Reimbursement of expenditure incurred on gas, electricity, water, furnishing and appliances
 - (d) **Club fee** : For self.
 - (e) **Insurance** : Health and personal accident insurance cover for him.
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 and/or Super Annuation Fund and/or Annuity Fund to the extent of 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 car with driver and telephone at his residence.

Resolved Further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr K R Seethapathy, Executive 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.

Resolved Further that the terms of remuneration as set out in the resolution may be regarded as an abstract of the terms of contract and memorandum



of interest for the purpose of Sec.302 of the Companies Act, 1956.

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 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr Vijay Venkataswamy be and is hereby appointed as a Director of the Company, he is liable to retire by rotation.

8. **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 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr S Jeyaraman be and is hereby appointed as a Director of the Company, he is liable to retire by rotation.

Coimbatore
21st May, 2005

By Order of the Board
L G Ramamurthi
Chairman

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

Item No.6

Mr K R Seethapathy is working with us since 1981. During his tenure he held various positions and lastly he was a Chief Operating Officer of the Company.

Mr K R Seethapathy is a MBA graduate. He is having more than 23 years of experience in the textile industry. He has contributed significantly in cotton purchase and developing the new export markets. He is played a vital role in venturing the Company into yarn processing, garments, cotton seed development and Integrated Cotton Cultivation Program.

Considering his performance and service, the Board has decided to induct and appoint him as an Executive Director of the Company with effect from 1.11.2004 for a period of 5 years. Hence, this resolution is proposed for your approval.

None of the Directors except Mr K R Seethapathy is interested in this resolution.

Item No.7

Mr Vijay Venkataswamy was appointed as an Additional Director of the Company on 8.11.2004. Pursuant to Sec. 260 of the Companies Act, 1956, Mr Vijay Venkataswamy holds office till the date of the ensuing Annual General Meeting. Notice has been received from a member as required U/s 257 of the Companies Act, 1956 along with the requisite deposit amount proposing Mr Vijay Venkataswamy as a candidate for the office of the Directors.

Mr Vijay Venkataswamy is a MBA scholar of the university of Scranton in Pennsylvania, USA. He is having more than three decades of experience in the textile industry. Also, he is a Managing Director of Vantex Ltd. In order to induct more independent Directors into the Board, it has been considered desirable that Company should continue to avail itself of his service. Hence this resolution is proposed for your approval.

None of the Directors except Mr Vijay Venkataswamy is interested in this resolution.

Item No. 8

Mr S Jeyaraman was appointed as an Additional Director of the Company on 8.11.2004. Pursuant to Sec. 260 of the Companies Act, 1956, Mr S Jeyaraman holds office till the date of the ensuing Annual General Meeting. Notice has been received from a member as required U/s 257 of the Companies Act, 1956 along with the requisite deposit amount proposing Mr S Jeyaraman as a candidate for the office of the Directors.

Mr S Jeyaraman is a Engineering professional and also holding MBA (specialisation in Marketing). He is having more than thirtyfive years of experience in the Engineering and Textiles Industries.



In order to induct more independent Directors into the Board, it has been considered desirable that Company should continue to avail itself of his service. Hence this resolution is proposed for your approval.

None of the Directors except Mr S Jeyaraman is interested in this resolution.

Coimbatore
21st May, 2005

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. **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 1.7.2005 to 29.7.2005** (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 concerned members may therefore to submit their claims to the Registrar of Companies, Coimbatore (Tamilnadu), Stock Exchange Building, Singanailur, Coimbatore - 641 005.
5. Pursuant to the provisions of Sec. 205A (5) 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 pursuant to Sec. 205C of the Companies Act, 1956. Accordingly, dividend relating to the financial year 1997-98 declared on 21.8.1998 and remaining unclaimed will be transferred to the above fund after 15th September, 2005.
6. As per the directions of SEBI, Company has appointed M/s 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 branch office at the following address:

M/s Intime Spectrum Registry Ltd
"SURYA" 35, Mayflower Avenue
Behind Senthil Nagar, Sowripalayam Road
Coimbatore - 641 028.
Tamil Nadu
Phone : (0422) 2314792

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5

Directors' Report and Management Discussion & Analysis

To the Members,

Your Directors have pleasure in presenting the 43rd Annual Report together with the audited statement of accounts for the financial year ended 31st March, 2005.

Financial Results	31.3.2005	31.3.2004
	Rs. Lacs	Rs. Lacs
Sales - Yarn Domestic	16844	14832
- Yarn Exports	14817	14739
- Garments - Domestic	408	293
- Garments - Export	459	54
- Fabric - Export	85	-
- Fabric - Domestic	1490	736
- Trading Goods (Cotton)	2587	2862
- Miscellaneous Sales	62	-
	36752	33516
Add : Increase / (Decrease) in Stock of Finished Goods	(992)	391
Add : Other Income	358	525
Total Income	36118	34432
Operating Profit	4269	4186
Less : Interest	1159	1082
Gross Profit	3110	3104
Less : Depreciation	1736	1631
Profit Before Tax	1374	1473
Less : Provision for Taxation	355	280
Add : Deferred Tax	108	(152)
Profit After Tax	1127	1041
Less : Prior year expenses	(4)	9
Less : Taxes relating to earlier years	(1)	(11)
Net Profit	1122	1043
Add : Balance brought forward	789	144
Profit available for appropriation	1911	1187
Appropriations		
Proposed Dividend	220	220
Tax on Dividend	31	28
General Reserve	200	150
Balance Carried Forward	1460	789
	1911	1187

Dividend

Your Directors recommend a dividend of 40%, absorbing a sum of Rs. 251 lacs, including Tax on Dividend.

Your Directors have pleasure in placing before you the Company's performance for the year under review. The total turnover has improved from Rs.335 Crores to Rs.368 Crores. The export of yarn remained at the same level as in the previous year due to poor off-take and un-remunerative prices. However exports of fabrics and garments have increased during the year. The cotton-trading turnover has reduced marginally. Your Company continued outsourcing of yarn and fabric to improve its share of the business.

The cotton prices witnessed a steep fall in the first half of the year, which in turn put pressure on yarn selling prices. Your Company's performance in the first half of the current year was affected due to the above. However reduction in the cotton prices in the second half of the current year enabled the Company to improve the realizations and profitability.

Your Company, in order to continuously improve quality and productivity, is perusing the modernisation and technology up-gradation programmes. The Company had full year of advantage from the investment made in the later part of the previous year in AP Gas Power Corporation Limited to procure power equivalent to 3.5 MW and in erection of 1250 KVA windmill at Irukkandurai village, Tamilnadu. Procurement of gas power from a private power generating Company in Tamilnadu in the early part of the year has also enabled your Company to reduce the power cost considerably. Efforts are being made to reduce overheads of the Company. The interest cost and depreciation have marginally increased due to continued investment in infrastructure. In spite of increase in these costs and also reduction in the export incentives, your Company was able to perform satisfactorily.

Your Company has entered a MOU with Department of Agriculture, Tamil Nadu to promote Integrated Cotton Cultivation Programme (ICCP) for about 2000 acres in Tamil Nadu for the year 2005 - 06. This will help your Company to have good quality cotton to cater the needs of the specific overseas buyers.

Prospects

The Indian Textile Industry is set to play a dominant role in the international markets in view of the traditional strengths, availability of skills, material and global technology. The Government has taken several steps to support this industry, which is a major foreign exchange earner for the exchequer and provides direct and indirect employment opportunities. Your Company has already taken several measures to integrate itself with global expectation and to exploit the opportunities that will emerge due to non-quota regime. Your Company is constantly increasing their scale of operation in the garment sector. Efforts are being made in achieving the global standards, productivity and the price and we are confident of increasing the turnover and customer base in the coming years.

Opportunities and Threats

The USD 45 Billion Indian textile industry is on a threshold of a high growth with dismantling of quota regime. This is expected to trigger threefold rise in Indian textile trade offerings significant growth opportunity in the global market. However, the quota liberalization will open up severe competition from China, Thailand, Pakistan, Indonesia, etc. Entry in the global textile market will undergo significant operational challenges and risks on the Indian textile manufacturers. Fluctuation in the cotton prices is also a concern for the textile industry. Volatility in foreign exchange particularly strengthening of rupee against the US Dollars is likely to impact operation of overall profitability of the industry.

SARA Apparels and Fashions

Your Company is actively focusing on forward integration to increase value addition to our products. New manufacturing units at Thekkalur, Vanjipalayam and Netaji Apparel Park at New Tirupur have been established. The unit at Thekkalur is



functioning at its full capacity from April'2005. The turnover of the garment division has increased from Rs. 347 lacs to Rs.867 lacs in a year under report. Your Directors are initiating steps to grow in this segment, which would be more rewarding in the future.

Human Resources

Industrial relation during the year under review at all units of the Company continued to be cordial.

Internal Control Systems and their Adequacy

The Company has inbuilt internal control system in all its operations commensurate with the size of the business. Effective review of the same is constantly practiced to upgrade the systems. The Company has also adequate internal audit programmes, which are monitored by the Audit Committee and the Board of Directors.

Foreign Exchange earnings

The Company has generated foreign exchange earnings of Rs 14971 lacs. The foreign exchange utilized during the year amounted to Rs 4890 lacs towards purchase of raw material, machineries, spares etc. Hence the positive inflow of foreign exchange amounted to Rs 10081 lacs.

Directors

Mr S Ramaswamy Naidu resigned from his Directorship of the Company with effect from 14.10.2004. He has been associated with the Company for the past 29 years. The Board of Directors would like to place on record the valuable contributions made by him for the development of the Company.

Mr Vijay Venkataswamy and Mr S Jeyaraman have been inducted into the Board as Additional Directors of the Company with effect from 8.11.2004. Mr K R Seethapathy, Chief Operating Officer of the Company was inducted into

the Board with effect from 1.11.2004 and appointed as an Executive Director of the Company.

Mr C R Ramamurthy and Mr Vidyaprakash D are to retire 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

33 Fixed Deposits amounting to Rs.9.64 lacs remained unclaimed as on 31st March, 2005. Subsequently 9 deposits amounting to Rs.4.53 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 of 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.

Coimbatore
21st May, 2005

By Order of the Board
L G Ramamurthy
Chairman

Annexure to the Directors' Report and Management Analysis

A. Conservation of Energy

Installation of high capacity windmill at Tirunelveli District has yielded significant generation in the later part of the year.

The gas power purchased from Tamil Nadu coastal region have contributed for the reduction of energy cost substantially for our C unit.

In addition the utilisation of 3.5 MW gas power for our AP units is contributing for reducing the energy cost significantly for SA & SB units.

Installation of improved humidification systems, Inverters, IMCC, ITC & other routine energy conservation measures have reduced our power cost appreciably.

B. Research & Development

The modifications suggested by TPM team are improving the convenience of the work methods by suitable corrections in the components of the machines.

Fibre qualities of our research hybrid cotton Sara II either is at par or surpasses the qualities of few imported cottons. Therefore these R&D efforts may result in reduction in the manufacturing cost significantly.

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 garment factory has also been established by us to add the value to our yarn production.

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

a. Power & Fuel Consumption		31.3.2005	31.3.2004
1. Electricity			
(a) Purchased			
Units in Lacs	772.4	705.8	
Total amount in Rs. Lacs	2379.1	2278.7	
Rate per unit in Rs.	3.1	3.2	
(b) Own generation			
(i) Through Diesel Generator			
Units in Lacs	11.9	79.5	
Units per litre of diesel	3.4	3.6	
Total amount in Rs. Lacs	161.2	299.7	
Cost per unit in Rs.	13.6	3.8	
(ii) Through Windmill generation			
Units in Lacs	51.0	33.4	
Total amount in Rs. Lacs	138.5	90.1	
Rate per unit in Rs.	2.7	2.7	
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.	5.3	4.8	

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	75	DAE (44)	Chairman	Duties pertaining to the office of the Chairman	7411536	1.4.1993	Elgi Equipments Ltd., Coimbatore
2.	Mr Sumanth Ramamurthi	47	BS ELECL ENGG (16)	Vice-Chairman and Managing Director	Management of the Company	7487021	1.4.1992	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 expenditures incurred by the Company for other facilities.
 3. Mr L G Ramamurthi and Mr Sumanth Ramamurthi are related to Mr Vidyaprakash D.



5 Year Highlights

	Rs. Lacs				
	2001	2002	2003	2004	2005
Operating Results					
Sales and Other Income	24615	29695	28363	34041	37110
Operating Profit	3352	3385	4241	4186	4269
Interest	1118	1038	897	1082	1159
Gross Profit	2234	2347	3344	3104	3110
Depreciation	1369	1350	1524	1631	1736
Taxes	80	105	410	432	247
Net Profit	781	889	1399	1043	1122
Dividend	182 *	193	310 *	248 *	251 *
Retained Profit	599	696	1089	795	871
Performance Parameters					
Net Fixed Assets	9716	10303	10517	11498	13327
Share Capital	550	550	550	550	550
Reserves	7685	6470 **	7559	8353	9225
Net Worth	8235	7020 **	8109	8903	9775
Return on Net Worth (%)	9	13	17	12	11
Borrowings	10280	10322	11712	17125	16162
Debt : Equity	1.2 : 1	1.5 : 1	1.4 : 1	1.9 : 1	1.7 : 1
Dividend (%)	30	35	50	40	40
Earnings per share (Rs.)	14.2	16.2	25.4	19.0	20.4

* Including Dividend Tax

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

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9

Balance Sheet as at 31st March, 2005

Sources of Funds	Schedules	31.3.2005 Rs. Lacs	31.3.2004 Rs. Lacs
Shareholders' Funds			
Share Capital	1	550.00	550.00
Reserves & Surplus	2	9224.99	8353.24
		<u>9774.99</u>	<u>8903.24</u>
Loan Funds			
Secured Loans	3	15284.48	13077.04
Unsecured Loans	4	877.71	4047.47
		<u>16162.19</u>	<u>17124.51</u>
Deferred Tax Liability	9	<u>2006.81</u>	<u>2134.56</u>
Total		<u>27943.99</u>	<u>28162.31</u>
Application of Funds			
Fixed Assets	5		
Gross Block		27547.75	24107.22
Less : Depreciation		<u>14435.01</u>	<u>12743.30</u>
Net Block		13112.74	11363.92
Capital Work-in-progress		<u>213.87</u>	<u>133.95</u>
		13326.61	11497.87
Investments	6	<u>2467.08</u>	<u>2447.83</u>
Deferred Tax Assets	9	8.85	28.18
Current Assets, Loans & Advances	7		
Inventories		8036.76	13416.66
Sundry Debtors		1954.56	1517.28
Cash & Bank Balances		183.81	139.28
Other Current Assets		387.76	409.16
Loans & Advances		8905.86	5436.48
		<u>19468.75</u>	<u>20918.86</u>
Less : Current Liabilities & Provisions	8	<u>7501.51</u>	<u>6925.63</u>
Net Current Assets		11967.24	13993.23
Miscellaneous Expenditure	10	<u>174.21</u>	<u>195.20</u>
Total		<u>27943.99</u>	<u>28162.31</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, 21st May, 2005

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