

**SARA ELGI**

**SUPER**



# **Super Spinning Mills Limited**

**50th Annual Report  
2011-12**



**SUPER**



# **Super Spinning Mills Limited**

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**Chairman  
Managing Director  
Board of Directors**

**Chief Operating Officer**

**Company Secretary**

**Auditors**

**Bankers**

**Registrar and Share Transfer Agent**

**Registered and Central Office**

**Mr. Vidyaprakash D  
Mr. Sumanth Ramamurthi  
Mr. C S K Prabhu  
Mr. D Sarath Chandran  
Mr. Sudarsan Varadaraj  
Mr. B Vijayakumar  
Mr. Vijay Venkataswamy**

**Mr. A S Thirumoorthy**

**Mr. R Srikanth**

**M/s. Reddy, Goud & Janardhan**

**Union Bank of India  
State Bank of India  
IDBI Bank  
Andhra Bank  
ICICI Bank  
Axis Bank  
State Bank Of Hyderabad**

**Link Intime India P Ltd  
“SURYA”, 35, Mayflower Avenue  
Behind Senthil Nagar  
Sowripalayam Road  
Coimbatore – 641 028  
Ph : (0422) 2314792  
Fax : (0422) 2314792  
E-mail : coimbatore@linkintime.co.in**

**“ELGI TOWERS”, PB 7113  
Green Fields  
737-D, Puliakulam Road  
Coimbatore – 641 045  
Tamil Nadu  
Ph : (0422) 2311711, 4351711  
Fax : (0422) 2311611, 2315111  
E-mail : super@ssh.saraelgi.com  
Internet : www.superspinning.com**

**Mills**

**A Unit : Kirikera, Andhra Pradesh  
B Unit : Kotnur, Andhra Pradesh  
C Unit : D-Gudalur, Tamil Nadu  
Super Sara : Beerapalli, Andhra Pradesh**

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## Notice to the Members

Notice is hereby given that the 50th Annual General Meeting of the Company will be held on **Wednesday, the 5th September 2012 at 3.30 PM** at Ardra Convention Centre, "Kaanchan", No.9, North Huzur Road, Coimbatore - 641 018, to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the following:
  - a. The audited Statement of Profit and Loss for the year ended 31st March 2012
  - b. The audited Balance Sheet as at 31st March 2012 and
  - c. The reports of the Directors' and the Auditors'
2. To appoint a Director in the place of Mr. Sudarsan Varadaraj, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. C S K Prabhu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

For and on behalf of the Board

Coimbatore  
22nd May, 2012

**Vidyaprakash D**  
Chairman

### Notes:

1. **EVERY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY. SUCH A 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. Members / Proxies should bring the attendance slips duly filled and signed for attending the meeting.
4. The register of members and share transfer books of the company will remain closed from 30th August 2012 to 5th September 2012 (both days inclusive).
5. The brief profile and other information in respect of Non-Executive Directors seeking re-appointment are furnished in the notice.
6. 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 submit their claims to the Registrar of Companies, Coimbatore (Tamilnadu), Stock Exchange Building, Singanallur, Coimbatore – 641 005.
7. The Company has transferred the amount of unclaimed dividends paid from 1995-96 to 2004-05 to the Investors Education and Protection Fund of the Central Government as required under Sections 205A and 205C of the Companies Act, 1956.
8. 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 Central Government. Any claim relating to the unclaimed dividend for the financial years from 31.03.2006 to 31.03.2008 should be made at the earliest to the company. Once the unclaimed dividends are transferred to the Investors Education and Protection Fund, the shareholders cannot claim the dividend thereafter from the Company.
9. The members are requested to forward their share transfer deed(s) and other communications directly to the Registrar and share transfer agent of the company M/s Link Intime India Pvt Ltd.


**Details of Directors seeking Re-appointment (in pursuance of Clause 49(IV)(G) of the Listing Agreement)**

|                                       |   |
|---------------------------------------|---|
| <b>Name</b>                           | Mr. Sudarsan Varadaraj  |
| <b>Date of Birth</b>                  | 22.01.1958  |
| <b>Year of induction to the Board</b> | 1993  |
| <b>Qualification</b>                  | B.E (Hons), M.S (ME)  |
| <b>Expertise in functional areas</b>  | More than three decades of experience in the fields of Automobile and Rubber Industries |
| <b>Shareholding</b>                   | 72810   |
| <b>Directorships</b>                  |   |
| <b>Name of Company</b>                | <b>Chairman / Member of Committees</b>  |
| 1. Super Spinning Mills Limited       | Audit Committee Member<br>Remuneration Committee Member                                 |
| 2. Elgi Rubber International Ltd      | Investors Grievance Committee Member<br>Finance & Administrative Committee Member       |
| 3. KLRF Ltd                           | Audit Committee Member<br>Remuneration Committee Member                                 |
| 4. Treadsdirect (India) Ltd           | -   |
| 5. Elgi Equipments Ltd                | -   |
| 6. Elgi Ultra Industries Ltd          | -   |
| 7. LRG Technologies Ltd               | -   |
| 8. Titan Tyrecare Products Ltd        | -   |
| 9. Festo Controls P Ltd               | -   |
| 10. Tyre Point P Ltd                  | -   |
| 11. Treadsdirect Ltd, Kenya           | -   |
| 12. Treadsdirect Ltd, Srilanka        | -   |
| 13. Treadsdirect Ltd, Bangladesh      | -   |

|   |  |
|---|--|
| <b>Name</b>                             | Mr. C S K Prabhu   |
| <b>Date of Birth</b>                    | 10.09.1954   |
| <b>Year of induction to the Board</b>   | 2003   |
| <b>Qualification</b>                    | FCA  |
| <b>Expertise in functional areas</b>    | More than three decades of experience as Auditor, specializing in the areas of finance, direct taxation, accounting etc. |
| <b>Shareholding</b>                     | 5000   |
| <b>Directorships</b>                    |  |
| <b>Name of Company</b>                  | <b>Chairman / Member of Committees</b>   |
| 1.Super Spinning Mills Ltd              | Audit Committee Chairman<br>Remuneration Committee Chairman<br>Investors Grievance Committee Member                      |
| 2.Bannari Amman Spinning Mills Ltd      | Audit Committee Chairman<br>Investors Grievance Committee Member   |
| 3.Kakatiya Textiles Ltd                 | Audit Committee Member<br>Remuneration Committee Member<br>Investors Grievance Committee Member                          |
| 4.Shiva Texyarn Ltd                     | Audit Committee Member   |
| 5. The Scientific Fertilizer Co (P) Ltd | -  |



## Directors' Report and Management Discussion & Analysis

### To the Members,

Your Directors have pleasure in presenting the 50th Annual Report together with the audited statement of accounts for the financial year ended 31st March 2012.

| <b>Financial Results</b>                              |                   | (₹ in lakhs)      |
|---|-------------------|-------------------|
| <b>Particulars</b>                                    | <b>31.03.2012</b> | <b>31.03.2011</b> |
| Revenue from operations                               | 37795             | 47776             |
| Total Revenue   | 39243             | 48378             |
| Earnings before Finance cost, Depreciation & Tax      |                   | 5856              |
| Less: Finance cost                                    | (1264)            | 2293              |
| Earnings before Depreciation & Tax                    | 3023              | 3563              |
| Less: Depreciation & Amortisation                     | (4287)            | 2081              |
| Profit before Tax                                     | 1900              | 1482              |
| Less: Current & Deferred Tax                          | (6187)            | (19)              |
| Less: Adjustment for earlier years                    | (2251)            | 110               |
| Profit after tax                                      | 355               | 1391              |
| Add: Balance brought forward                          | (4292)            | (1551)            |
| Profit available for appropriations and carry forward | (160)             | (160)             |
|   | <b>(4452)</b>     | <b>(160)</b>      |

### Dividend

Your Directors have not recommended any dividend for the financial year 2011-12 since the Company has incurred a loss.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Conditions and Review of Operations

During the first quarter of financial year 2011-12 cotton price crashed due to global pressure and frequent changes in government policies with regard to cotton and cotton yarn exports. Poor realisation was a general prevalence for entire textile industry.

During the period, domestic and international cotton prices fell steadily from the peak levels seen during March 2011. As a result of this, the prices of cotton stocks held by the company were higher than the market prices, coupled with major fall in yarn price. These were the factors mainly attributable for huge loss of the Company. Added to above, the continued shortage of power in Tamilnadu and Andhra Pradesh has affected the utilisation levels and has increased energy costs.

### Company outlook

During the last quarter of the financial year there is a marginal improvement in the demand for the Company's products and further improvement is expected. Cotton prices are fairly stable in the current year. Measures are being taken to save costs and rationalize operations, that are likely to yield positive results. The decline in consumer spending which had affected sale of yarn is expected to ease with the gradual improvement in the economic conditions.

### Opportunities, Risks and Concerns

The forecast of good monsoon gives hope for higher production and lower prices of cotton.

Frequent changes in government policies with regard to export of cotton and yarn will have a serious impact on prices. Power and labour shortage are major concerns, which could lead to escalation in cost of production. Higher inflation and increase in interest rates would have adverse impact on profit margins of the company.

### Consolidated Financial Statements of Subsidiaries

The Consolidated Financial Statements of the Company and its subsidiary companies, prepared in accordance with the Accounting Standard 21 (AS - 21) prescribed by the Institute of Chartered

Accountants of India are attached and forms part of the Annual Report and Accounts

### Subsidiary Companies

The Company has two subsidiaries namely M/s Sara Elgi Arteriors Limited – a wholly owned subsidiary and M/s Elgi Building Products Limited – step down subsidiary. The statement pursuant to Section 212 of the Companies Act 1956, containing details of subsidiaries of the Company forms part of this Annual report.

The Ministry of Corporate Affairs vide General Circular No. 2/2011 dt. 8th February 2011 has granted a general exemption from attaching a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies along with holding company and hence the same have not been attached herein.

However, as per the conditions of the above referred circular the brief financial statement of subsidiaries is included in the Annual report. The Annual Accounts of the subsidiary companies will be made available to the shareholders seeking such information at any point of time. The annual accounts of the Subsidiary Companies will also be kept open for inspection by any shareholder at its Registered / Corporate Office.

The above said subsidiaries are non – material unlisted Indian subsidiary of the Company in terms of the Listing Agreement.

### Directors

Mr. Sudarsan Varadaraj, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. C S K Prabhu, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The particulars of the Directors proposed to be appointed or re-appointed are given in the Notice of this Annual Report.

### Internal Control System

The Company has an effective internal control system that is commensurate to the size and nature of its business and ensures timely and accurate financial reporting in accordance with applicable accounting standards, compliance with applicable laws, management policies, listing agreements and regulations, optimum utilization, timely maintenance and safety of assets, and an effective management information system based on the SAP – ERP system, the efficacy of which is constantly reviewed and improved to ensure reliability of the processes. The Internal Auditor appointed by the Board conducts regular audit of the internal control systems and reports to the Audit Committee of the Board of Directors, which periodically reviews the performance and adequacy of internal control systems and tracks compliance status of Audit observations.

### Foreign Exchange earnings

Total Foreign exchange earned and used:

Earned : ₹ 5760.76 Lakhs

Used : ₹ 1037.44 Lakhs

### Fixed Deposits

During the year the Company did not accept or renew any Fixed Deposits and no Fixed Deposits remained unclaimed with the Company as on 31st March 2012.

### 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.



### Cost Auditors

Pursuant to the provisions of the Section 233B of the Companies Act, 1956, the Board of Directors of your company have re-appointed M/s S. Mahadevan & Co as Cost Auditors and approved by the Central Government for the Financial Year 2012-2013.

### Personnel Relations

Staff and Labour relations during the year at all units of the company continued to be cordial.

### Statutory Information

A statement showing particulars of technology absorption under Section 217(1) (e) of the Companies Act, 1956 and a report on corporate governance are enclosed and form part of this report. Information pursuant to Section 217(2A) of the Companies Act, 1956, is not furnished as there are no employees covered by the said provisions.

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

Your Directors confirm that:

- In the preparation of the annual accounts, all applicable accounting standards had been followed along with proper explanation relating to material departures;
- We have selected such accounting policies and applied them consistently and made judgements 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 or loss of the company for that period;

- Proper and significant 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.

### 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 appreciation of the confidence reposed by the shareholders in the Company at all times.

The Board of Directors also wishes to thank the employees at all levels for their excellent support and contribution made by them.

Coimbatore  
22nd May 2012

By Order of the Board  
**Vidyaprakash D**  
Chairman

### Annexure to the Directors Report and Management Discussion and Analysis

#### A. Conservation of Energy

- Increased power factor by adding capacitors to overcome the cost increase due to change of billing based on kwh to kvah.
- Increased no of locations of Humifog System in the units.
- Energy saving fans installed in Waste Recovery system of A and B units which proves 25% energy saving. Lighting stabilizers installed in all units.
- Monitoring of Air Leakage and Air pressure by arresting leakages in air distribution lines from preparatory machineries to autoconers by 'energy conservation cells' established in each units, helped the company effect significant savings in energy consumption. The details of total consumption are as follows.

#### FORM-A - CONSERVATION OF ENERGY (CONSOLIDATED FOR ALL SPINNING UNITS)

31.03.2012 31.03.2011

#### I. Power & Fuel Consumption

##### 1. Electricity

##### (A) Purchased

|                         |        |        |
|-------------------------|--------|--------|
| Units in Lakhs          | 822.2  | 1002.4 |
| Total Amount in ₹ Lakhs | 2332.6 | 4178.4 |
| Rate Per Unit in ₹      | 2.8    | 4.2    |

##### (B) Own Generation

##### (I) Through Diesel Generator

|                               |       |       |
|-------------------------------|-------|-------|
| Units in Lakhs                | 16.0  | 24.8  |
| Units Per Litre Of Diesel Oil | 3.3   | 3.5   |
| Total Amount in ₹ Lakhs       | 206.0 | 265.8 |
| Cost Per Unit in ₹            | 12.8  | 10.7  |

##### (II) Through Wind Mill Generation

|                         |       |       |
|-------------------------|-------|-------|
| Units in Lakhs          | 60.2  | 66.4  |
| Total Amount in ₹ Lakhs | 162.5 | 179.2 |
| Rate Per Unit in ₹      | 2.7   | 2.7   |

#### II. Consumption Per Unit Of Production

(Production Of Various Counts Has Been  
Converted To The Standard Count Of 40S)

Electricity (in Units) Per Kg **6.2** **6.1**

#### B. Research and Development

Research and Development activities are currently focused on modified carding system for effective carding process. Investigations have shown improved results. The number of Carding increased to channelise a process and results proves continuous saving of Comber Noils by 1.5%.

#### C. Technology Absorption, Adaptation and Innovation

- Installed additional contamination detectors in blowroom to reduce the manpower.
- The Company is in process of conducting Recycled fibre spinning trials.





## Report on Corporate Governance

### Company's philosophy on code of governance

The company's philosophy on Corporate Governance finds expression in a self governing model of voluntary adherence of all statutory rules and regulations, timely disclosures, transparent accounting policies and practices, maintenance of the highest degree of integrity and ethical conduct towards all the stakeholders namely shareholders, employees, financial institutions, suppliers and business partners.

### Board of Directors - Composition, Category and Attendance

Your Company's Board has an optimum combination of Executive, Non-Executive and Independent Directors as per requirements of Clause 49 of the Listing Agreement. The Board comprises of Seven Directors including two Executives and five Non-Executive Independent Directors.

During the year 2011-12, five Board Meetings were held at the Registered Office on 26.05.2011, 05.08.2011, 10.10.2011, 09.11.2011 and 07.02.2012.

### Composition of Directors and their attendance

| Name of the Director                     | Category                          | No. of Directorships in other Companies # | Committee of other Board's in which he is a Member / Chairman * | No. of Board Meetings attended | Whether attended the AGM held on 02.09.2011 |
|--|-----------------------------------|---|---|--------------------------------|---|
| Mr. Vidyaprakash D Executive Chairman    | Promoter's relative and Executive | 3   | Nil/Nil   | 5                              | Yes   |
| Mr. Sumanth Ramamurthi Managing Director | Promoter and Executive            | 12  | 1/Nil   | 5                              | Yes   |
| Mr. C S K Prabhu                         | Independent and Non-Executive     | 3   | 4/2   | 4                              | Yes   |
| Mr. D Sarath Chandran                    | Independent and Non-Executive     | 6   | 2/Nil   | 4                              | No  |
| Mr. Sudarsan Varadaraj                   | Independent and Non-Executive     | 7   | 3/Nil   | 2                              | No  |
| Mr. B Vijayakumar                        | Independent and Non-Executive     | 7   | 3/Nil   | 4                              | No  |
| Mr. Vijay Venkataswamy                   | Independent and Non-Executive     | 4   | Nil/1   | 4                              | No  |

# Excluding Directorships in Private and Foreign Companies

\* Excluding membership in Administrative Committees.

### Relationship of Directors inter-se

| Director               | Related Director(s) | Relationship inter-se |
|------------------------|---------------------|-----------------------|
| Mr. Sumanth Ramamurthi | Mr. Vidyaprakash D  | Sister's Husband      |

### Committees of the Board

#### Audit Committee

The Audit Committee of the Company is constituted in compliance with the provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges

All the members of the Audit Committee are independent and have knowledge of finance, accounts and the textile industry. The quorum for audit committee meeting is two independent directors.

The Chairman of the Audit Committee, Mr C S K Prabhu was present at the last Annual General Meeting.

The Audit Committee meetings were held at the Registered Office of the Company and during the year the committee met four times on 19.05.2011, 30.07.2011, 03.11.2011 and 04.02.2012. The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

| Name                       | Category                    | No. of Meetings Held | No. of Meetings Attended |
|----------------------------|-----------------------------|----------------------|--------------------------|
| Mr. C S K Prabhu, Chairman | Non Executive - Independent | 4                    | 4                        |
| Mr. Sudarsan Varadaraj     | Non Executive – Independent | 4                    | 1                        |
| Mr. B Vijayakumar          | Non Executive – Independent | 4                    | 4                        |
| Mr. Vijay Venkataswamy     | Non Executive - Independent | 4                    | 3                        |

The Statutory Auditors, Internal Auditors and Executives of the Company attended the meetings. The minutes of the Audit Committee Meetings were placed at the Board Meetings. The Company Secretary acts as the Secretary of the Committee.



### Remuneration Committee

The terms of reference of the Remuneration Committee include:

- Recommendation for fixation and periodic revision of compensation of the Managing Director and Executive Directors to the Board for approval and
- Review the sitting fees payable to the Directors.

No meeting of the Remuneration Committee of the Board was held during the year.

### Remuneration of Directors

Remuneration of the whole-time Directors are decided by the Board based on the recommendations and approval of the Remuneration Committee as per the remuneration policy of the company, within the ceiling fixed by the shareholders. The remuneration paid/payable to the Executive Directors of the Company for the year ended 31st March 2012 is as follows.

| Name of the Director                        | Salary and Perks (In ₹) | Service Contract         |
|---|-------------------------|--------------------------|
| Mr. Vidyaparakash D<br>Executive Chairman   | 20,64,000               | 01.04.2011 to 31.03.2014 |
| Mr. Sumanth Ramamurthi<br>Managing Director | 25,80,000               | 01.04.2011 to 31.03.2014 |

The Non-Executive Directors are paid sitting fees for attending each Board and Committee Meetings. The sitting fees paid to each such Director was ₹10,000/- for each Board Meeting and Audit Committee Meeting. ₹1,000/- each for Remuneration Committee Meeting and Shareholders Committee Meeting. The Company does not have any stock option scheme for the Directors and the Employees at present.

| Name of the Non-Executive Director | Sitting Fees (in ₹) | No. of Shares held |
|------------------------------------|---------------------|--------------------|
| Mr. C S K Prabhu                   | 87,000              | 5000               |
| Mr. Vijay Venkataswamy             | 70,000              | 5000               |
| Mr. D Sarath Chandran              | 44,000              | 11710*             |
| Mr. Sudarsan Varadaraj             | 30,000              | 72810              |
| Mr. B Vijayakumar                  | 80,000              | 6670               |

\*Including 6500 shares held in HUF.

### Shareholders / Investors Grievance Committee

The committee deals in matters relating to transfer and transmission of shares, issue of duplicate share certificates, review of dematerialized shares, redressing of investors complaints. The share transfers / transmissions are approved by the committee. The minutes of the same are placed at the Board Meetings from time to time.

The composition of the Shareholders / Investors Grievance Committee and particulars of meetings attended by the members.

| Name of the Member     | No. of Meetings Held | No. of Meetings Attended |
|------------------------|----------------------|--------------------------|
| Mr. Vidyaparakash D    | 7                    | 7                        |
| Mr. Sumanth Ramamurthi | 7                    | 7                        |
| Mr. D Sarath Chandran  | 7                    | 4                        |
| Mr. C S K Prabhu       | 7                    | 7                        |
| Compliance Officer     | 7                    | 7                        |

Seven meetings of the Shareholders / Investors Grievance Committee were held during the year 2011-2012 on 11th April 2011, 4th May 2011, 19th May 2011, 29th June 2011, 15th July 2011, 1st February 2012 and 26th March 2012. During the year the Company had received two complaints from the shareholders and the same had been redressed to the satisfaction of the shareholders. There were no complaints pending unresolved during the year ended 31.03.2012.

### General Body Meetings

#### Details of Annual General Meetings held in last three years

| Year | Location  | Date       | Time    | Special Resolutions passed in the AGM's   |
|------|---|------------|---------|---|
| 2009 | Ardra Convention Centre Kaanchan<br>No.9, North Huzur Road Coimbatore-641 018 | 23.09.2009 | 3.00 PM | Nil   |
| 2010 | Ardra Convention Centre Kaanchan<br>No.9, North Huzur Road Coimbatore-641 018 | 13.09.2010 | 3.30 PM | Nil   |
| 2011 | Ardra Convention Centre Kaanchan<br>No.9, North Huzur Road Coimbatore-641 018 | 02.09.2011 | 3.30 PM | <ul style="list-style-type: none"> <li>• Re-appointment of Executive Chairman and revision in the remuneration</li> <li>• Re-appointment of Managing Director and revision in the remuneration</li> </ul> |