



SURYAAMBA SPINNING MILLS LIMITED



SURYAAMBA SPINNING MILLS LIMITED

BOARD OF DIRECTORS

Sri R. Surender Reddy
Sri Ravinder Kumar Agarwal
Sri Mahender Kumar Agarwal
Sri Pundlik S. Thakare
Sri Sanjiv A. Agrawal
Sri Vithaldas Agarwal
Sri Virender Kumar Agarwal

Chairman
Director
Director
Director
Director
Managing Director
Jt. Managing Director

**GENERAL MANAGER (FINANCE) &
COMPANY SECRETARY**
Sri K.N.Nevatia

AUDITORS

M/s. BRAHMAYYA & CO
Flat No. 403 & 404, Golden Green Apartments,
Irramanzil Colony, Hyderabad- 500 082.

REGISTERED OFFICE

Surya Towers, 1st Floor,
105, Sardar Patel Road,
Secunderabad - 500 003

CORPORATE OFFICE

A-101, Kanha Apartment,
128, Chhaoni, Katol Road,
Nagpur - 440 013, Maharashtra

FACTORY

Mauza - Nayakund,
Near Ramtek,
Dist: Nagpur, Pin: 441 105, Maharashtra

REGISTRARS AND TRANSFER AGENTS

Sathguru Management Consultants Pvt. Ltd.
Plot NO.15, Hindi Nagar
Punjagutta, Hyderabad- 500 034.

BANKERS

State Bank Of India,
Industrial Finance Branch,
Somajiguda, Hyderabad.

Axis Bank Limited,
Begumpet, Hyderabad.

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SURYAAMBA SPINNING MILLS LIMITED

Notice of the First Annual General Meeting

NOTICE is hereby given that the First Annual General Meeting of the Members of Suryaamba Spinning Mills Limited will be held on Thursday, the 18th September, 2008 at 4.00 P.M at Kamat Lingapur Hotel, 1-10-44/2, Chikoti Gardens, Begumpet, Hyderabad -500 016 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended 31st March, 2008, and Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare dividends on 12% Non-Convertible Cumulative Redeemable Preference Shares and 8% Non-Convertible Cumulative Redeemable Preference Shares.
3. To appoint a director in place of Sri Mahender Kumar Agarwal who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri Ravinder Kumar Agarwal who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Brahmayya & Co., Chartered Accountants as Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

Special Business

6. To consider, and if thought fit, to pass the following resolution with or without modification (s) as an ordinary resolution:
"RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956 Sri R. Surender Reddy be and is hereby appointed as director of the Company whose

period of office will be liable to retire by rotation"

7. To consider, and if thought fit, to pass the following resolution with or without modification (s) as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956 Sri Pundlik S Thakare be and is hereby appointed as director of the Company whose period of office will be liable to retire by rotation".

8. To consider, and if thought fit, to pass the following resolution with or without modification (s) as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956 Sri Sanjiv A Agrawal be and is hereby appointed as director of the Company whose period of office will be liable to retire by rotation".

9. To consider, and if thought fit, to pass the following resolution with or without modification (s) as a special resolution:

"RESOLVED THAT pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves that the Register of Members, the index of members and copies of Annual Returns along with the copies of certificates and documents or any or more of them, required to be annexed thereto under Section 160 and 161 of the said Act, be kept at the office of the Company's Registrars and Transfer Agents, M/s Sathguru Management Consultants Private Limited, Plot No. 15, Hindi Nagar, Behind Saibaba Temple, Punjagutta, Hyderabad -500 034 with effect



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from 1st October, 2008 instead of being kept at the Registered Office of the Company."

By order of the Board of Directors
For SURYAAMBA SPINNING MILLS LIMITED

K.N. NEVATIA
General Manager
(Finance) &
Company Secretary

Place : Secunderabad
Date : June 23, 2008

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll to vote instead of himself. Such proxy need not be a member. The instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of members and share transfer books will remain closed from 15th September 2008 to 18th September 2008 (both days inclusive) for the purpose of Annual General Meeting.
3. The shares of the Company are to be listed at Bombay Stock Exchange Limited, Mumbai after completion of de merger procedures as per the Scheme of Arrangement approved by the Hon' ble High Court of Andhra Pradesh in due course.
4. Members are requested to notify immediately any change of address to their depository participants in respect of their holdings in electronic form and to M/s. Sathguru Management Consultants (P) Ltd., Unit: Suryaamba Spinning Mills Limited in respect of their physical folios if any.
5. Members are requested to bring their copy of annual report with them at the time of attending the annual General Meeting.

6. Members desiring any further information as regards the accounts or operations of the company are requested to write to the Company so as to reach at least one week prior to the date of meeting for consideration of the management to deal at the meeting.

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

Item No. 6

Sri R. Surender Reddy, who was appointed as an Additional Director by the Board of directors at their meeting held on 26th February 2008 under the provisions of section 260 of the Companies Act, 1956 will hold the office of the director up to the forthcoming 1st Annual General Meeting of the Company. The Company has received a notice from a member under section 257 of the Companies Act, 1956 together with deposit of Rs. 500/- signifying his intention proposing the appointment of Sri R. Surender Reddy as director of the Company. Sri R. Surender Reddy is having extensive experience in the field of Politics and corporate management. He was a member of Parliament and also Member of Legislative Assembly for the State of Andhra Pradesh for five terms.

None of the directors except Sri. R. Surender Reddy is interested or concerned in the above resolution.

The Board recommends the resolution for approval of the members.

Items No. 7

Sri Pundlik S. Thakare, who was appointed as an additional director of the Company by the Board of Directors at their Meeting held on 26th February 2008 under section 260 of the Companies Act, 1956 will hold the office of director upto the forthcoming 1st Annual General Meeting of the Company. The Company has receive a notice from a member under section 257 of the Companies Act, 1956 together with deposit of Rs. 500/- signifying his intention proposing the appointment



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of Sri Pundlik S. Thakare, as director of the Company. Sri Pundlik S. Thakare is a practicing Chartered Accountant at Nagpur having an experience in the field of accounts, finance having experience for over a period of 32 years.

None of the directors except Sri Pundlik S. Thakare is interested or concerned in the above resolution.

The Board recommends the resolution for approval of the members.

Item No. 8

Sri Sanjiv A Agrawal who was appointed as an additional director of the Company by the Board of directors at their meeting held on 26th February 2008 under section 260 of the Companies Act, 1956 will hold the office of director up to the forthcoming 1st Annual General Meeting of the Company. The Company has received a notice from a member under section 257 of the Companies Act, 1956 together with deposit of Rs. 500/- signifying his intention proposing the appointment of Sri Sanjiv A Agrawal as director of the Company. Sri Sanjiv A Agrawal is having an experience in the business for over a period of 20 years and he is also managing a manufacturing unit for Laminated Sheets near Nagpur.

None of the directors except Sri Sanjiv A Agrawal is interested or concerned in the above resolution.

The Board recommends the resolution for approval of the members.

Item No. 9

Company has, pursuant to the directive issued by the Securities and Exchange Board of India (SEBI), entrusted the job of processing the share transfer work (physical mode and electronic mode) to M/s. Sathguru Management Consultants Private

Limited, Plot No. 15, Hindi Nagar, Behind Saibaba Temple, Punjagutta, Hyderabad -500 034. Accordingly, it is necessary to keep the Register of Members, the Index of Members and copies of Annual Returns prepared under Section 159 and 160 of the Companies Act, 1956 along with the copies of Certificates and documents required to be annexed thereto under Section 160 and 161 of the said Act, or any or more of them, at the office of the M/s. Sathguru Management Consultants Private Limited.

The special resolution is considered necessary having regard to the provisions of Section 163 of the Companies Act, 1956 and the approval is being sought therefor.

None of the directors is interested or concerned in the above resolution.

The Board recommends the Special Resolution for approval of the members.

By order of the Board of Directors
For SURYAAMBA SPINNING MILLS LIMITED

Place : Secunderabad
Date : June 23, 2008

K.N. NEVATIA
General Manager
(Finance) &
Company Secretary



SURYAAMBA SPINNING MILLS LIMITED

Directors' Report

To
The Members,

Your Directors present their First Annual Report on the business and operations of the Company and the financial results for the period ended 31st March, 2008.

Acquisition of Spinning Mills from Suryalata Spinning Mills Limited under a Scheme of Arrangement by way of De-merger :

The Company was incorporated on 05th May 2007 and acquired a running Yarn Spinning Mills situated at Nayakund, Ramtek, Dist: Nagpur, Maharashtra from Suryalata Spinning Mills Limited under a Scheme of Arrangement under the provisions of Section 391-394 of the Companies Act, 1956 by way of demerger with an appointed date 30th June 2007. Hon'ble High Court of Andhra Pradesh vide its Order dated 1st February, 2008 (copy of the same is received by the Company on 21st February, 2008) sanctioned the Composite scheme of Arrangement (de-merger). The said order was filed and registered with the Ministry of Company Affairs through the Office of Registrar of Companies, Andhra Pradesh on 15th March 2008. Thus all the assets and liabilities belonging to Suryalata Spinning Mills Limited in respect of Ramtek unit have been transferred to your Company on the effective date i.e. 15th March, 2008 and the accounts include nine months operational figures from 1st July 2007 to 31st March, 2008.

FINANCIAL RESULTS

	(Rs. in Lakhs)
1. Sales and other Income	6214.66
2. Profit before interest and Depreciation	294.66
3. Interest and Finance charges	128.93
4. Depreciation	133.76
5. Profit after Interest and depreciation	31.97
6. Provision for taxation	
(a) Current Tax	18.20
(b) Deferred Tax	5.01
7. Profit/Loss A/c Balance	8.76
Appropriations	
1. Transferred to General Reserve	—
2. Dividend on preference shares	2.14
3. Dividend Tax	0.36
4. Surplus Carried forward to Balance Sheet	6.26

Note : Information for previous year is not applicable since this is the 1st year.

Operations

This is the first year of operations and the accounts include nine months operational figures from 1st July, 2007 to 31st March, 2008. During nine months operations, your Company achieved a gross turnover of Rs. 6214.66 lakhs. The production during the period was 68.95 Lakh kgs. of yarn. The Company earned a profit after tax of Rs.31.97 Lakhs.

The contribution margins were under pressure. The rise in prices of raw material is not fully absorbed by the market. The fall in margins coupled with increase in interest cost and depreciation has resulted in lower profit. It is largely perceived that because of the recessionary trends in the US and raising crude prices, the textile companies will be under pricing pressure for the current year also.



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Your Company, however taking various measures to control the cost of production and explore other markets to maintain its performance.

Allotment of shares as per scheme of demerger and arrangement:

As per Scheme, Company have made allotment of equity shares on 22nd May, 2008 to all the members who were holding equity shares of Suryalata Spinning Mills Limited on the record date i.e. 30th April, 2008 fixed for the purpose by Suryalata Spinning Mills Limited. Both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are in the process of crediting to the demat account of the members holding equity shares in electronic mode, on 30th April, 2008.

Dividend

The Company's financial performance is affected badly due to the prevailing market conditions and resulted in lower profits. Therefore, keeping in view the current year profits and the trends in the market, it is thought to be prudent to skip the dividend on equity shares for the year. However, dividends on 8% and 12% Non Convertible Cumulative Redeemable Preference Shares have been recommended.

Issue of Preference Shares

As per the Scheme, your Company has taken over preference share capital from the preference shareholders of Suryalata Spinning Mills Limited.

General Reserves

Your Company need not have to transfer any amount to General Reserve Account for the year, as the company declares no dividend on equity shares.

Capital expenditure

During the year under review, your Company has incurred Rs. 56.56 Lakhs towards capital expenditure (including Capital work-in-progress).

Exports

The Merchant export turnover of your Company during the year 2007-2008 was Rs.1920.51 lakhs. Your Company has been exporting yarn to various countries like Turkey, Italy, Taiwan, Iran, Brazil, USA, and Argentina and continues to explore new markets to improve the performance.

Future Outlook

The Competence of synthetic yarn spinning mills lies in availability of Staple Fibres at affordable prices and sufficient quantities, Manpower, Managerial Competence and Entrepreneurial Skills. There are also threats due to strong competition from other developing countries.

Your Company believes that the competition in the emerging markets will be met by developing production systems based on cost efficiency, high productivity, quality assurance etc.

Deposits

There were no overdue deposits as on 31st March 2008.

Directors

1. Pursuant to Section 256 of the Companies Act, 1956 read with article 50 of Articles of Association of the company Sri Mahender Kumar Agarwal and Sri Ravinder Kumar Agarwal who retire by rotations at the ensuing Annual General Meeting, being eligible, offer themselves for reappointment.
2. Sri R.Surender Reddy, Sri Pundlik S. Thakare and Sri Sanjiv A Agrawal who were appointed as additional directors under the provisions of section 260 of the Companies Act, 1956 and will hold the office of director up to the forthcoming Annual General Meeting. The Company has received notices under section 257 of the Companies Act, 1956 together with deposit of Rs. 500/- signifying their intention to propose the



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appointment of Sri R.Surender Reddy, Sri Pundlik S. Thakare and Sri Sanjiv A Agrawal as directors subject to retirement by rotation.

3. The necessary resolutions seeking the approval of the members for the appointments of Sri R.Surender Reddy, Sri Pundlik S. Thakare and Sri Sanjiv A Agrawal have been included for the office of the directors in the notice for the ensuing 1st Annual General Meeting.

Constitution of Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee.

In order to comply with the provision of Clause 49, relating to Corporate Governance, of the Listing Agreement, as will be entered into with Bombay Stock Exchange Limited, after completing all formalities under Scheme of Arrangement, your company has constituted Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee. The First Audit Committee Meeting was held on 23rd June, 2008. Other Committee meetings will be held as and when required.

Appointment of Registrars and Transfer Agents

Your Company has, pursuant to the directive issued by the Securities and Exchange Board of India (SEBI), entrusted the job of processing the share transfer work (physical mode and electronic mode) to M/s Sathguru Management Consultants Private Limited, Plot No. 15, Hindi Nagar, Behind Saibaba Temple, Punjagutta, Hyderabad -500 034. It is necessary to keep the Register of Members, the Index of Members and copies of Annual Returns prepared under Section 159 and 160 of the Companies Act, 1956

along with the copies of Certificates and documents required to be annexed thereto under Section 160 and 161 of the said Act, or any or more of them, at the office of the M/s. Sathguru Management Consultants Private Limited. Pursuant to Section 163 of the Companies Act, 1956 approval of Shareholders by way of Special Resolution is necessary and accordingly, the same have been included in the notice for the ensuing 1st Annual General Meeting.

Directors' Responsibility Statement

The Board of Directors of the Company confirms:

1. That as per the Scheme of Arrangement sanctioned by the High Court of Andhra Pradesh on 26th February 2008, all transactions during the period between Appointed date and the Effective date which was 15th March 2008, a period of Eight Months and fifteen days, were recorded in the books of the Company and in the preparation of the annual accounts (Eight Months and fifteen days), the applicable accounts standards have been followed and there has been no material departure;
2. that the selected accounting policies were applied consistently and the Directors made judgements and estimate that 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 31st March, 2008 and of the Profit & Loss Account of the Company for the period ended on that date;
3. that 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 preventing and detecting fraud and other irregularities;
4. that the accounts for the period have been prepared on a going concern basis.



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Listing

The Company was not listed during the period of Audit i.e. period ended 31.03.2008. After completion of the process of Demerger vide the Scheme of Arrangement as approved by High Court of Andhra Pradesh, and other formalities, Company's application for listing of its shares on the Bombay Stock Exchange Limited will be submitted.

Auditors

The Auditors M/s.Brahmayya & Co., Chartered Accountants, First Auditors of the company will retire at the ensuing 1st Annual General Meeting they have signified their willingness to accept reappointment and have for there confirmed their eligibility under section 224 (1-B) of the Companies Act, 1956.

Auditor's Qualifications

No qualifications were made by the Auditors in their report on the accounts for the period ended 31.03.2008.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The details as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure - I and form part of the Report.

Employees

No employee was in receipt of remuneration in excess of the limits prescribed under section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars and Employees) Rules, 1975 and hence the prescribed information is not required to be given.

Acknowledgement

The Board of Directors are pleased to place on record their appreciation of the co-operation and support extended by State Bank of India and Axis Bank Limited and various State and Central Government agencies. The Board would like to thank the Company's shareholders, customers, suppliers for the support and the confidence, which they have reposed in its management. The Board also wishes to place on record its appreciation of the valuable services rendered by all the employees of the Company.

For and on behalf of the Board of Directors

Vithaldas Agarwal
Managing Director

V. K. Agarwal
Jt. Managing Director

Place : Secunderabad
Date : June 23, 2008



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Annexure - I

Annexure to Directors' Report

Details as required under Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 read with clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956.

A. Conservation of Energy

(a) Energy conservation measures taken:

The Company has given priority for Energy Conservation, and it has put continuous efforts to reduce consumption of energy and the Company has taken steps of continuous monitoring for replacement of conventional electrical motors, etc. with improved technology.

(b) The above measures have reflected in reduction of Energy Consumption during part of the year and full year benefits are expected to achieve in the ensuing financial year.

FORM - A

Form for Disclosure of particulars with respect to Conservation of Energy:

A. Power and Fuel Consumption	2007-08
1. Electricity:	
a) Purchased	
Units	13400146
Total Amount (Rs. in lakhs)	541.70
Average Rate: (Rs./Unit)	4.04
b) Own Generation:	
Through Diesel Generators	Nil
Units (in lakhs of KWH)	Nil
Units per Litre of Diesel Oil	Nil
Average Cost: Rs. / Unit	
2. Coal (Rs. in lakhs)	Not Used
3. Furnace Oil	Not Used
4. Others	Not Used
B. Consumption per Unit of Production	2007-08
Electricity (Units/Kg of Yarn)	1.94
Furnace Oil	Not Used
Coal	Not Used
Others	Not Used

B. Technology absorption:

(e) efforts made in technology absorption as per Form B:

FORM - B

Form for disclosure of particulars with respect to absorption

Research and Development (R&D)

In order to meet the changed competitive conditions due to globalization and liberalization of the economy, there is an urgent need for upgrading the technology levels currently prevailing in the industry. All these call for the preparation and implementation of proper action plan in which all the stakeholders i.e., the government, the weavers and the other interest groups get fully involved.

In an effort to adopt cutting edge technology, your Company gives particular importance in the research, aiming at the better quality and increased market value.