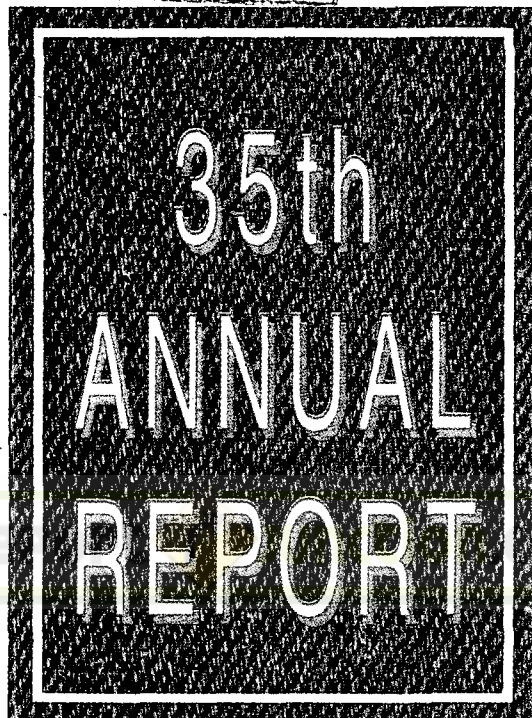


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AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			

CERTIFICATE OF TRUE COPY



1997-98

for Suryalakshmi Cotton Mills Ltd.

[Signature]

F.V.S.V. Sarma,
Company Secretary

SURYALAKSHMI  COTTON MILLS LTD





Suryalakshmi Cotton Mills Limited

Board of Directors

Sri L.N. Agarwal
 Sri U.K. Agarwal
 Sri Paritosh K. Agarwal
 Sri R. Surender Reddy
 Sri C. Narsi Reddy
 Sri V. Ramachandra Rao
 Dr. A. Nageswara Rao
 Sri J. Narayana Murty
 Sri J. Rameshwar Rao

Chairman and Managing Director
 Additional Managing Director
 Executive Director

Nominee IDBI (upto March 2, 1998)

Company Secretary

Sri E.V.S.V. Sarma

DGM (Finance)

Sri P.S. Subramanyam

Auditors

M/s. Brahmayya & Co.
 Hyderabad

Bankers

State Bank of India
 Industrial Finance Branch
 Hyderabad

State Bank of Hyderabad
 Commercial Branch
 Secunderabad

State Bank of Mysore
 Sarojini Devi Road
 Secunderabad

Registered Office

6th Floor, Surya Towers
 105, Sardar Patel Road
 Secunderabad - 500 003

Factories

Pillalamarri Road
 Mahabubnagar Dist.
 Andhra Pradesh - 509 002

Amanagallu
 Mahabubnagar Dist.
 Andhra Pradesh - 509 321

Denim Division
 Ramtek Mauda Road
 Village Nagardhan, Tehsil Ramtek
 Nagpur
 Maharashtra - 440 010

Suryalakshmi Cotton Mills Limited

NOTICE

NOTICE is hereby given that the **35th Annual General Meeting** of the Members of Suryalakshmi Cotton Mills Limited will be held on Monday, the 28th September, 1998 at 1 Floor, Surya Towers, 105, S.P. Road, Secunderabad - 500003 at 11.00 A.M to transact the following business:

1. To receive, consider and adopt the Profit and Loss account for the year ended 31st March, 1998 and Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Dr. A. Nageswara Rao, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Shri V. Ramachandra Rao who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS:

5. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS A SPECIAL RESOLUTION:

"RESOLVED THAT subject to the provisions of sections 198, 269, 309, 314 and other applicable provisions if any, of the Companies Act, 1956 read with schedule XIII thereof as amended upto date, and consent of the term lenders, the consent of the Company be and is hereby accorded to reappoint Shri U.K. Agarwal as Additional Managing Director for a period of 5 years w.e.f 29.09.1998 i.e. upto 28.09.2003 on the terms and conditions mentioned below:

I) **SALARY:** Rs.60000/- per month

II) **COMMISSION:**

At the rate of 1% of the Net Profits of the Company or 50% of annual salary whichever is lower.

III) PERQUISITES:

In addition to the salary and commission as stated above Shri U.K. Agarwal shall be entitled to the following perquisites.

CATEGORY - A

(i) HOUSING:

Rent free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water, etc., or HRA to the extent of 30% of the salary.

ii) MEDICAL REIMBURSEMENT:

Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.

iii) LEAVE TRAVEL CONCESSION:

For self and family once in a year incurred in accordance with the Rules of the Company.

iv) CLUB FEES

Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

v) PERSONAL ACCIDENT INSURANCE:

Of an amount the premium of which shall not exceed Rs.3,000/- per annum.

CATEGORY-B

- i) Contributions by the Company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
- ii) Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.

CATEGORY - C

- i) The Company shall provide a car with driver and a telephone at the residence. Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.



Suryalakshmi Cotton Mills Limited

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any year Shri U.K. Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956."

6. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION:

"RESOLVED THAT the Company do hereby approve and ratify in terms of section 293 (1)(a) and other applicable provisions if any, of the Companies Act, 1956 the mortgaging and /or charging by the Board of Directors of the Company of all the movable and immovable properties of the Company wheresoever situate, present and future, of the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events to or in favour of

- I) Industrial Development Bank of India (IDBI) to secure its
 - a) Additional Rupee Term Loan of Rs.463 lacs
 - b) Additional Rupee Term Loan of Rs. 557 lacs
- II) Industrial Finance Corporation of India Limited (IFCI) to secure its
 - a) Additional Rupee Term Loan of Rs. 373 lacs
 - b) Additional Rupee Term Loan of Rs. 172 lacs
- III) State Bank of India to secure its Additional Rupee Term Loan of Rs. 275 Lakhs with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies, payable by the Company vide its loan agreement(s) entered into by the Company.

Provided that the above mortgage/charge shall rank pari-passu with, the mortgages

and/or charges already created or to be created by the Company to secure the term loans sanctioned/to be sanctioned by IDBI, IFCI, ICICI, IIBI, SBI."

"RESOLVED FURTHER THAT the Company do hereby confirm and ratify the execution of the documents for creation of the aforesaid mortgage/charge."

7. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION:

"RESOLVED THAT the Company do hereby approve in terms of Section 293(1)(a) and other applicable provisions if any, of the Companies Act, 1956 the creation of mortgage and/or charge on all the immovable and movable properties of the Company wheresoever situate, present and future and the whole undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events to or in favour of Industrial Development Bank of India to secure its additional rupee term loan to be sanctioned up to an amount of Rs.312 lakhs by way of conversion of unutilised foreign currency loan together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies, payable by the Company vide its loan agreement(s) to be entered into by the Company.

Provided that the above mortgage/charge shall rank pari-passu with, the mortgages and/or charges already created or to be created by the Company to secure the term loans sanctioned/to be sanctioned by IDBI, IFCI, ICICI, IIBI, SBI."

8. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION:



Suryalakshmi Cotton Mills Limited

"RESOLVED THAT the Company do hereby approve in terms of section 293(1)(a) and other applicable provisions if any, of the Company's Act, 1956 the creation of mortgage and/or charge on all the immovable and movable properties of the Company wheresoever situate, present and future and the whole undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events to or in favour of

- i) State Bank of India (SBI) to secure the additional working capital facilities sanctioned by them aggregating to Rs.5.40 Crores and the working capital facilities upto Rs.10.50 Crores to be sanctioned for the Company's Denim Division.
- ii) State Bank of Hyderabad (SBH) to secure the additional working capital facilities to be sanctioned by them aggregating to Rs.1.80 Crores and the working capital facilities upto Rs. 3.50 Crores to be sanctioned for the Company's Denim Division.

- iii) State Bank of Mysore (SBM) to secure the additional working capital facilities to be sanctioned by them aggregating to Rs.1.80 Crores and working capital facilities upto Rs. 3.50 Crores to be sanctioned for the Company's Denim Division.

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premium on prepayment, costs, charges, expenses and other monies payable by the Company to the Banks under their respective loan agreements entered into / to be entered into by the Company in respect of the said Working Capital Facilities.

Provided however that the aforesaid mortgages shall rank second and subservient to the Charges created / to be created by the Company in favour of IDBI, IFCI, ICICI, IIBI & SBI to secure the term loans sanctioned / to be sanctioned by them.

By order of the Board

Secunderabad
29th June, 1998

E.V.S.V. SARMA
Company Secretary

NOTE:

1. The register of members and share transfer books will be closed from Friday, the 18th September, 1998 to Monday, the 28th September, 1998 (both days inclusive) for the purpose of Annual General Meeting.
2. A member entitled to attend the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
3. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
4. The shareholders desiring any further information as regards the accounts are requested to write to the Company so as to reach it at least one week prior to the date of the meeting for consideration of

the management to deal at the meeting.

5. Notice is hereby given pursuant to Rule 4 (a) of the Companies unpaid dividend (transfer to General Revenue Account of the Central Government) Rules, 1978 that the amount of unclaimed/unpaid dividend for the financial year 1994-95 will be transferred to General Revenue Account of the Central Government during October, 1998 in terms of Section 205 of the Companies Act, 1956.
6. Members are requested to notify immediately any change in their address to the Company.
7. The Members are requested to bring their copy of the annual report with them at the time of attending Annual General Meeting.



Suryalakshmi Cotton Mills Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO.5

Sri U.K. Agarwal, Additional Managing Director was appointed for a period of 5 years w.e.f. September 29, 1993. His term will expire on September 28, 1998. Shri U.K. Agarwal is incharge of the Company's Denim Division in addition to his responsibilities in the existing operations. The Board recommends his reappointment as Additional Managing Director for a period of 5 years w.e.f. September 29, 1998 upto September 28, 2003 with a remuneration mentioned in the resolution plus usual perquisites.

The Board recommends the resolution for the approval of the members. Except Shri U.K. Agarwal no other Director is interested in this resolution. The above resolution may be treated as an abstract of the terms of reappointment of Shri U.K. Agarwal under Section 302 of the Companies Act, 1956.

ITEM NO.6

Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India Ltd (IFCI), and State Bank of India (SBI) have sanctioned additional rupee term loans for the Company's Denim Project at Nagardhan Village, in Ramtek Taluk in the State of Maharashtra. These Rupee Term Loans are to be secured by a first pari passu charge over the immovable properties of the Company, present and future. Section 293 (1) (a) of the Companies Act, 1956 provides interalia that the Board of Directors of a Public Company shall not, without consent of such Company in general meeting sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Since the mortgage by the Company over its immovable properties as aforesaid in favour of Financial Institutions/Banks may be regarded as disposal of the Company's properties/undertaking, it is

necessary for the Members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956.

In view of the urgency of the matter, the Company has already created the mortgage/charge in favour of Financial Institutions/Banks by way of equitable mortgage by deposit of title deeds. The resolution seeks the members' approval and ratification of the mortgage already created by the Company. The Board recommends the resolution for the members' approval and ratification.

None of the Directors of the Company is interested in this resolution.

ITEM NO. 7

Industrial Development Bank of India had originally sanctioned a foreign currency loan of Rs.3165 lakhs for the Company's Denim Project at Nagardhan Village in Ramtek Taluk, District Nagpur of Maharashtra State. Subsequently an unutilised part of the above loan amounting to Rs.557 lakhs was converted to an additional rupee term loan. A further unutilised balance of Rs.312 lakhs is proposed to be sanctioned as an additional rupee term loan by IDBI and this loan is to be secured by a first pari-passu charge over the immovable properties of the Company present and future. Section 293(1) (a) of the Companies Act, 1956 provides interalia that the Board of Directors of a Public Company shall not, without consent of such Company in general meeting sell, lease, or otherwise dispose of whole or substantially the whole of the undertaking of the Company. Since the mortgage by the Company over its immovable properties as aforesaid in favour of Financial Institutions/Banks may be regarded as disposal of the Company's properties/undertaking, it is necessary for the Members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956.



Suryalakshmi Cotton Mills Limited

The Board recommends the resolution for the approval of the members. None of the Directors is deemed to be interested or concerned in the aforesaid resolution.

ITEM NO. 8

The Company's Bankers namely, State Bank of India (SBI), State Bank of Hyderabad (SBH) and State Bank of Mysore (SBM) have sanctioned/to be sanctioned additional working capital facilities amounting to Rs.900 lakhs and are expected to sanction Working Capital facilities for Denim Division amounting to Rs. 1750 lakhs. These facilities are to be secured by the Hypothecation of Stocks, book debts, raw materials, etc., and additionally secured by a Second charge over immovable

properties of the Company. This resolution proposes to authorise the Board of Directors under Section 293 (1) (a) of the Companies Act, 1956 to create the second charge over the immovable properties of the company to secure the working capital facilities sanctioned/to be sanctioned by the Banks.

The Board recommends the resolution for the approval of the members. None of the Directors is deemed to be interested or concerned in the aforesaid resolution.

By order of the Board

Secunderabad
June 29, 1998

E.V.S.V. SARMA
Company Secretary

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Suryalakshmi Cotton Mills Limited

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting their Thirty Fifth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 1998.

FINANCIAL RESULTS

	(Rs. in Crores)	
	1997-98	1996-97
Net Profit for the year	2.52	4.07
Less: Provision for Income Tax	0.19	0.52
Profit after tax	2.33	3.55
ADD/DEDUCT:		
Profit brought forward		
from last year	0.28	0.36
Surplus available	2.61	3.91
LESS:		
1. Provision for Dividend	- 0.80	
2. Corporate Dividend Tax	- 0.08	
3. Transfer to General Reserve	- 2.75	3.63
Balance carried forward to Balance Sheet	2.61	0.28

OPERATIONS

The Company achieved a turnover of Rs. 119.36 crores during the year registering a growth of about 7.2% over the previous year. The production during the year at about 111 lakh kgs. has registered a growth of 11% over the production levels achieved in the previous year.

The difficulties faced by the cotton yarn industry in the last couple of years continued

during the year under review also with the increase in the cotton prices of about 15% coupled with sluggish yarn & textile market conditions. Further, the year has witnessed an all round increase in all the operating costs. The performance of the entire spinning industry has been badly affected due to the currency crisis in the FarEast Asian countries. The working in the Mahabubnagar unit was also affected by an illegal strike resorted to by the workers in March-April 1998. All these factors have contributed to the lowering in the profit for the year.

DIVIDEND

In view of the insufficient profits made by the Company during the year and with a view to conserve the resources the Directors regret their inability to recommend any dividend for the year under review.

CAPITAL EXPENDITURE

During the year under review the Company has incurred capital expenditure of Rs. 7286 lakhs

EXPORTS

During the year under review the Company's exports were Rs.35 crores as against Rs.46 crores in the previous year. In spite of best efforts of the Company the exports are lower than the previous year due to the economic crisis in the FarEast Asian markets like Korea, Japan, Malaysia & Vietnam. The exports to Bangladesh have decreased substantially on account of their quota problems with European Union. The Company has, however, exported to new markets like Egypt, Japan and has achieved significant success in increasing its exports to China and Columbia. The Company hopes to perform better in the current year. Normalcy is yet to be restored in the Far East Asian markets though slow recovery trends are being witnessed.

Suryalakshmi Cotton Mills Limited

DENIM PROJECT

The Company has not yet completely received the allotment moneys due from the Public cum Rights Issue of 1996 from the public and the shareholders on account of the depressed capital market conditions. The Company, therefore, had to raise additional term loans from the financial institutions and banks to make up for the shortfall in the receipt of the allotment moneys.

You will be happy to know that the Company has completed the installation of the machinery for the Denim Project in April, 1998 and completed trial runs. The Company's Denim fabric has been well received in the domestic market and Denim division shall commence commercial production from 1st July, 1998.

FUTURE OUTLOOK

The Company hopes to do better in the current year with the resolution of the economic crisis in the FarEast and other export markets and the improvement in the domestic markets.

DIRECTORS

During the year IDBI has withdrawn the nomination of Shri J. Narayana Murty. The Company wishes to place on record its deep appreciation of the guidance given by Shri J. Narayana Murty during his tenure.

Pursuant to Articles of Association of the Company Dr. A.Nageswara Rao and Shri V. Ramachandra Rao will retire from their offices at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

The Auditors M/s. Brahmayya & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS' REPORT

The note No.4 referred to in the Auditors' Report is self explanatory and therefore does not call for any further explanation.

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 Annexure - I.

DEPOSITS

There are no overdue deposits as on March 31, 1998.

STATEMENT IN TERMS OF CLAUSE 43 OF THE LISTING AGREEMENT

As required by clause 43 of the Listing Agreement, the performance of the Company vis-a-vis, the projections made in the Prospectus and Letter of offer dated August 27, 1996 in respect of the Company's Public cum Rights Issue last year is given in Annexure - II.

EMPLOYEES

The information required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in Annexure-III and the same forms an integral part of the Report.

ACKNOWLEDGEMENTS

The Board of Directors are pleased to place on record their appreciation of the cooperation and support extended by All India Financial Institutions, Banks and various State and Central Government Agencies.

The Board also wishes to place on record its appreciation of the valuable services rendered by the employees of the Company.

By Order of the Board

Secunderabad
June 29, 1998

L.N. AGARWAL
Chairman & Managing Director