

36th Annual Report 1998-99

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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

Chairman and Managing Director
Additional Managing Director
Executive Director

Company Secretary

Sri E.V.S.V. Sarma

G M (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, S.P. Road
Secunderabad - 500 003

Factories

Yarn Divisions :
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 Dist.
Maharashtra - 440 010



Suryalakshmi Cotton Mills Limited

NOTICE

NOTICE is hereby given that the **36th Annual General Meeting** of the Members of Suryalakshmi Cotton Mills Limited will be held on Thursday, the 30th September, 1999 at I 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, 1999 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 Shri R.Surender Reddy who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Shri C. Narsi Reddy 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 L.N. Agarwal as Chairman and Managing Director for a period of 5 years w.e.f 22.06.1999 i.e., upto 21.06.2004 on the terms and conditions mentioned below :

I) **SALARY** : Rs.90,000 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 L.N.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 month.

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.

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Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any year Shri L.N.Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II 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 Industrial Development Bank of India (IDBI) - acting as the trustee for the holders of Non Convertible Debentures of the aggregate nominal value of Rs.1000 lakhs, subscribed by IDBI on **FIRST CHARGE BASIS** and on

SECOND CHARGE BASIS TO :

- a) State Bank of India (SBI) of its additional working capital facilities aggregating Rs.1590 lakhs;

- b) State Bank of Hyderabad (SBH) of its additional working capital facilities aggregating Rs.530 lakhs;

- c) State Bank of Mysore (SBM) of its additional working capital facilities aggregating Rs.530 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 in favour of IDBI 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, Industrial Finance Corporation of India Ltd. (IFCI), Industrial Credit & Investment Corporation of India Ltd. (ICICI), Industrial Investment Bank of India (IIBI) & SBI and the mortgage in favour of SBI/SBH/SBM 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/debentures sanctioned/to be sanctioned by them.

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

By order of the Board

Secunderabad
20th August, 1999

E.V.S.V. SARMA
Company Secretary



Suryalakshmi Cotton Mills Limited

NOTE :

1. The register of members and share transfer books will be closed from Thursday, the 23rd September, 1999 to Thursday, the 30th day of September, 1999 (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. Unclaimed dividends of the following years will be transferred to the Investor Education & Protection Fund to be set up by the Central Government on the dates mentioned against them :

For the Financial Year	Date of declaration	Due for transfer on
1995-96	10.09.1996	29.10.2003
1996-97	30.08.1997	18.10.2004
6. The recent amendment to the Companies Act, 1956 has provided for the facility of nomination to the holders of Shares/Debentures/Fixed Deposits in a Company. Accordingly members can avail the facility of nomination in respect of their shares held either singly or jointly. Members desiring to avail this facility are requested to fill up according to the instructions contained in the nomination form separately enclosed and send the same to the Registered Office of the Company.
7. The shares of the Company are listed on the Stock Exchanges at Hyderabad, Mumbai, Chennai, Delhi, Ahmedabad and on the National Stock Exchange and the Company has paid upto date all the listing fees to these Exchanges.
8. Members are requested to notify immediately any change in their addresses to the Company.
9. 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**

Shri L.N.Agarwal, Chairman and Managing Director was appointed for a period of 5 years w.e.f 22nd June, 1994. His term has expired on 21st June, 1999. Under Shri L.N.Agarwal's guidance the Company has expanded to the present state and has also been making the best efforts to withstand the prolonged recessionary phase in the industry. The Board has reappointed him as Chairman and Managing Director for a further period of 5 years w.e.f. 22nd June, 1999.

The Board recommends the resolution for the approval of the members. Except Shri L.N.Agarwal himself and Shri Paritosh K.Agarwal as a relative, no other Director is interested in this resolution. The above resolution may be treated as an abstract of the terms of re-appointment of Shri L.N.Agarwal under Section 302 of the Companies Act, 1956.

ITEM NO.6

The Company has issued Non Convertible Debentures of Rs.10 crores by way of private placement to IDBI for financing long term working capital requirements of the Company. These Debentures are to be secured by a first pari-passu charge by way of mortgage of all the company's

movable and immovable properties. The Company has also been sanctioned additional working capital facilities of Rs.1590 lakhs by SBI, Rs.530 lakhs by SBH and Rs.530 lakhs by SBM. These additional working capital facilities are to be secured by a mortgage on second charge basis in favour of the banks over the movable and immovable properties of the Company. In view of the urgency of the matter, the Company has already created the mortgage/charge by way of first charge in favour of IDBI and by way of second mortgage in favour of the 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.

By order of the Board

Secunderabad
August 20, 1999.

E.V.S.V. SARMA
Company Secretary



Suryalakshmi Cotton Mills Limited

DIRECTORS' REPORT

To
The Members

Your Directors present their Thirty Sixth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 1999.

FINANCIAL RESULTS

	(Rs. in Crores)		
	1998-99	1997-98	
Net Profit/(Loss) for the year	(5.50)	2.72	
Less : Provision for Income Tax	—	0.19	
Profit/(Loss) after tax	(5.50)	2.53	
Less : Prior Year Adjustment —		(0.09)	
Misc. Expenditure Written Off	0.26	(0.11)	
Income Tax (earlier years)	1.07		
Add : Profit brought forward from last year	2.61	1.28	0.28
(Loss)/Surplus available	(4.22)	2.61	
Transferred to General Reserve/Balance Carried forward to Balance Sheet	(4.22)	2.61	

OPERATIONS

The Company achieved a turnover of Rs. 174.97 crores during the year registering a growth of about 46% over the previous year. The production during the year at about 120 lakh kgs. has registered a growth of 8% over the production levels achieved in the previous year.

Despite the increased turnover the operations have ended with a loss of Rs.5.50 Crores against the

profit of Rs. 2.53 crores in the previous year. The demand for the Company's products viz., Yarn and Denim have remained extremely sluggish both in domestic and international markets. Recession in the economy has affected the Company's performance as everywhere else in the system. 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 loss during the year.

DIVIDEND

In view of the loss made by the Company during the year, 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.2676 lakhs.

EXPORTS

During the year under review the Company's exports at Rs. 52.17 Crores are better than the previous year. The export market continues to be depressed and unremunerative. However, the company has exported to new markets in the year under review.

DENIM DIVISION

The Company has started marketing its Denim fabric both within the Country and in the export markets. However the excess capacity in the industry has resulted in lower realisations in the domestic and export markets. The Company however is making allround efforts to improve its market share by supplying high quality fabric and increase profitability by resorting to cost reduction measures.

FUTURE OUTLOOK

The Company hopes to do better in future as the economy in general looks up and the demand for

Suryalakshmi Cotton Mills Limited

the textiles goes up. The Company is not sparing any effort to improve its performance in the current situation.

DIRECTORS

Pursuant to Articles of Association of the Company Shri R.Surender Reddy and Shri C Narsi Reddy 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. 3 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, 1999.

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 made in 1996 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

August 20, 1999.
Secunderabad

L.N.AGARWAL
Chairman & Managing Director

Suryalakshmi Cotton Mills Limited**ANNEXURE - I****ANNEXURE TO DIRECTORS' REPORT**

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

A. Conservation of Energy :

(a) Energy conservation measures taken :

An energy audit was undertaken by a firm of consultants to improve upon the energy conservation measures. The recommendations from the audit were implemented.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy - Nil

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The above measures have reduced the cost of production.

FORM A**Form for disclosure of particulars with respect to conservation of energy**

A. Power & Fuel consumption	1998-99	1997-98
1. ELECTRICITY		
a) Purchased		
Units (000)	19022	14293
Total Amount (Rs lakhs)	728	533
Rate/Unit (Rs.)	3.83	3.73
b) Own Generation		
Through Diesel Generator		
Unit(000)	18175	16674
Unit per ltr. of Diesel oil	3.51	3.52
Cost/Unit (Rs.)	2.91	2.68
Through Steamturbine/Generator	—	—
2. COAL (Rs. in Lakhs)	58	—
3. FURNACE OIL	—	—
4. OTHERS/INTERNAL GENERATORS	—	—
B. Consumption per Unit of Production (kg.)		
Consumption per kg. of production		
Electricity (No.of Units)		
	Yarn 2.62	2.82
	Fabric 2.14	—
Furnace Oil	—	—
Coal (Specify Quality)	—	—
Others (specify)	—	—

Suryalakshmi Cotton Mills Limited**F O R M - B****B. Form for disclosure of particulars with respect to absorption****Research and Development (R&D) :**

1. Specific areas in which R&D carried out by the company : In the year under review no R&D was carried out.
2. Benefits derived as a result of the above R&D : Not applicable
3. Future plan of action : To develop more value added products and improve the quality of the products.
4. Expenditure on R&D :
 - (a) Capital : Nil
 - (b) Recurring : Nil
 - (c) Total : Nil
 - (d) Total R&D expenditure as a percentage of total turnover :

Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology, absorption, adaptation and innovation : The company has adapted indigenous technology and innovated upon the same.
2. Benefits derived as a result the above efforts, e.g., improvement, cost reduction, product development, import substitution, etc. : Product improvement, increase in yield, production of high value added products, increase in exports and increase in profit margins.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished : No technology has been imported during last five years.
 - (a) Technology imported : Nil
 - (b) Year of import : Not applicable
 - (c) Has technology been fully absorbed : Not applicable
 - (d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action : Not applicable