

**SURYALAKSHMI  
COTTON MILLS  
LIMITED**



Report  junction.com

**37th  
Annual Report  
1999-2000**



## 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 M.P. Desai

Chairman and Managing Director  
Additional Managing Director  
Executive Director

IDBI Nominee

### 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  
Andhra Pradesh - 509 002

Amanagallu  
Mahabubnagar Dist.  
Andhra Pradesh - 509 321

Denim Division  
Ramtek Mauda Road  
Village Nagardhan  
Tehsil Ramtek  
Nagpur Dist.  
Maharashtra

## Suryalakshmi Cotton Mills Limited



### NOTICE

NOTICE is hereby given that the **37th Annual General Meeting** of the Members of Suryalakshmi Cotton Mills Limited will be held on Saturday, 30th September, 2000 at I Floor, Surya Towers, 105, S.P. Road, Secunderabad - 500003 at 10.30 A.M to transact the following business :

1. To receive, consider and adopt the Profit and Loss account for the year ended 31st March, 2000 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 Paritosh K.Agarwal as Executive Director for a period of 5 years w.e.f 23.09.2000 i.e., upto 22.09.2005 on the terms and conditions mentioned below :

I) **SALARY** : Rs.35,000 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 Paritosh 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 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.

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

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**"RESOLVED FURTHER THAT** in the absence of or inadequacy of profits in any year Shri Paritosh K. 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 A SPECIAL RESOLUTION:

**"RESOLVED THAT** pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :

- (i) The following new Article 40A with marginal note as indicated, be inserted after the existing Article 40.

### 40A Register and Index of Members

The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with the details of shares held in physical and dematerialised form in any media as may be permitted by law including in any form of electronic media.

The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register and Index of Members for the purpose of the Companies Act, 1956 and any amendment or reenactment thereof. The Company shall have power to keep in any State or country outside India, a Register of Members for the residents in that State or Country.

- (ii) The following new Article 24A with marginal note as indicated be inserted after the existing Article 24:

### 24A Dematerialisation of Securities

For the purpose of this Article, unless the context otherwise requires:

#### A. Definitions :

**Beneficial Owner :** 'Beneficial Owner' means the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996;

**Bye-laws :** 'Bye-laws' mean bye-laws made by a Depository under Section 26 of the Depositories Act, 1996;

**Depositories Act :** Depositories Act' means the Depositories Act, 1996, and any statutory modification or reenactment thereof for the time being in force;

**Depository :** 'Depository' means a company formed and registered under the Companies Act, 1956 (1 of 1956) ('the Act') and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

**Record :** 'Record' includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by SEBI;

**Regulations :** 'Regulations' means the regulations made by SEBI;

**SEBI :** SEBI means the Securities and Exchange Board of India;

'Security' means such security as may be specified by SEBI from time to time;

**Shareholder or member :** 'Shareholder' or 'member' means the duly registered holder, from time to time of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and also every person holding Equity Shares and/or Preference Shares of the Company as also one whose name is entered as a beneficial owner of the shares in the records of a Depository;

## Suryalakshmi Cotton Mills Limited



### B. Dematerialisation of Securities :

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any;

### C. Option for Investors:

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

Where a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of such information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security;

### D. Securities in Depositories to be in fungible form:

All securities held by a Depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners;

### E. Rights of Depositories and Beneficial Owners :

- i. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner;
- ii. Save as otherwise provided in (i) above, the Depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it;
- iii. Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository.

### F. Depository to furnish information :

Notwithstanding anything to the contrary contained in the Act or these Articles, where the securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies and discs.

### G. Option to opt out in respect of any security :

If a beneficial owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall, on receipt of the intimation as above, make appropriate entries in its record and shall inform the Company accordingly.

## Suryalakshmi Cotton Mills Limited



The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

### H. Sections 83 and 108 of the Act not to apply:

Notwithstanding anything to the contrary contained in the Articles -

- i. Section 83 of the Act shall not apply to the shares with a Depository;
- ii. Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.

### I. Register and Index of Beneficial Owners:

The Register and Index of Beneficial Owners, maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members and Security holders as the case may be for the purposes of these Articles.

### J. Intimation to Depository :

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a Depository, the Company shall intimate the details of allotment of securities thereof to the Depository immediately on allotment of such securities.

### K. Stamp duty on securities held in dematerialised form :

No stamp duty would be payable on shares and securities held in dematerialised form in any medium as may be permitted by law including any form of electronic medium.

### L. Applicability of the Depositories Act :

In case of transfer of shares, debentures and other marketable securities, where the

Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

### M. Company to recognise the rights of Registered Holders as also the Beneficial Owners in the records of the Depository :

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share, as also the Beneficial Owner of the shares in records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company, and accordingly, the Company shall not, except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognise any benami, trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof."

### 7. 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 the Companies Act, 1956, (including any statutory modification(s) or reenactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist its equity shares from The

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Stock Exchange, Ahmedabad at Ahmedabad, Madras Stock Exchange Ltd., at Chennai and The Delhi Stock Exchange Association Ltd., at New Delhi."

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 the Section 293(1)(e) and other provisions applicable if any of the Companies Act, 1956,

the Company do hereby confirm and ratify the Donations made in excess of the amounts specified in the aforesaid section by the Company to the extent of Rs.6,19,995/- to Charitable and other Funds not directly relating to the business of the Company or the welfare of its employees during the year ended 31.03.2000."

By order of the Board

Secunderabad  
29th June, 2000.

**E.V.S.V. SARMA**  
Company Secretary

### NOTES:

1. The register of members and share transfer books will be closed from Saturday, the 23rd September, 2000 to Saturday, the 30th September, 2000 (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

Members who have not encashed their dividend warrants pertaining to these years may have their warrants revalidated by sending them to the Registered Office of the Company.

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 the prescribed nomination form and send the same to the Registered Office of the Company.
7. The shares of the Company are presently 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 Paritosh K. Agarwal, Executive Director was appointed for a period of 5 years w.e.f 23rd September, 1995. His term will expire on 22nd September, 2000. Under his direction, the Denim Division has achieved full capacity in the shortest possible time. The performance of the Division is encouraging especially in the present condition of the Industry. The Board has reappointed him as Executive Director for a further period of 5 years w.e.f. 23rd September, 2000, subject to necessary approvals.

The Board recommends the resolution for the approval of the members. Except Shri Paritosh K. Agarwal himself and Shri L.N. 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 reappointment of Shri Paritosh K. Agarwal under Section 302 of the Companies Act, 1956.

**ITEM NO.6**

Consequent upon the enactment of the Depositories Act, 1996 and the Securities and Exchange Board of India making dematerialised trading of the Company's shares compulsory by all classes of investors with effect from 29th January, 2001, the Company has to enter into Agreements with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable shareholders to dematerialise their shareholding in the Company. The Depositories Act, 1996 has amended some of the provisions of the Companies Act, 1956 pertaining to the issue, holding, transfer, transmission and dealing in shares and other securities as also issue of relevant certificates thereof, so as to facilitate the introduction and implementation of the Depository System.

It has, therefore, become necessary to alter the Articles of Association of the Company as proposed in the Resolution set out at Item No.6 of the accompanying Notice.

The Directors recommend the Resolution for approval of the Members.

No Director of the Company is concerned or interested in the said Resolution except to the extent of his shareholding.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alteration is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M and 1.00 P.M. on any working day.

**ITEM NO.7**

Presently, the Company's securities are listed on The Stock Exchange, Mumbai, The Stock Exchange Ahmedabad, The Delhi Stock Exchange Association Limited, The Madras Stock Exchange, the National Stock Exchange and The Hyderabad Stock Exchange. The Regional Stock Exchange is 'The Hyderabad Stock Exchange'.

The trading volumes on The Delhi Stock Exchange, The Madras Stock Exchange and The Stock Exchange, Ahmedabad in the Company's securities are negligible.

It has also been observed that the listing fees paid to the said three Stock Exchanges are disproportionately higher. As a part of its cost reduction measures, the Company has proposed delisting of its securities from the said three Stock Exchanges and in line with the SEBI regulations for voluntary delisting of a Company's securities, members' approval for the same is sought by a Special Resolution as set out in Resolution at Item No.7.

With the networking of centres of the Stock Exchange, Mumbai, the members of the Company have access to online dealings in the Company's securities across the country. The proposed delisting of the Company's securities on these Exchanges will not, therefore, adversely affect any investor including the members located in the three



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regions and being in the interest of the Company, the Board recommends the Resolution for acceptance by the members.

The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which the delisting will take effect will be suitably notified at that time.

The Company is also separately giving notice of the proposed delisting in one national newspaper and one regional newspaper circulating in each of the three regions where the said Stock Exchanges are situated.

None of the Directors is, in any way, concerned or interested in the Resolution.

**ITEM NO.8**

During the year 1999-2000, the Company had contributed to various Charitable and other Funds an amount of Rs.6,19,995 though not directly

related to the business of the Company or the welfare of its employees. These Donations were made to meet the demands of local residents of the places where the Company's factories are situated. Under the provisions of the Section 293(1)(e) of the Companies Act, 1956 contributions made during any Financial Year by a Company to Charitable and other Funds not directly relating to the business of the Company or the welfare of its employees in excess of the limits specified therein, require a sanction of the members of the Company in a General Meeting. The Board recommends the resolution for the approval of the members. None of the Directors is in any way concerned or interested in the resolution.

By order of the Board

Secunderabad  
June 29, 2000.

**E.V.S.V. SARMA**  
Company Secretary



**Suryalakshmi Cotton Mills Limited****DIRECTORS' REPORT**

To

The Members

Your Directors present their Thirty Seventh Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2000.

**FINANCIAL RESULTS**

	(Rs. in Crores)	
	<u>1999-2000</u>	<u>1998-99</u>
Net Loss for the year	<b>0.74</b>	5.50
Less: Provision for Income Tax	<u>—</u>	<u>—</u>
Loss after tax	<b>0.74</b>	5.50
Add :		
Miscellaneous Exp. Written Off	<b>0.35</b>	0.26
Income Tax of earlier years	<b>—</b>	1.06
Less :		
Prior Year Adjustment	<b>0.01</b>	—
Profit brought forward from last year	<b>—</b>	2.60
Loss set off against General Reserve	<b>1.08</b>	4.22

**OPERATIONS**

The Company achieved a turnover of Rs.213.68 crores during the year registering a growth of about 22% over the previous year. The production of yarn during the year at about 186.5 lakh kgs. has registered a growth of 8% over the production levels achieved in the previous year. The Denim Division has operated at full capacity during the year.

The Company has been able to turn out a better performance during the year under review with the loss coming down to Rs.74 lakhs from Rs.5.50 crores in the previous year. The lower cotton prices and the slight improvement in the yarn and Denim markets resulting in a better realisation have helped in reducing the loss. The performance in the current year is however expected to be better than previous year.

**DIVIDEND**

In view of the loss made by the Company during the year, the Directors express 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.504 lakhs.

**EXPORTS:**

During the year under review the Company's exports were at Rs.50.54 Crores. There is increased demand for the Company's Denim fabric in the Export Markets, though the prices are not still remunerative. The Company however, continues to explore the new markets with renewed efforts to improve the realisation.

**DENIM DIVISION**

The Denim Industry continues to be plagued by excess capacity and low demand. However, of late, there is some improvement in demand though the margins are very low. The Company is making all efforts to improve the profitability by introducing value added products.

**FUTURE OUTLOOK**

The Company hopes to do better in future as the economy revives in general and the demand for textiles goes up. The Company is not sparing any effort to improve its performance in the current situation.