

**SURYALAKSHMI
COTTON MILLS
LIMITED**



Report  junction.com

**38th
Annual Report
2000-2001**



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
Sri Navrang Lal Tibrewal

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 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 **38th Annual General Meeting** of the Members of Suryalakshmi Cotton Mills Limited will be held on Saturday, the 29th September, 2001 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, 2001 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 Sri R.Surender Reddy, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri 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 AN **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956, Sri Navrang Lal Tibrewal be and is hereby appointed as Director of the Company, whose period of office shall be liable to retire by rotation."

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) to secure the Rupee Term Loan of Rs.680 lakhs sanctioned under Technology Upgradation Fund Scheme (TUFS) on FIRST CHARGE BASIS together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, cost, 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 / Debentures sanctioned / to be sanctioned by IDBI, IFCI Limited and State Bank of India.

"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 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:

Suryalakshmi Cotton Mills Limited



The following new Article 61(A) with marginal note as indicated, be inserted after the existing Article 61.

61A Nominee Director

Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI), IFCI Limited (IFCI), ICICI Limited (ICICI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Financing Company or Body out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the Company by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remain outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole time or non-whole time, (which Director or Directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person / persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from Office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the

Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds Debentures in the Company as a result of direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures / Shares in the Company or on the satisfaction of the liability of the Company arising out of the Guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, monies or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Director/s.

Suryalakshmi Cotton Mills Limited

Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

to a whole time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Corporation.

In the event of the Nominee Director/s being appointed as whole time Director/s, such nominee Director/s shall exercise such powers and have such rights as are usually exercised or available

By order of the Board

Secunderabad
30th July, 2001

E.V.S.V. SARMA
Company Secretary

Report  junction.com

Suryalakshmi Cotton Mills Limited



NOTES:

1. The register of members and share transfer books will be closed from Friday, the 21st September, 2001 to Saturday, the 29th September, 2001 (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. As per the approval of the members in the 37th Annual General Meeting, the Company's shares have already been delisted from Ahmedabad and Madras Stock Exchanges. The Company's application for delisting from Delhi Stock Exchange is still pending with Delhi Stock Exchange. The shares of the Company continue to be listed on the Stock Exchanges at Hyderabad, Mumbai 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**

With a view to broadbase the Board of Directors Sri Navrang Lal Tibrewal was appointed as Additional Director u/s 260 of the Companies Act, 1956 and will hold office upto the date of the 38th Annual General Meeting. The Company has received notice from a shareholder under section 257 of the Companies Act, 1956 together with a deposit of Rs.500/- signifying the intention to propose Sri Navrang Lal Tibrewal, for the office of Director.

Sri Navrang Lal Tibrewal (aged 64 years) had a distinguished academic career in Law and also extensive legal practice in the District Courts in Rajasthan and subsequently in the High Court at Jaipur in all branches of Law. He was also the Chairman of the State Bar Council before being elevated to the Bench in 1990. He was appointed as the acting Chief Justice of Rajasthan High Court in May, 1998 and was subsequently appointed as the Governor of Rajasthan and he retired as such in January, 1999.

None of the Directors other than Sri Navrang Lal Tibrewal is in any way, concerned or interested in the said resolution.

ITEM NO.6

The Industrial Development Bank of India (IDBI) has sanctioned under Technology Upgradation Fund Scheme (TUFs) a Rupee Term Loan of Rs.680 Lakhs for the Company's modernisation scheme for replacing some of the old machinery with modern machinery at the Company's

Spinning Units at Mahabubnagar/Amanagallu. This Loan is to be secured by a first pari-passu charge by way of mortgage of all the company's movable and immovable properties. 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. 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

This resolution seeks to amend the Articles of Association, by including a new Article 61(A) after the existing Article 61 to provide for the rights of the Financial / Investment Institutions to appoint a Nominee Director, so long as any Loans / Debentures lent/subscribed by the Institutions remain outstanding from the Company. This resolution also seeks to provide the rights of the Nominee Director and the obligations of the Company in this matter. The Board recommends the resolution for the approval of the members.

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

By order of the Board

Secunderabad
July 30, 2001.

E.V.S.V. SARMA
Company Secretary

Suryalakshmi Cotton Mills Limited



DIRECTORS' REPORT

To
The Members

Your Directors present their Thirty Eighth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2001.

FINANCIAL RESULTS

	(Rs. in Crores)	
	2000-2001	1999-2000
Net Profit/(Loss) for the year	0.17	(1.10)
Less : Provision for Income Tax	0.10	—
Profit/(Loss) after tax	0.07	(1.10)
Add :		
Prior Year Adjustment	0.02	0.02
Profit transferred to Balance Sheet / Loss set off against General Reserve	0.09	(1.08)

OPERATIONS

The Company achieved a turnover of Rs.233.35 crores during the year registering a growth of about 9.2% over the previous year. The production of yarn during the year at about 189.06 lakh kgs. has registered a marginal growth of 1.4% over the production levels achieved in the previous year. The Denim Division has shown an increase of 15% in production over the previous year.

On account of failure of the Cotton Crop during the year under review, Cotton prices rose abnormally high, forcing the Industry to import large quantities of Cotton at higher rates.

In spite of the higher Cotton prices during the period, the Company has been able to turn out

a better performance during the year under review with a Profit after Tax of Rs.7 lakhs as against a Loss of Rs.110 lakhs in the previous year. The slight improvement in the yarn and Denim prices resulting in a better realisation have contributed to the better performance. The performance in the current year is however expected to be better than previous year.

DIVIDEND

In view of the inadequate profit 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.1493 lakhs.

EXPORTS

During the year under review the Company's exports were at Rs.65.46 Crores amounting to a significant rise of around 30% over the previous year. There is some increase in demand for the Company's Denim fabric in the Export Markets. The Company continues to explore the new markets with renewed efforts to improve the realisation. During the year, the Company has entered new markets like Muscat, Italy, Ethiopia and Botswana. The quality of the Company's Denim fabric continues to be well appreciated in Export markets.

DENIM DIVISION

The domestic market for Denim continued to be sluggish with only a marginal improvement in realisations and demand. To make matters worse, the levy of excise duty on all garments has dampened the prospects of a revival in the Domestic market. The garment exports from the Country has also been adversely affected by the reduction in draw back rates.

Suryalakshmi Cotton Mills Limited



FUTURE OUTLOOK

It is hoped that in the new cotton season commencing from December, 2001 the Cotton prices, both Domestic and International may come down, as the consumption of Cotton is on the decline over the years. The Cotton crop, within the Country and abroad, especially U.S.A is expected to be better. The spinning industry is therefore looking forward to some chances of recovery in the beginning of the next year. The number of mills turning sick and closing down has been on the increase.

In this scenario, the flooding of the Indian markets with cheaper garments from China and other Countries poses a severe challenge to the Indian Textile Industry particularly at a time when the Country has been badly affected by global recessionary trends. However, the Company hopes to do better with its continuous efforts in modernising the manufacturing facilities and improved quality of production.

DIRECTORS

Pursuant to Articles of Association of the Company Sri R.Surender Reddy and Sri C.Narsi Reddy will retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

With a view to broadbase the Board, Sri Navrang Lal Tibrewal was appointed as an Additional Director of the Company w.e.f. 30.07.2001. He holds office upto the date of ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 together with a deposit of Rs.500/- from a shareholder signifying the intention to propose the candidature of Sri Navrang Lal Tibrewal as Director of the Company subject to retirement by rotation.

CORPORATE GOVERNANCE

The Board of Directors has constituted an Audit Committee in terms of Section 292A of the Companies Act, 1956 consisting of

Sri L.N.Agarwal, Sri C.Narsi Reddy and Sri M.P.Desai as members. Corporate Governance in terms of the listing agreement is required to be implemented before March, 2002 and the Company is taking necessary steps for complying with the same during the current year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms :

1. that in the preparation of the annual accounts, the applicable Accounting 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 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 March 31, 2001 and of the profit of the Company for the year 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 annual accounts have been prepared on a going concern basis.

DELISTING

In terms of the approval granted by the Members in the 37th Annual General Meeting, the Company got its shares delisted from Madras and Ahmedabad Stock Exchanges. The trading volumes on these Exchanges have been negligible and the listing fees paid to these Exchanges has also been disproportionately higher. The application for delisting the shares from Delhi Stock Exchange is pending with the Exchange.

Suryalakshmi Cotton Mills Limited**AUDITORS**

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

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.

DEPOSITS

There are no overdue deposits as on March 31, 2001. With reference to the observation of the Auditors in para 7(xiii) of the Audit Report regarding the non-maintenance of Liquid Assets, the Company did provide adequate funds in its Bank accounts as required under the relevant Rules, though the lien was not explicitly marked against the Bank Account.

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 of Employees) Rules, 1975 and hence the prescribed information is not required to be given.

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

July 30, 2001.

L.N.AGARWAL
Secunderabad **Chairman & Managing Director**

Report  junction.com