

**SURYALAKSHMI
COTTON MILLS
LIMITED**

CERTIFIED TRUE COPY.
Suryalakshmi Cotton Mills Ltd

[Signature]

H.V.S.V. Sarma
Company Secretary



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SURYALAKSHMI

**40th
Annual Report
2002-2003**

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
 Dr.B.Brahmaiah
 Sri M.P. Desai
 Sri Navrang Lal Tibrewal

Chairman and Managing Director
 Additional Managing Director
 Executive Director

IDBI Nominee (from 15.05.2003)
 IDBI Nominee (upto 15.05.2003)

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
 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

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Suryalakshmi Cotton Mills Limited

NOTICE

NOTICE is hereby given that the 40th Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on Saturday, the 23rd August, 2003, 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, 2003 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 C.Narsi Reddy who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri Navrang Lal Tibrewal 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 29.09.2003 i.e. upto 28.09.2008 on the following terms and conditions :

I. SALARY : Rs.1,20,000/- per month

II. COMMISSION

At the rate of 1% of the Net Profit 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.4,000/- 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.

Suryalakshmi Cotton Mills Limited



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.

"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."

By order of the Board

SECUNDERABAD
30th May, 2003.

E.V.S.V. SARMA
Company Secretary

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Suryalakshmi Cotton Mills Limited

8

NOTES :

1. The register of members and share transfer books will be closed from Monday, the 18th August, 2003 to Saturday, the 23rd August, 2003 (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 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 Companies Act, 1956 provides 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 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.
10. M/s. Sathguru Management Consultants (P) Limited, Plot No. 15, Hindi Nagar, Behind Saibaba Temple, Punjagutta, Hyderabad - 500 034. Phone Nos. 23356507, 23356975, 23350586, (Fax No. : 23354042) have been appointed as the Company's Registrar and Share Transfer Agent for the physical segment of the shares and also the Registrar for dematerialised shares.

Suryalakshmi Cotton Mills Limited



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

ITEM NOS.2 & 3

REAPPOINTMENT OF RETIRING DIRECTORS

As required by Clause 49 of the Listing Agreement on Corporate Governance particulars of the Directors being reappointed are provided hereunder.

ITEM NO.2

SRI C.NARSI REDDY

Sri C.Narsi Reddy has wide experience in commerce and industry. He was also a member of the Legislative Assembly in Andhra Pradesh.

Names of the Companies in which he is a Director

- | | | |
|--|---|----------|
| 1. Suryavanshi Spinning Mills Limited | - | Director |
| 2. Suryajyothi Spinning Mills Limited | - | Director |
| 3. Suryalata Spinning Mills Limited | - | Director |
| 4. The Agricultural Dev. Commercial Credit Indus. Investments Co. Ltd. | - | Director |
| 5. Vijay Textiles Limited | - | Director |
| 6. Orient Longman Limited | - | Director |

ITEM NO.3

SRI NAVRANG LAL TIBREWAL

Sri Navrang Lal Tibrewal is an Advocate by profession and was appointed as Judge of the

Rajasthan High Court 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.

Name of the Companies in which he is a Director

NONE

ITEM NO.5

Sri U.K. Agarwal, was appointed as an Additional Managing Director for a period of five years w.e.f. September 29, 1998. His term will expire on September 28, 2003. The Company has achieved satisfactory progress in the recent past under his guidance and supervision. The Board of Directors in their meeting held on 30.05.2003 have, subject to the approval of members in General Meeting and the Term Lenders reappointed him as Additional Managing Director. The Board recommends his reappointment as Additional Managing Director for a period of 5 years w.e.f. September 29, 2003 i.e., upto September 28, 2008 with the existing remuneration and perquisites mentioned in the resolution.

Except Sri U.K. Agarwal no other Director is interested in this resolution.

By order of the Board

Secunderabad
May 30, 2003

E.V.S.V. SARMA
Company Secretary

Suryalakshmi Cotton Mills Limited



DIRECTORS' REPORT

To

The Members

Your Directors present their Fortieth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2003.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2002-2003	2001-2002
Gross Profit before Interest & Depreciation	3862.59	2420.74
Less : Interest	1521.77	1702.10
: Depreciation	1071.01	2737.09
Net Profit / (Loss) for the year	1269.81	(316.35)
Less : Provision for Income Tax	100.00	-
Add : Deferred tax asset	-	18.71
Less : (Deferred tax liability)	(26.32)	-
Profit / (Loss) after tax	1143.49	(297.64)
Add : Prior year adjustment	22.39	(32.65)
Short provision of Income Tax	-	(28.62)
Less : Profit brought forward from last year	-	9.12
	<u>1165.88</u>	<u>(349.79)</u>
Dividend on Preference Share Capital	0.28	-
Corporate Dividend Tax	0.04	-
Debenture Redemption Reserve	250.00	-
Preference Capital Redemption Reserve	200.00	-
Profit transferred to Balance Sheet / (Loss) set off against General Reserve	715.56	(349.79)

OPERATIONS

The Company achieved a gross income of Rs.253.82 Crores during the year registering a growth of 13% compared to Rs. 224.05 Crores in the previous year. The production of Yarn also was higher by about 10% at 205.49 lakh Kgs. as compared to 187.55 lakh Kgs achieved in the previous year. The production of value added fancy items in Denim Division resulted in only a marginal increase of regular Denim fabric.

The market for yarn has shown some improvement though the average realisation has not increased. The margins on the Denim fabric are better in the year as compared to the previous year, though the growth in exports has slowed down. The lower cotton prices that prevailed in the first half of the year, the lower



Suryalakshmi Cotton Mills Limited

rate of interest on foreign currency loans, the stronger Rupee vis-à-vis Dollar and slightly cheaper cost of power are some of the factors that have contributed to the improved financial results for the year under review.

DIVIDEND

In view of the fact that the year under review has been the first year after the debt restructuring by the Financial Institutions and with a view to conserve the resources for further growth, the Directors express their inability to recommend any dividend for the year.

CAPITAL EXPENDITURE

During the year under review the company has incurred Capital Expenditure of Rs.1141.88 lakhs.

EXPORTS

During the year under review, the Company's exports at about Rs.50.05 Crores has been higher at about 8% compared to the previous year. The exports of yarn have been better compared to the previous year while there has been no significant improvement in the export realisation in denim fabric. The Company is always taking steps to explore new markets both for yarn and denim and to maintain stringent quality standards in the export market.

DENIM DIVISION

The changes in the Denim market with marked preference for value added and fancy items continue to influence production and marketing strategies of the Company. To keep ahead of the changing requirements of the market, your Company has reduced the number of basic items and increased the new value added items like stretch denim, slub denim, silky denim, polyester denim and other fancy varieties. The company has also extended the new markets in exports and increased its presence in domestic markets to meet the market requirements. In order to take advantage of the emerging market scenario, the Company has increased its production capacity from 10 m. mtrs to 15 m. mtrs. per annum. The effects of the increased capacity will be felt in the year 2003-2004.

FORFEITURE OF PARTLY PAID EQUITY SHARES

As you are aware, the Company made a rights cum public issue in the year 1996-97 to part finance the denim project at Ramtek. However, due to depressed and extremely sluggish capital market conditions prevailing in the country since then, the allotment moneys were not paid by many of the shareholders despite several reminders to this effect. In October, 2002 the Board of Directors of the Company forfeited 35,45,769 partly paid equity shares of the Company after following the prescribed procedures. After such forfeiture, the paid-up equity share capital of the Company stands at Rs.8,95,04,920/- consisting of 89,50,492 Shares of Rs.10/- each.

ISSUE OF PREFERENCE SHARES

As part of the restructuring of corporate debt agreed to by IDBI / IFCI Limited, the Company has allotted 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each aggregating to Rs.4,00,00,000/- to IDBI and Rs.2,71,60,000/- to IFCI Limited during the year under review.

FUTURE OUTLOOK

Encouraging trends in increasing demand for textiles and improving margins are visible in the textile scenario. Appropriate government support in the form of favourable budgetary proposals, modernisation schemes, establishment of attractive incentives in electricity tariff are likely to lead the industry to experience higher growth levels. The Company is gearing itself to meet the post 2004 situation following the multifibre agreement quota phase out by constantly modernising the machinery and developing innovative product applications. However, the cotton prices have of late started rising and as always the prices of finished products have not risen correspondingly. The quality of the domestic cotton continues to be unsatisfactory.

DIRECTORS

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



Suryalakshmi Cotton Mills Limited

The term of appointment of Sri U.K. Agarwal, Additional Managing Director expires in September, 2003. The necessary resolution seeking approval of the members for the renewal of his appointment has been included in the notice for the ensuing Annual General Meeting.

Industrial Development Bank of India (IDBI) has withdrawn the nomination of Sri M.P. Desai. The Company wishes to place on record its deep appreciation of the guidance given by Sri M.P. Desai during his tenure.

IDBI has nominated Dr. B. Brahmaiah as a Director on the Board of Directors with effect from 15-05-2003.

CORPORATE GOVERNANCE

As per the revised Clause 49 of the Listing Agreement on Corporate Governance, Management Discussion and Analysis Report forms part of the Annual Report. Further, a separate report on the Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance of the Corporate Governance also forms part of the Annual Report.

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, 2003 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

The Company's application for delisting of its shares on Delhi Stock Exchange is still pending with them.

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 - I.

DEPOSITS

There are no overdue deposits as on March 31, 2003.

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 - II.

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

May 30, 2003
Secunderabad

L.N. AGARWAL
Chairman & Managing Director

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.

- (d) Total energy consumption and energy consumption per unit of production as per Form A is given below

FORM – A

Form for disclosure of particulars with respect to conservation of energy

A. Power & Fuel consumption	2002-2003	2001-2002
1. ELECTRICITY		
a) Purchased		
Units (000)	48854	40307
Total amount (Rs. lakhs)	1696	1556
Rate / Unit (Rs.)	3.47	3.86
b) Own Generation		
Units (000)	1873	6136
Unit per ltr. of Diesel Oil	3.34	3.35
Cost / Unit (Rs.)	5.09	3.96
Through Steam Turbine / Generator	–	–
2. COAL (Rs. in lakhs)	78	98
3. FURNACE OIL	–	–
4. OTHERS / INTERNAL GENERATORS	–	–
B. Consumption per Unit of Production		
Electricity (No. of Units)		
per kg./Yarn	2.61	2.56
per metre/Fabric	1.47	1.44
Furnace Oil	–	–
Coal (Specify Quality)	–	–
Others (Specify)	–	–
B. TECHNOLOGY ABSORPTION		
(e) efforts made in technology absorption as per Form B :		