

Annual Report



2003-04

SURYALAKSHMI  COTTON MILLS LTD
SURYALAKSHMI



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
 Dr. A. Nageswara Rao
 Dr. B.Brahmaiah
 Sri Navrang Lal Tibrewal
 Sri R.S.Agarwal
 Sri V.Ramachandra Rao

Chairman and Managing Director
 Additional Managing Director
 Executive Director

IDBI Nominee

upto 09.03.2004

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

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Suryalakshmi Cotton Mills Limited

NOTICE

NOTICE is hereby given that the 41st Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on Friday, the 30th July, 2004 at I Floor, Surya Towers, 105, S.P. Road, Secunderabad - 500003 at 11.30 A.M to transact the following business:

1. To receive, consider and adopt the Profit and Loss account for the year ended 31st March, 2004 and Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend on the Equity Shares of the Company for the year ended 31st March, 2004.
3. To declare Dividend on the Preference Shares of the Company for the year ended 31st March, 2004.
4. To appoint a Director in the place of Sri R.Surender Reddy who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Dr.A.Nageswara Rao who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS:

7. **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. 22nd June, 2004 i.e. upto 21st June, 2009 in the following terms and conditions:

I. SALARY : Rs.1,50,000/- 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 Sri 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.4,000/- per annum.

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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".

"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 of Schedule XIII of the Companies Act, 1956."

8. 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 (hereinafter referred to as Board) 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.900 lakhs sanctioned by IDBI under the Technology Upgradation Fund Scheme (TUFS) on FIRST CHARGE BASIS and on

SECOND CHARGE BASIS TO :

- a) State Bank of India (SBI) of its working capital facilities aggregating Rs.4950 lakhs;
- b) State Bank of Hyderabad (SBH) of its working capital facilities aggregating Rs.2030 lakhs;
- c) State Bank of Mysore (SBM) of its working capital facilities aggregating Rs.1030 lakhs;

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 sanctioned/ to be sanctioned by IDBI / IFCI Limited (IFCI) / SBI / Debentures privately placed with them 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/ SBI/Debentures privately placed with 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
25th May, 2004.

E.V.S.V. SARMA
COMPANY SECRETARY

Suryalakshmi Cotton Mills Limited



NOTES :

1. The register of members and share transfer books will be closed from Friday, 23rd July, 2004 to Friday, 30th July, 2004 (both days inclusive) for the purpose of Dividend and 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 dividend mentioned below will be transferred to the Investor Education & Protection Fund set up by the Central Government on the date mentioned.
6. Members who have not encashed their dividend warrants may have their warrants revalidated by sending them to the Registered Office of the Company.
7. 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.
8. The Company's application for delisting from Delhi Stock Exchange is still pending with them. 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.
9. Members are requested to notify immediately any change in their addresses to the Company.
10. The Members are requested to bring their copy of the annual report with them at the time of attending Annual General Meeting.

For the Financial Year	Date of declaration	Due for transfer on
1996-97	30.08.1997	18.10.2004



Suryalakshmi Cotton Mills Limited

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

ITEM NOS. 4 & 5

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.4 :

Sri R.Surender Reddy has wide experience in business and politics. He was a member of Parliament for four terms and was a member of Andhra Pradesh Legislative Assembly also for four terms. He was also on the Board of Andhra Bank and A P. State Financial Corporation.

Names of the Companies in which he is a Director.

1. Novopan Industries Limited - Director
2. Cheslind Textiles Limited - Chairman
3. Hyderabad Race Club - Chairman
4. Suryalata Spinning Mills Limited - Director
5. Suryavanshi Spinning Mills Limited - Director
6. Bhagyanagar Metals Limited - Director
7. Surana Telecom Limited - Director
8. Lakshmi Finance & Industrial - Director
Corpn. Ltd
9. L-Pack Polymers Limited - Director
10. TAJ GVK Hotels & Resorts - Director
Ltd.

ITEM NO. 5

Dr.Akkineni Nageswara Rao is a Cine Artiste of international reputation who has been honoured

with a Dada Saheb Phalke Award by the Government of India. He is presently the Advisor to the Government of Andhra Pradesh on Film, T.V. and Theatre development.

Names of the Companies in which he is a Director.

1. Heart Entertainment Limited - Chairman
2. Suryajyothi Spinning Mills - Director
Limited
3. Suryavanshi Spinning Mills - Director
Limited

ITEM NO.7

Sri L.N.Agarwal was appointed as the Chairman and Managing Director for a period of five years w.e.f. 22nd June, 1999. His term will expire on 21st June, 2004.

The Company has achieved satisfactory progress in the recent past under his guidance and supervision. The Board has reappointed him as Chairman and Managing Director for five years with effect from 22.06.2004 with the existing remuneration mentioned in the resolution plus perquisites subject to the approval of members in the General Meeting and Financial Institutions. The Board recommends the resolution for the approval of the members.

Except Sri L.N.Agarwal and Sri Paritosh K.Agarwal no other Director is interested in this resolution.

ITEM NO.8:

The Company has been sanctioned a Rupee Term Loan of Rs.900 lakhs by IDBI under the Technology Upgradation Fund Scheme (TUFS) for modernisation and expansion of the Company's Spinning Division. The loan is to be secured by first charge on the movable and immovable properties of the Company ranking pari-passu with



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the existing Rupee Term Loans and the Debentures.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia 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 in certain events, 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 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.

By order of the Board

Secunderabad
May 25, 2004.

E.V.S.V. SARMA
COMPANY SECRETARY





Suryalakshmi Cotton Mills Limited

DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their Forty First Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2004.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2003-2004	2002-2003
Gross Profit before Interest & Depreciation	4611.85	3865.13
Less Interest	1308.88	1524.31
Depreciation	1151.26	2460.14
Prior year adjustment	(3.47)	22.39
Profit before tax for the year	2148.24	1292.20
LESS : Provision for Income Tax		
for the year	160.00	100.00
earlier years	(3.45)	-
LESS : (Deferred tax liability)	316.38	26.32
Profit after tax	1675.31	1165.88
ADD : Profit brought forward from last year	715.56	-
	<u>2390.87</u>	<u>1165.88</u>
Appropriations :		
Dividend on : Preference Share Capital	0.67	0.28
Proposed dividend on Equity Share Capital	223.76	-
Corporate Dividend Tax	28.76	0.04
Transferred to General Reserve	1000.00	-
Debenture Redemption Reserve	-	250.00
Preference Capital Redemption Reserve	100.00	200.00
Profit transferred to Balance Sheet	1037.68	715.56
	<u>2390.87</u>	<u>1165.88</u>

Suryalakshmi Cotton Mills Limited

OPERATIONS

The Company achieved a gross turnover of Rs.305.14 Crores during the year registering a growth of 24% over Rs.245.77 Crores of the previous year. The production of yarn at 208.53 lakh kgs. is marginally higher by 1.5% while that of the fabric at 143.97 lakh metres is higher by 25%.

The market for yarn has been better with the average realisation registering a growth of about 13% over that of the previous year though the volume has been higher only by 5%. The market for denim has also been good with the volumes registering a robust growth of 28% though the average realisation has marginally increased by 5.5%.

The profit before tax is higher at Rs.2148.24 lakhs against Rs. 1292.20 lakhs of the previous year. This higher profit is inspite of a steep increase in the raw material rates of around 28%. The lower rate of interest on foreign currency loans on account of strengthening of Rupee vis a vis the dollar and the reduced rate of interest on term loans / working capital have also contributed to the improved results for the year under review.

DIVIDEND

In view of the improved performance of the Company during this year, your Directors are pleased to recommend a Dividend of 25% on the equity shares of the Company. This will absorb Rs.223.76 lakhs.

The Dividend on 0.1% Cumulative Redeemable Preference Shares will absorb Rs.67,160/-.

SURYAKIRAN SPINNING MILLS LIMITED - SUBSIDIARY

The Company has invested Rs.6 lakhs in the equity capital of Suryakiran Spinning Mills Limited (SKSML), a Company carrying on the business of ginning, spinning and weaving and other trading activities related to cotton and textiles. The Company expects to gain significantly from this investment in view of the good prospects for the textile industry following the abolition of quota restrictions. SKSML is now a subsidiary of the

Company and hence its Balance Sheet, Profit and Loss account, etc., form part of the Company's Annual Report and Accounts. In accordance with the listing agreement, the Audited consolidated financial statements also form part of the Annual Accounts.

CAPITAL EXPENDITURE

During the year under review the company has incurred Capital Expenditure of Rs.1473.07 lakhs.

EXPORTS :

During the year under review, the Company's exports at about Rs.69.83 Crores has been higher by about 61% compared to the previous year. During the second half of the year, the demand for yarn has been quite good. The Company has been exporting a variety of high value added yarns to various markets like Mauritius, Korea, Hongkong, Taiwan, Bangladesh, Malaysia and other countries. The export market for denim during most of the year was only moderate. The Company continues to explore new markets especially in the context of the international market likely to prevail from next year following the abolition of the quota regime.

DENIM DIVISION

The domestic demand for Denim during the year has been quite good for the fancy varieties and the realisations have also been good. To keep ahead of the changing requirements of the market, the 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.

The Company is launching a wide range of shirting denim fabrics catering to the denim shirting requirements of leading brands in the country. In order to take advantage of the emerging market scenario, the Company has increased its production capacity to 20 m.mtrs p.a.