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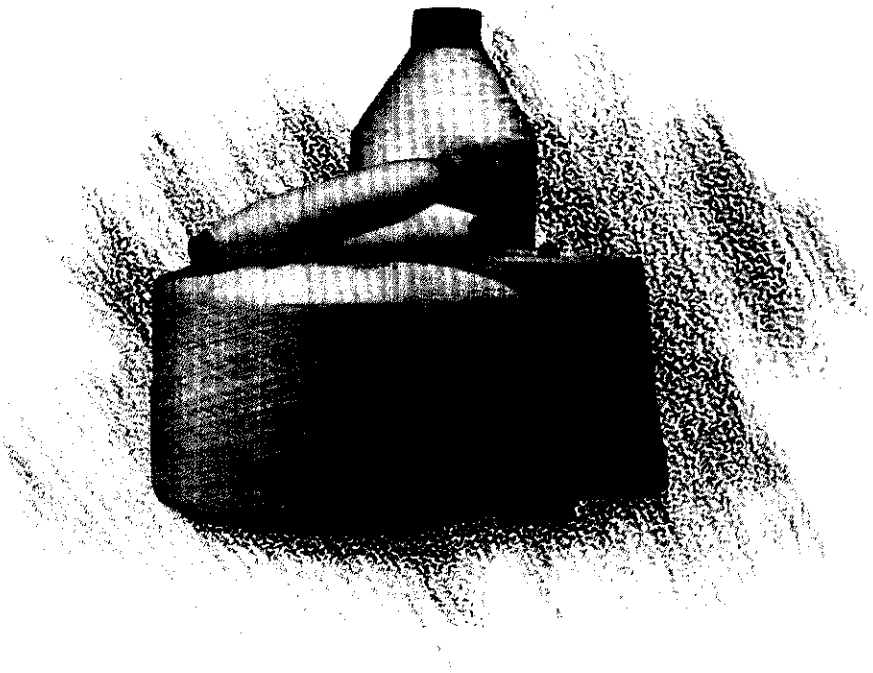

ANNUAL REPORT 1998-99

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SURYALATA SPINNING MILLS LIMITED

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SURYALATA SPINNING MILLS LIMITED

BOARD OF DIRECTORS

Sri C Narsi Reddy	Chairman
Sri R Surender Reddy	Director
Sri K S Purohit	Director
Sri D R Jawahar	IDBI - Nominee
Sri K Srinivasa Reddy	Additional Director
Sri Vithaldas Agarwal	Managing Director
Sri Mahender Kumar Agarwal	Joint Managing Director
Sri Veerender Kumar Agarwal	Executive Director

Financial Controller

Sri L Sivananda

Company Secretary

Sri P V Rama Seshu

Auditors

M/s Brahmayya & Co.,
Hyderabad

Registered Office

1st Floor, Surya Towers,
105, Sardar Patel Road,
Secunderabad - 500 003.

Bankers

State Bank of India
Industrial Finance Branch
Hyderabad

UTI Bank Ltd
Hyderabad

Factories

Marchala Village,
Kalwakurthy Mandal
Mahabubnagar Dist.,
Andhra Pradesh

Mouza - Nayakund
(Near) Ramtek
Nagpur Dist.,
Maharashtra

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SURYALATA SPINNING MILLS LIMITED

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of Suryalata Spinning Mills Limited will be held on **Tuesday, the 24th August, 1999** at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad - 500 026 at **11.00 A.M.** to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as on that date, together with the Directors' and Auditor's reports thereon.
2. To appoint a Director in place of **Sri R Surender Reddy** who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass the following resolution with or without any modifications, as an Ordinary Resolution:

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

5. To Consider and if thought fit, to pass the following resolution with or without any modifications, as a Special Resolution.

   "RESOLVED THAT pursuant to the Provisions of Sections 198, 269, 309, 310, 314 and other applicable Provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereunder or any amendments thereto made by the Central Government from time to time and subject to the approval of the Financial Institutions, consent of the members of the Company be and is hereby accorded for the reappointment of **Sri Vithaldas Agarwal** as **Managing Director** of the Company for a further period of 5 years w.e.f. **1st September, 1999** subject to the overall guidance and control of the Board of Directors and be paid the following remuneration and perquisites."

   1. Salary :

      Rs. 50,000/- per month.

   2. Commission:

      At the rate of 1% of the net profits of the Company or 50% of Annual Salary whichever, is less.

   3. Perquisites:

      In addition to the salary and commission as stated above, Sri Vithaldas Agarwal shall be entitled to the following perquisites.

CATEGORY-A

i) Rent free furnished residential accommodation with all facilities and amenities including such services as Gas, Electricity, Water etc., or HRA to the extent of 50% of the salary.

ii) Reimbursement of Medical 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 subject to a maximum of two clubs, admission and life membership fees not being allowed.

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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 a month's salary for each completed year of service.

CATEGORY-C

The Company shall provide a car with driver and a telephone at the residence.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of Section II of Part II of Schedule XIII to the Companies Act, 1956."

6. To consider and if thought fit, to pass the following resolution, with or without any modifications, as a Special Resolution;

"RESOLVED THAT Pursuant to the Provisions of Section 16, 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered, by substituting the following words and figures in the existing Clause No.3(i) thereof".

> 'The Authorised Share Capital of the Company is Rs.13.00 Crores divided into 70,00,000 Equity Shares of Rs.10/- each and 6,00,000 Redeemable Preference Shares of Rs.100/- each."

"RESOLVED FURTHER THAT in Clause No.V of the Memorandum of Association of the Company, for the words and figures "Authorised Share Capital of the Company is Rs. 10.00 Crores divided into 70,00,000 Equity Shares of Rs.10/- each and 3,00,000 Redeemable Preference Shaers of Rs.100/- each" the following shall be substituted."

> 'The Authorised Share Capital of the Company is Rs.13.00 Crores divided into 70,00,000 Equity Shares of Rs.10/- each and 6,00,000 Redeemable Preference Shares of Rs.100/- each."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary to give effect to the above resolution."

7. To consider and if thought fit, to pass the following resolution with or without any modifications as a Special Resolution.

"RESOLVED THAT Pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members be and is hereby accorded to increase the Authorised Share Capital of the Company from Rs. 10.00 Crores divided into 70,00,000 Equity Shares of Rs.10/- each and 3,00,000 Redeemable Preference Shares of Rs.100/- each to Rs.13.00 Crores divided into 70,00,000 Equity Shares of Rs.10/- each and 6,00,000 Redeemable Preference Shares of Rs.100/- each.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be required to give effect to the above resolution."

8. To consider and if thought fit to pass the following resolution with or without any modifications, as a Special Resolution:

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"RESOLVED THAT Pursuant to the provisions of Section 80, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and subject, wherever required, to any other approval of Financial Institutions, Appropriate Authorities, consent of the members be and is hereby accorded to the Board of Directors of the Company to issue Redeemable Preference Shares of Rs.100/- each, Cumulative or Non-cumulative either at par or at Premium and in such numbers as the Board may decide from time to time for a sum not exceeding Rs.3.00 Crores, in one or more tranches, and to offer such shares on a private placement basis to Bodies Corporate, Financial Institutions, Mutual Funds, Banks, Individuals or to any other person(s), as the Board may deem fit whether they are holders of Equity/ Preference Shares of the Company or not, and at such terms and conditions including the rate of dividend, period of redemption and its Number of instalments etc., as the Board may in its absolute discretion decide, in the best interests of the Company."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to agree and to make such modifications and alterations from time to time as it deems fit and to take all steps as it may deem necessary, desirable or expedient and to resolve all questions of doubt and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion shall deem fit without being required to seek any fresh approval of the Members of the Company and the decision of the Board shall be final and conclusive."

9. To consider and if thought fit, to pass the following resolution with or without any modifications, as a Special Resolution:

"RESOLVED THAT in terms of Section 80 and other applicable provisions, if any, of the Companies Act, 1956 and further to the resolution passed at the 14th Annual General Meeting held on 24-07-1997, consent of the members be and is hereby accorded to the Board of Directors of the Company to redeem at par, the 2,50,000 15% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.2.50 Crores issued during 1997-98, in one or more tranches and to such preference shareholder(s) as may be mutually agreed by and between them and the Board, read with the terms of subscription agreements entered with them, notwithstanding the fact that such preference shares are being redeemed on or before the expiry of the original redemption period specified at 14th AGM."

"RESOLVED FURTHER THAT the arrears of dividend due as on the date of redemption of the aforesaid preference shares be paid to such holders of preference shares, on declaration of dividend for such relevant period, in accordance with the terms of issue and the relevant provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be required from time to time in redeeming the above preference shares in the best interest of the Company."

By order of the Board

Place : Secunderabad **P V Rama Seshu**
Date : 30-07-1999 Company Secretary

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SURYALATA SPINNING MILLS LIMITED

NOTES

1. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.

2. Any member entitled to attend and vote at 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. An instrument of proxy in order to be valid and effective, shall be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

4. The members are requested to notify immediately any change in their addresses to the Company.

5. The Register of Members and the Share Transfer Books of the Company will remain closed from **18th August, 1999** to **24th August, 1999** (both days inclusive) for the purpose of Annual General Meeting.

6. NOTICE is hereby given pursuant to Rule 4(a) of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, that the unclaimed/unpaid Dividend amounts upto and for the Financial Year 1994-95 have already been transferred to General Revenue Account of the Central Government and those shareholders who are yet to claim the same, may apply to the Registrar of Companies (AP), Hyderabad immediately under intimation to the Company.

   As per the recent amendment, unclaimed dividend for the year 1995-96 will be transferred to the Investor Education and Protection Fund after the expiry of 7 years from the date they become due.

EXPLANATORY STATEMENT

(pursuant to section 173 (2) of the Companies Act, 1956)

ITEM NO. 4

Sri K. Srinivasa Reddy was appointed as an Additional Director under Section 260 of the Companies Act, 1956 and would hold office till the date of 16th Annual General Meeting. The Company has received notices from the shareholders under Section 257 of the Companies Act, 1956 together a deposit of Rs.500/- signifying their intention to propose Sri K. Srinivasa Reddy as a candidate for the office of Director.

None of the Directors other than Sri K. Srinivasa Reddy is interested in the resolution.

ITEM NO : 5

Members of the Company are aware that the present term of Sri Vithaldas Agarwal as Managing Director of the Company will expire by 31st August, 1999. Inspite of the recession and sluggish market conditions in the Textile Industry, your Company has been able to tide over the difficulties due to the able guidance and managerial experience of Sri Vithaldas Agarwal as Managing Director. Hence, the Board of Directors of the Company at its meeting held on 31st May, 1999 unanimously proposed to re-appoint him as Managing Director, subject

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to the approval of the financial Institutions and shareholders, for a further period of 5 years w. e. f. 1st September, 1999.

In terms of sections specified under the Companies Act, 1956 in the said resolution, the Board recommends the resolution to the members for their approval, in the best interest of the Company. This statement may also be treated as an abstract of the terms of re-appointment of Sri Vithaldas Agarwal pursuant to Section 302 of the Companies Act, 1956.

Except Sri Vithaldas Agarwal himself and Sri Mahender Kumar Agarwal, Joint Managing Director and Sri Veerender Kumar Agarwal, Executive Director being his relatives, none of the other Directors is interested or concerned, whether directly or indirectly in the said resolution.

ITEM NOS. 6, 7 AND 8

In order to Part Finance the Expansion programme proposed to be undertaken by the Company and for the redemption of part of the existing Preference Shares, it is proposed to raise further capital of Rs.3.00 Crores by issue of Preference Shares through Private Placement. For this purpose the present Authorised Share Capital of the Company needs to be increased from Rs.10.00 Crores to Rs.13.00 Crores by amending the respective clauses in Memorandum and Articles of the Association of the Company in terms of the Companies Act, 1956. Out of the proceeds of the proposed issue of Redeemable Preference Shares of Rs.100/- each aggregating to Rs.3.00 Crores, a sum of Rs.1.25 Crores will be utilised for the purpose of Redemption of, part of the 2,50,000 15% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.2.50 Crores issued during 1997-98 and the balance of Rs.1.75 Crores will be utilised to part finance the expansion programme proposed to be undertaken by the Company.

The Board recommends the Resolutions to the members for their approval in the best interest of the Company and none of the Directors is interested in the above resolutions.

ITEM NO.9

In accordance with approval of the members accorded at the 14th Annual General Meeting held on 24-07-1997 the Company has issued and allotted 2,50,000 15% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.2.50 Crores during 1997-98, through private placement to part finance the then proposed expansion project at Vikarabad, (A.P.). As the said project could not materialise, the Company intends to redeem the preference shares earlier than envisaged, at par, in a phased manner based on the liquidity position and the terms of the subscription agreement entered with the shareholders and also to pay the Dividend due thereon. The Board recommends the resolution to the members for their approval for the redemption of preference shares.

Sri Vithaldas Agarwal, Managing Director being a preference Shareholder, may be deemed to be interested to the extent of his holding and none of the other Directors is interested in the above resolution.

By order of the Board

Place : Secunderabad **P V Rama Seshu**
Date : 30-07-1999 Company Secretary

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SURYALATA SPINNING MILLS LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Sixteenth Annual Report on the Business affairs and operations of the Company together with the Financial Results for the year ended 31st March, 1999.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	1998-99	1997-98
Net Profit/(loss) for the year	**(77.23)**	75.85
Less: Provision for Tax	--	7.96
Profit/(loss) after Tax	**(77.23)**	67.89
Add :		
1. *Prior period* adjustment (net)	**5.70**	0.64
2. Short Provision of Income Tax	**(0.83)**	(5.78)
3. Profit brought forward from last year	**51.37**	37.00
4. Investment Allowance Reserve withdrawn	**33.00**	--
Surplus available	**12.01**	99.75
Less :		
1. Provisions for Dividend (inclusive of Corporate Dividend Tax)		
(1) Equity Dividend	--	28.52
(2) Preference Dividend	--	9.86
2. Transfer to *General Reserve*	--	*10.00*
Balance carried forward to Balance Sheet	**12.01**	51.37

INDUSTRIAL SCENARIO

The Growth of the Spinning Industry in the Country had registered a sharp drop in the year 1998-99 due to the subdued market conditions. The major factors that have hit the spinning mills sector badly are, the relentless rise in prices of various goods and services particularly at the retail level which has badly affected the purchasing power of the average consumer and the Financial crisis in the South East Asian Countries.

As a result of these conditions, around 1100 spinning mills in the country have closed down their businesses. The export business too has been affected as the realisations have fallen drastically. All these factors have resulted in the sharp decline in the profitability of the existing spinning mills.

OPERATIONS

During the year under review the Company has achieved a turnover of Rs. 8019 lakhs compared to Rs. 7688 lakhs made during the previous year. The production during the year 1998-99 is 98.82 lakhs (Kgs.) compared to 80.94 lakhs (Kgs.) made during the previous year thereby registering a growth of 22% in terms of quantity. However, due to the fall in yarn prices the *Company has incurred a loss of* Rs. 77.23 lakhs after providing a depreciation of Rs. 199 lakhs for the year ended 31st March, 1999.

On account of the intensive cost reduction drive in every possible manner at both the units of the Company, your Company has been able to survive the recession and sluggish market conditions in the Textile Industry.

However, the market conditions have started improving progressively from March, 1999 and thereby, it is expected that the Company would earn good profits in the next year.

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SURYALATA SPINNING MILLS LIMITED

DIVIDEND

In view of the absence of profits during the year, your Directors regret their inability to recommend any dividend for the Equity Shareholders. However, the fixed rate of Dividend (15%) payable to the Preference Shareholders for the year 1998-99 stands accumulated to the next year, as per their terms of issue.

REDEMPTION & FRESH ISSUE OF PREFERENCE SHARES

During the Financial Year 1997-98, the Company has issued and allotted 2,50,000 15% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.2.50 Crores through private placement to part finance the then proposed expansion project at Vikarabad, Andhra Pradesh. As the said project could not materialise, the Company proposes to redeem the said preference shares earlier than envisaged, at par, in a phased manner and also to pay the dividend due thereon.

In order to meet the funds for redemption of Preference Shares and also to part finance the expansion programme proposed to be undertaken by the Company, it is proposed to raise Share Capital upto a sum of Rs.3.00 Crores by issue of Preference Shares through Private Placement.

The Board recommends the redemption of preference shares and the fresh issue Preference Shares for approval of shareholders elsewhere in the notice.

EXPANSION PROGRAMME AND CAPITAL EXPENDITURE

Your Company has undertaken Expansion Programme by increasing the spindleage by about 12000 spindles at an estimated total cost of Rs. 20 Crores at both the units situated at Kalwakurthy, Mahabubnagar District, A.P. and Ramtek, Nagpur Dist, Maharashtra. For this purpose your Company, has approached Industrial Development Bank of India for the necessary financial assistance. The detailed appraisal of the proposal and the sanction of financial assistance is under their active consideration.

During the year under consideration, the Company has incurred Rs.342.29 lakhs as capital expenditure including the work in progress of Rs.6.93 lakhs.

EXPORTS

The financial crisis in the South East Asian Countries has brought down the export business drastically and the price realisations have fallen considerably. Taking advantage of the financial turmoil and the resultant depreciation of their currencies, certain countries are offering fierce competition to Indian Manufacturers of yarn in the overseas market.

In view of these sluggish and unfavourable International market conditions your Company could not do the export business during the year under consideration. However, as the market conditions are improving your Company is concentrating on Export business to achieve good results.

FUTURE OUTLOOK

The market conditions have started improving in a better way from March, 1999 and the Company expects that with the launching of much awaited Technology Upgradation Fund (TUF) during April, 1999, the conditions in the textile industry in general are expected to improve in future and thereby the expected results would be achieved in the subsequent years.

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SURYALATA SPINNING MILLS LIMITED

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 the **Annexure - I** and forms part of this report.

DIRECTORS

In terms of Article 108 of the Articles of Association of the Company Sri R. Surender Reddy, Director of the company will retire by rotation at the ensuing Annual General Meeting and being eligible the Board recommends his re-appointment.

The present term of Managing Director Sri Vithaldas Agarwal will expire on 31-08-1999 and the Board unanimously recommends his re-appointment for a further period of 5 years w.e.f. 1-9-1999 and your approval is solicited elsewhere in the notice.

Sri K. Srinivasa Reddy was appointed as an Additional Director w.e.f. 30.07.1999 under Section 260 of the Companies Act, 1956 and would hold office till the date of 16th Annual General Meeting. The Company has received notices from the shareholders under Section 257 of the Companies Act, together with a deposit of Rs.500/- signifying their intention to propose Sri K. Srinivasa Reddy as a candidate for the office of Director.

AUDITORS

The Statutory Auditors of the company M/s Brahmayya & Co. Chartered Accountants, Hyderabad will retire at the conclusion of the ensuing Annual General Meeting and being eligible the Board recommends their re-appointment.

EMPLOYEES

The Particulars of employees as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 is given in the **Annexure - II** and forms part of this report. The relations with the employees are very cordial.

ACKNOWLEDGEMENTS

The Directors take this opportunity to place on record their sincere thanks to the Industrial Development Bank of India (IDBI), The Industrial Finance Corporation of India Ltd. (IFCI), State Bank of India(SBI), UTI Bank Limited, Insurance Companies and Central and State Government agencies and the Shareholders for their support and cooperation extended to the company from time to time.

The Board also wishes to place on record its appreciation for the valuable services rendered by the employees of the company.

For and on behalf of the Board

Place : Secunderabad
Dated : 30-07-1999

C Narsi Reddy
Chairman

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