

Board of Directors

Hyderabad - 500 082.

Sri C Narsi Reddy Chairman

Sri R Surender Reddy Director

Sri K S Purohit Director

Sri K Srinivasa Reddy Director

Sri K Lakshmikanth Reddy Director

Sri Vithaldas Agarwal Managing Director

Sri Mahender Kumar Agarwal Joint Managing Director

Sri Veerender Kumar Agarwal Executive Director

Auditors Registered Office

M/s. Brahmayya & Co.,

403 & 404

Golden Green Apartments

Secunderabad - 500 003.

Irrummanzil Colony

Bankers Factories

State Bank of India Marchala Village
Industrial Finance Branch Kalwakurthy Mandal
Hyderabad Mahabubnagar District
Andhra Pradesh

Mouza - Nayakund
UTI Bank Limited (Near) Ramtek
Begumpet Nagpur District
Hyderabad Maharashtra

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of SURYALATA SPINNING MILLS LIMITED will be held on Monday, the 2nd September, 2002 at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad - 500 026 at 10.30 A.M. to transact the following business:

ORDINARY BUSINESS

- To consider and adopt the Profit and Loss Account for the year ended 31st March, 2002 and the Balance Sheet as on that date and the reports of the Directors' and Auditor's thereon.
- To declare Dividend on Cumulative Redeemable Preference Shares.
- iii) To appoint a Director in place of Sri R. Surender Reddy who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Sri K.S. Purohit who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors and fix their remuneration.

By order of the Board

Place : Secunderabad B. Muralidhara Rao Date : 25-06-2002 Company Secretary

NOTES

- 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.
- ii) 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.

- iii) The Register of Members and Share Transfer Books of the Company will remain closed from 29-08-2002 to 02-09-2002 (both days inclusive).
- iv) Members who have not encashed their past Dividend Warrants are requested to do so without any further delay. Unpaid/ Unclaimed Dividends which are more than seven years old shall be transferred by the Company to the "Investor Education and Protection Fund" established under Subsection (1) of Section 205C of the Companies Act, 1956 and thereafter no claim can be preferred by the shareholders against the Company or the Fund.
- v) 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 to enable the management to keep the information ready at the meeting.
- vi) As per the approval obtained from the members in the 18th Annual General Meeting, the company made an application for delisting of shares from Delhi Stock Exchange and the same is pending with the Exchange. The shares of the company continued to be listed at the Hyderabad and BSE and the company has paid listing fees to these Exchanges.
- vii) Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.
- viii) Members holding shares in physical form are requested to intimate the change, if any, in their address to the company. If the shares are held in Demat form, intimation regarding change of address, if any, has to be notified to the concerned Depository Participant where the shareholder is maintaining the Demat Account.
- ix) Shareholders are requested to bring their copy of the Annual Report to the meeting.



DIRECTORS' REPORT

Dear Members.

Your Directors have pleasure in presenting the 19th Annual Report on the Business and operations of the Company together with the Financial Results for the year ended 31st March, 2002:

FINANCIAL RESULTS

(Rs. in Lakhs)

2001-2002 2000-2001

Gross sales	12013	11432
Net Sales	10212	9 80 6
Net Profit for the year	14	270
Less: Provision for Tax	1	23
Deferred Tax Liability	1	
Profit after Tax	12	247
Add:		
i) Prior period	(5)	2
adjustments		
ii) Short provision	(3)	(35)
of Income Tax		
iii) Profit brought forwa	ard 29	3
from last year		
Surplus available	33	217

Su	rplus available	33	217						
	SS:								
 Provisions for Dividend 									
	(a) Preference	31	42						
	Dividend								
	(b) Equity Dividend		34						
	(c) Corporate		8						
	Dividend Tax								
2.	Transfer to								
	(a) General Reserve	1	5						
	(b) Preference share		100						
	redemption reserve	e							
Ba	lance carried forward								
	to Balance Sheet	1	28						

OPERATIONS

During the year under review, your Company has registered a gross turnover of Rs. 120.13 crores compared to Rs. 114.32 crores in the previous year an increase of 5.08%. The Company earned a net profit of Rs. 12.43 lakhs as against a profit of Rs. 246.74 lakhs in the previous year.

The performance of the Company during the year under review was affected by the fall in yarn selling prices. Allthough production and sales have recorded an increase of 18% and 5% respectively, the performance of the Company would have been further improved, if there is no fall in yarn selling prices.

DIVIDEND

In view of the inadequate profits during the year, your directors express their inability to recommend dividend for the equity shareholders for the financial year 2001-2002. However, your directors are pleased to recommend the payment of Dividend on 15% 1,25,000 Cumulative Redeemable Preference Shares of Rs. 100/- each (Series - I) and 12% 1,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each (Series - II) for the financial year 2001-2002 out of the profits available from the earlier years. The fixed rate of pro-rata dividend payable to the 12% 75,000 CRPS of Rs.100/- each (Series - III) for the year 2001-2002 stands accumulated to the next year, as per their terms of issue.

ISSUE OF PREFERENCE SHARES

During the year under review, the Company has issued 75,000 12% Cumulative Redeemable Preference Shares of Rs. 100/- each.

CAPITAL EXPENDITURE

During the year under review, the Company has incurred Rs. 267.60 lakhs (including Capital work-in-progress) towards capital expenditure.

EXPORTS

The export turnover of the Company during the year was Rs. 171 lakhs. The Company proposes explore to new markets to improve the performance.

FUTURE OUTLOOK

Your Company is concentrating on development of value added products like Dyed yarn, Milenge yarn, Sewing thread etc., and apart from this the Company is also trying to reduce the costs and improve the productivity by adopting various new techniques. In view of the above, your directors are hopeful of a good future for your Company.

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 and forms part of this report.

DEPOSITS

There are no over due deposits as on 31st March, 2002.

DIRECTORS

In terms of Article 108 of the Articles of Association of the Company Sri R. Surender Reddy and Sri K.S. Purohit retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of the accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the directors have prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

AUDIT COMMITTEE

As required by the provisions of Section 292A of the Companies Act, 1956, the Board of Directors has constituted an Audit Committee comprising of three directors i.e., Sri C.Narsi Reddy, Sri R.Surender Reddy and Sri M.K.Agarwal and the Audit Committee met 3 times in the financial year 2001-2002.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, the company has to implement the Corporate Governance rules latest by 31st March, 2003 and the company is taking necessary steps for complying the same before the due date.

DELISTING

In terms of the approval granted by the Members in the 18th Annual General Meeting, the company has made an application for delisting of the shares to the Delhi Stock Exchange. The application for delisting is pending with the Exchange. The trading volumes at the Delhi Stock Exchange are negligible and the listing fees paid to the Exchange has also been disproportionately higher.

AUDITORS

The Statutory Auditors M/s. Brahmayya & Co., Chartered Accountants, Hyderabad, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

PERSONNEL

There is no employee in the Company, particulars of whom are required to be furnished

under Section 217(2A) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Directors take this opportunity to place on record their sincere thanks to the Industrial Development Bank of India (IDBI), IFCI Limited, State Bank of India (SBI), UTI Bank Limited, Insurance Companies and Central and State Government agencies and the Shareholders for their support and co-operation 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 Date : 25-06-2002 C. Narsi Reddy Chairman

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ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report for the year ended 31st March, 2002.

CONSERVATION OF ENERGY

The Company is engaged in the process of Energy Conservation through improved operational and following maintenance practices:

- Replacement of old motors of higher capacity by motors of desired capacity and inefficient motors by energy efficient motors.
- Installation of light weight FRP Fans in humidification plant. 2.
- Lighting Systems replaced by Trulite and Electronic Chokes replaced by Ballast. 3.
- Synchronisation of Maintenance schedules. 4.
- 5. Installed Horizon Series Screw Compressor.
- Conducting regular energy audits and taking immediate steps to curtail power consumption.

RESEARCH AND DEVELOPMENT (R & D)

- 1. Specific areas in which R & D carried out by the company
- above R & D
- 3. Future plan of action
- Expenditure on R & D
- : The Company is having good R & D in introduction and development of value added products.
- Benefits derived as a result of the: The high quality products have been developed, due to which the demand for the product of the company has gone up.
 - : To further develop more value added products and improve the quality of the products.
 - Expenditure on in-house R & D has been shown under respective heads of expenditure in the Profit & Loss account as no separate account is maintained.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts, in brief, made towards technology absorption, adaptation and innovation
- 2. Benefits derived as a result of the : above efforts, eg. product development, import substitution, etc.,
- In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished
 - Technology imported a)
 - Year of import c)
 - Has technology been fully absorbed? If not fully absorbed, areas
 - where this has not taken place, reasons therefor and future plans of action

- : The company has adapted indigenous technology and made innovation on the same.
 - Product improvement, increase in vield, and quality resulted increase in turnover.
 - No technology has been imported during the last five years.
 - Nil Not applicable
 - Not applicable
 - Not applicable

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Suryalata spinning mills limited

ANNEXURE TO DIRECTORS' REPORT (Contd.)

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

and service, and export plans

Others

Activities relating to exports, initiatives: The information on foreign exchange earnings taken to increase exports, development of new export markets for production

14 (a), (b) & (c) in notes on accounts.

Not used

Not used

FORM - A (See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

Α.	Power & Fuel Consumption 2001-2002						2000-2001		
	1.	ELECTRICITY				2001-2002	2000-2001		
		a) Purchased							
			Unit (No.)			1,56,37,305	1,10,19,153		
	Total Amount (Rs.)						6,07,86,711	4,57,76,098	
			Rate/Unit (Rs.)			3.89	4.15		
		b)	b) Own Generation						
			i)	Throug	h Generator				
				Unit (N	lo.)			1,26,26,308	1,27,16,671
				Unit pe	er Ltr. of Oil (N	lo.)		3.84	3.76
				Cost/U	nit (Rs.)			3.40	3.97
			ii)	Throug	h Steam turbin	e/Generato	r	Not used	Not used
	2. COAL (Specify quality and where used)3. FURNACE OIL						Not used	Not used	
							Not used	Not used	
	4. OTHERS/INTERNAL GENERATORS (Please give details)					Not used	Not used		
В.	Cor	sum	ption	per Unit	of Production	(Kg.)	Standards	Current Year	Previ <mark>ou</mark> s Year
	Florest de (N) C to N								
	Electricity (No. of units)					2.01	1.99		
	Furnace Oil						***************************************	Not used	
	Coal -						Not used	Not used	

AUDITORS' REPORT

To The Shareholders of SURYALATA SPINNING MILLS LIMITED

We have audited the attached Balance Sheet of SURYALATA SPINNING MILLS LIMITED, Secunderabad, as at 31st March, 2002 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.
- On the basis of written representations from the Directors taken on record by the

Board of Directors, none of the Directors is disqualified as on 31st March, 2002 from being appointed as a Director under Section 274 (1)(g) of the Companies Act, 1956.

- In our opinion, the balance sheet and profit & loss account comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
- 6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
 - ii) In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
- 7. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks, as we considered appropriate, we report hereunder on the matters specified in paragraphs 4 & 5 of the said order:
 - The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management. There is annual

- verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification.
- None of the fixed assets have been revalued during the year.
- iii) The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
- iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- The discrepancies noticed on verification between the physical stocks and the book records were not material
- vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- vii) In our opinion the rate of interest and other terms and conditions on which loans have been taken from Companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956 are not prima facie, prejudicial to the interest of the Company.

- viii) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 or Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
- ix) In respect of loans and advances in the nature of loans given by the Company, parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of the stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
- In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the 1956 and Companies Act. aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.