

ANNUAL REPORT 2002-2003



SURYALATA SPINNING MILLS LIMITED

SURYALATA SPINNING MILLS LIMITED

Board of Directors

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

FINANCIAL CONTROLLER

Sri L.Sivananda

COMPANY SECRETARY

Sri S.Venkat Ramana Reddy

AUDITORS

M/s.Brahmayya & Co.,
Flat No.403 & 404,
Golden Green Apartments,
Irrammanzil Colony,
Hyderabad - 500 082.

BANKERS

State Bank of India
Industrial Finance Branch,
Somajiguda,
Hyderabad.

UTI Bank Limited,
Begumpet,
Hyderabad.

REGISTERED OFFICE

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

FACTORIES

Marchala Village,
Kalwakurthy Mandal,
Mahabubnagar District,
Andhra Pradesh.

Mouza-Nayakund,
Near Ramtek,
Nagpur District,
Maharashtra.

SURYALATA SPINNING MILLS LIMITED

NOTICE OF THE 20TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of **SURYALATA SPINNING MILLS LIMITED** will be held on **Wednesday, the 30th July, 2003 at Family World, behind Tulip Manohar Hotel, Begumpet Main Road, Hyderabad - 500 016 at 11.00 A.M.** to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, Consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2003 and the Balance Sheet as on that date and with the reports of the Directors and Auditors thereon.
- 2) To declare Dividend on Cumulative Redeemable Preference Shares.
- 3) To appoint a Director in place of Shri K.Lakshmikanth Reddy who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint a Director in place of Shri K.Srinivasa Reddy who retires by rotation and being eligible offers himself for re-appointment.
- 5) To appoint Auditors and fix their remuneration.

By order of the Board
for **Suryalata Spinning Mills Limited**

S. Venkat Ramana Reddy
Company Secretary

Place : Secunderabad

Date : 30.05.2003

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll to vote instead of himself and such proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members, Beneficial Owners and Share Transfer Books of the Company will

remain closed from **25th July, 2003 to 30th July, 2003** (both days inclusive).

3. The Company has already transferred all unclaimed dividends declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Shareholders who have so far not claimed or collected their dividends upto the aforesaid financial year are requested to claim their dividends from the Registrar of Companies, Andhra Pradesh.
4. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

For the Financial year	Date of declaration	Due for transfer on
1995-1996	10.09.1996	29.10.2003
1996-1997	24.07.1997	11.09.2004
1997-1998	25.09.1998	13.11.2005
1999-2000	29.05.2000	05.07.2007
2000-2001	20.07.2001	26.08.2008

Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1996 or any subsequent financial years are requested to make their claim to the Company at its Registered Office. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund (IEPF) no claim shall lie in respect thereof.

5. The Company's Equity shares are listed at The Hyderabad Stock Exchange Limited (Regional Stock Exchange), 6-3-654, Somajiguda, Hyderabad, The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 and The Delhi Stock Exchange Association Limited, DSE House, 3/1, Asaf Ali Road, New Delhi-110 002 and the company has paid the Listing Fees to the said Stock Exchanges.

SURYALATA SPINNING MILLS LIMITED

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 20th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS:

The performance during the year has been as under:

	(Rs. in Lakhs)	
	2002-2003	2001-2002
Gross Sales	12604	12013
Net Sales	10769	10212
Net Profit for the Year	250	14
Less: Provision for Tax	20	1
Deferred Tax Liability	20	1
Profit after Tax	210	12
Add:		
i) Prior period Adjustments	—	(5)
ii) Short provision of income Tax	(3)	(3)
iii) Profit brought forward from last year	1	29
Surplus available	208	33
Less:		
1. Provision for Dividend		
(a) Preference Dividend	37	31
(b) Corporate Dividend Tax	5	—
2. Transfer to		
(a) General Reserve	53	1
(b) Preference share redemption reserve	25	—
Balance Carried forward to Balance sheet	88	1

OPERATIONS

During the year under review, the gross turnover was Rs. 12604 Lakhs compared to Rs.12013 Lakhs in the previous year, indicating a growth of 5% in turnover compared to previous year. The Company earned a net profit of Rs.210.16 Lakhs as against Rs.12.43 Lakhs in the previous year. The increase in profit is because of increase in selling prices and saving in Expenditure under various heads such as power & fuel, Interest, etc.

DIVIDEND

Your Directors are pleased to recommend the payment of Dividend on Cumulative Redeemable Preference Shares as per the terms and conditions of the issue.

In view of the modernisation scheme undertaken by the Company your Directors express their inability to recommend dividend on Equity Shares for the year 2002-03.

REDEMPTION OF PREFERENCE SHARES

During the year under review, the Company has redeemed 75,000, 15% Cumulative Redeemable Preference shares of Rs.100/- each.

CAPITAL EXPENDITURE

During the year under review, the Company has incurred Rs.355.19 Lakhs towards capital expenditure (including Capital work-in-progress).

The Company has taken up the modernisation scheme at a estimated total cost of Rs.733.15 Lakhs, the UCO Bank has sanctioned a term loan of Rs.587 Lakhs under Technology upgradation Scheme and the balance amount will be met out of the contribution by the promoters and internal accruals. The modernisation scheme is expected to be completed by 31st March, 2004.

EXPORTS

The Export turnover of the Company during the year was Rs.432.90 Lakhs(including Merchant Exports). The Company proposes to explore new markets to improve the performance.

SURYALATA SPINNING MILLS LIMITED

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 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.

FIXED DEPOSITS

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

DIRECTORS

Pursuant to the Articles of Association of the Company Shri K.Lakshmikant Reddy and Shri K.Srinivasa Reddy will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors M/s.Brahmayya & Co.,Chartered Accountants, Hyderabad, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to re-appoint them and to authorize the Board to fix their remuneration.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, the Board of Directors of the Company hereby confirms:

- (i) That in the preparation of the Annual Accounts for the Financial year ended 31st March, 2003, 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 the 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, 2003 'on a going concern' basis.

AUDIT COMMITTEE

The Audit Committee constituted in terms of Section 292A of the Companies Act, 1956 has been reconstituted by the replacement of Shri Mahender Kumar Agarwal, Joint Managing Director by Shri K.Srinivasa Reddy, a Non-Executive Independent Director. Presently the Audit Committee consists of the following Directors namely Shri C.Narsi Reddy; Chairman, Shri R.Surender Reddy and Shri K.Srinivasa Reddy, all the members of the Audit committee are Non-Executive-Independent Directors.

DELISTING OF SHARES

The Company's application for Voluntary delisting of its shares from The Delhi Stock Exchange Association Limited is pending with them.

CORPORATE GOVERNANCE

The Company has implemented the procedure and has adopted practices in conformity with the Code of Corporate Governance enunciated in Clause-49 of the Listing Agreement with the Stock Exchanges.

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A Separate report on Corporate Governance is produced as a part of the Annual Report along with the Auditor's Certificate on its compliance.

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.

MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY STRUCTURE AND DEVELOPMENT:

The Company is presently engaged in the manufacture of Synthetic blended yarns of Polyester/Viscose, 100% Polyester and 100% Viscose counts ranging from 20s to 60s. The Company has two Spinning Plants one in the State of Andhra Pradesh and another in the state of Maharashtra.

The textile industry in the Country (of which Spinning is an important segment) is one of the oldest industries and is extremely complex and diversified ranging from small-scale sector to highly sophisticated mills. The yarn industry constitutes about 2625 mills (including SSI) with installed spindileage of about 38.33 million.

After undergoing a recessionary phase in the last 4 to 5 years, the prospects of the industry have started improving of late. The demand for textiles and the price realization have started improving. The Policy initiatives by Government, Economic development and the rising standing of Indian textile products in International markets have been the chief drivers to this change in scene. The recent budget proposals have also aimed at ensuing better compliance of the regulatory regime, elimination of duty evasions, encouraging modernization and introduction of a moderate duty structure. The State Government in Andhra Pradesh has also taken steps to ensure better power supply, which enabled the Company to perform better.

OPPORTUNITIES AND THREATS

The textile industry could benefit from the abolition of quotas under the multi-fibre agreement by 2005. While this would present opportunities of unlimited growth for Companies in the global market, they would also pose threats by way of intense competition from countries like Pakistan, China, etc.

Your Company is already working on strategies to effectively utilize its strength from expertise in raw material procurement, skilled manpower, state of the art technologies to counter known threats in the markets.

RISKS AND CONCERNS

Government Policies and Economic development have substantial impact on the Textile Sector. Prices and demand are subject to changes in policies by the Government. The continuous over production and global slowdown may enhance price competition and possible margin erosion in the Textile business.

The Government has taken steps for improving the Textile industry by reducing the centvat from 16% to 12% on Yarn and by extending the Centvat chain to weaving and ready made garments. The Government has also granted Interest subsidy to the companies undertaking the Modernisation of its Plants.

OUTLOOK

Good days seem to be ahead for the Indian textile industry with the much awaited abolition of the quota system under the Multi-fibre agreement nearing fast.

Though Asia has become the global apparel Manufacturing hub, India is yet to take advantage of the opportunities due to Quota restrictions and high tariffs. This will change for better once the Quotas are phased out. The signs are already visible with the Indian Companies getting large export orders from global apparel and retail majors.

Therefore, the outlook for the sector is good.

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INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems and procedures with regards to purchase of stores, raw materials including components, Plant and machinery, equipment, sale of goods and other assets.

The Company has clearly defined roles and responsibilities for all managerial positions and all operating parameters are monitored and controlled.

The Company has an internal audit system commensurate with its size and nature of its business. The Company has employed a firm of Chartered Accountants for its internal audit function. Periodic reports of Internal Auditors are reviewed in the meeting of the Audit Committee of the Board. Compliance with laws and regulations is also ensured and confirmed by the internal auditors of the Company. Standard operating procedures and guidelines are issued from time to time to support best practices for internal control.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year under review the Company has achieved a turnover of Rs.126.04 crores as against Rs.120.13 crores in the previous year registering a growth of 5%. The Company achieved a production of 1.37 Crores (in Kgs) as against 1.41 Crores (in Kgs) in the previous year.

During the year Company has achieved a Net Profit of Rs.2.10 crores as against Rs.0.12 crores in the previous year. The increase in profit is mainly because of increase in selling prices and saving in expenditure in various heads, i.e., Power & fuel, interest, etc.

The Company has provided a provision for current tax of Rs.20 Lakhs as against Rs.1.00 Lakh in the previous year and deferred tax has

been provided for an amount of Rs.20 Lakhs as against Rs.1.00 in the previous year.

The Earnings per share (EPS) of the Company as on 31st March, 2003 is Rs.4.99 as against Rs.(0.89) in the previous year.

The Paid up Share Capital of the Company as on 31st March, 2003 is Rs.5,63,00,000/- comprising of 33,80,000 Equity Shares of Rs.10/- each and 2,25,000 Cumulative Redeemable Preference shares of Rs.100/- each.

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

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

The company believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with skill which enables them to adapt to contemporary technological advancements.

Industrial relations during the year continued to be cordial and the Company is committed to maintain good industrial relations through negotiations, meetings etc.

As on 31st March, 2003, the Company has a total strength of about 1900 employees.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be forward-looking statements. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the

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Government regulations, tax laws, other statutes and other incidental factors.

EMPLOYEES

Company has no employee whose remuneration exceeds the limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, the information required under the said section, read with the Companies (Particulars of the Employees) Rules, 1975, has not been given in the report.

ACKNOWLEDGEMENTS

The Directors take this opportunity to place on record their sincere thanks to the Industrial Development Bank of India (IDBI), State Bank of

India (SBI), UTI Bank Limited, UCO Bank, Insurance Companies, Central and State Government Departments and the shareholders for their support and co-operation extended to the Company from time to time.

Directors are pleased to record their appreciation of the sincere and dedicated services of the employees and workmen at all levels.

For and on behalf of the Board of Directors

Place : Secunderabad
Date : 30.05.2003

C. Narsl Reddy
Chairman

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ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors Report for the year ended 31st March, 2003.

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures taken:
Synchronisation of Maintenance schedules, installed Horizon series screw Compressor, conducting regular energy audits and taking immediate steps to curtail power consumption
- (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		
Unit(No.)	2,68,78,426	1,56,37,305
Total Amount (Rs.)	9,26,18,471	6,07,86,711
Rate/Unit (Rs.)	3.45	3.89
b) Own Generation		
i) Through Generator		
Unit (No.)	14,14,456	1,26,26,308
Unit per Ltr. Of Oil (No.)	3.81	3.84
Cost/Unit (Rs.)	3.50	3.40
ii) Through Steam turbine/ Generator	Not used	Not used
2. COAL (Specify quality and where used)	Not used	Not used
3. FURNACE OIL	Not used	Not used
4. OTHERS/INTERNAL GENERATORS	Not used	Not used
B. Consumption per Unit of Production (Kg)		
Electricity (No. of Units)	2.06	2.01
Furnace Oil	Not used	Not used
Coal	Not used	Not used
Others	Not used	Not used

B. TECHNOLOGY ABSORPTION:

- (e) efforts made in technology absorption as per Form B:

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FORM - B

Form for disclosure of particulars with respect to absorption.

RESEARCH AND DEVELOPMENT (R & D):

1. Specific areas in which R & D : The Company is having good R & D in introduction carried out by the company and development of value added products.
2. Benefits derived as a result of the : The high quality products have been developed, above R & D due to which the demand for the product of the company has gone up.
3. Future plan of action : To further develop more value added products and improve the quality of the products.
4. Expenditure on R & D : 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

1. Efforts, in brief, made towards : The company has adapted indigenous technology technology absorption, adaptation and innovation and made innovation on the same.
2. Benefits derived as a result of the : Product improvement, increase in yield, and above efforts, eg. product deve- quality resulted increase in turnover. lopment, import substitution, etc.,
3. In case of imported technology : No technology has been imported during the (Imported during the last 5 years last five years. reckoned from the beginning of the financial year), following information may be furnished
 - a) Technology imported : Nil
 - b) Year of import : Not applicable
 - c) Has technology been fully absorbed? : Not applicable
 - d) If not fully absorbed, areas where this has not taken : Not applicable place, reasons therefor and future plans of action

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- f) Activities relating to exports, initiatives : Exports exploration activities mainly include taken to increase exports, development development of exports to new markets and of new export markets for production increasing exports to traditional markets. and service, and export plans.
- g) Total foreign exchange used and earned:

	2002-2003	(Rs. in Lakhs) 2001-2002
i) Foreign Exchange earned	207.68	164.77
ii) Foreign Exchange Used	12.64	66.61

for and on behalf of the Board of Directors

Place : Secunderabad
Date : 30.05.2003

C. Narsil Reddy
Chairman