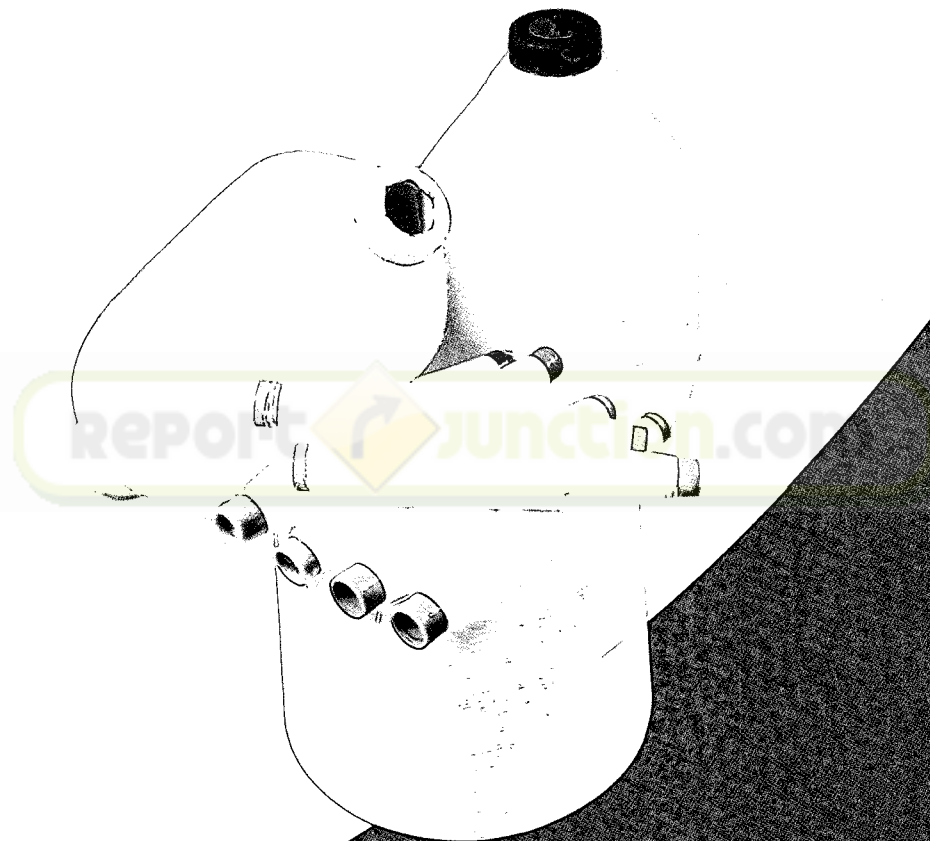
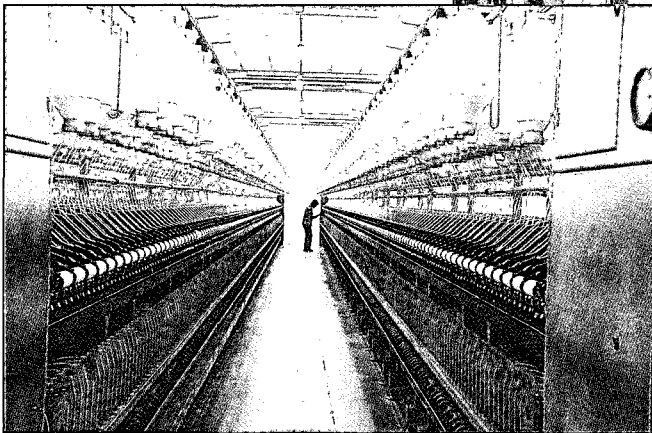
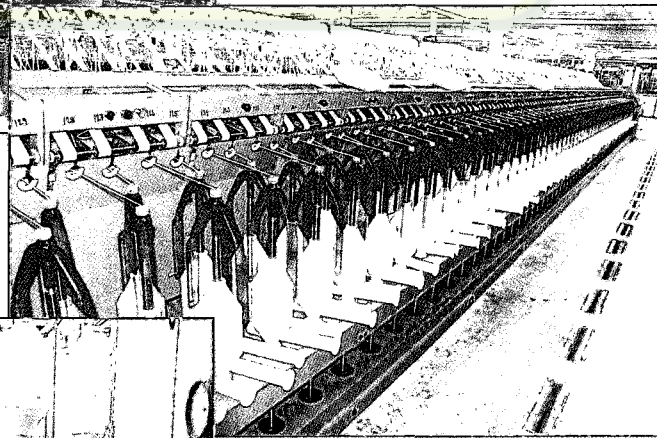
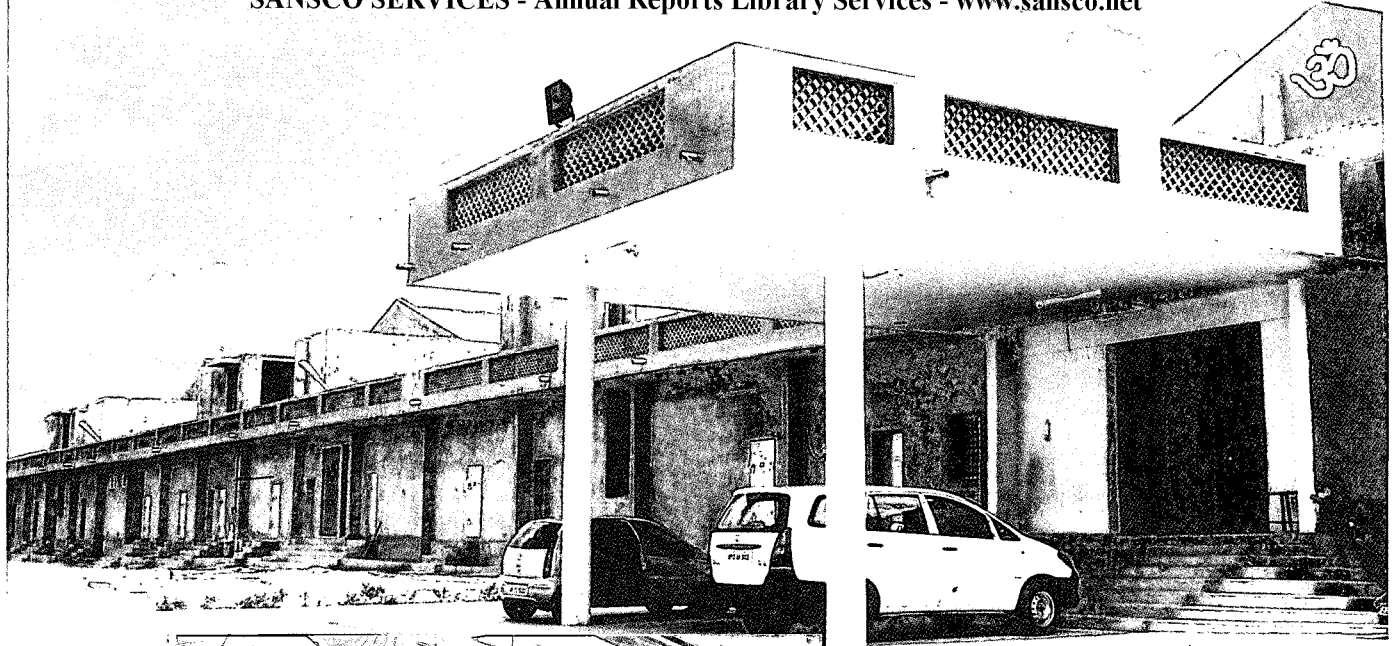


# ANNUAL REPORT 2006-07



**SURYALATA SPINNING MILLS LIMITED**



GLIMPSES OF NEW FACILITY  
SET UP AT URKONDAPET



# **SURYALATA SPINNING MILLS LIMITED**

## BOARD OF DIRECTORS

Sri R. Surender Reddy  
Sri K.S. Purohit  
Sri K. Srinivas Reddy  
Sri K. Lakshmikanth Reddy  
Sri R.S. Agarwal  
Sri Vithaldas Agarwal  
Sri Mahender Kumar Agarwal  
Sri Veerender Kumar Agarwal

Chairman  
Director  
Director  
Director  
Director  
Managing Director  
Joint Managing Director  
Executive Director

## GENERAL MANAGER (FINANCE)

Sri V.K. Chakravarthy

## COMPANY SECRETARY

Sri Chinmoy Patnaik

## AUDITORS

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

## REGISTERED OFFICE

Surya Towers, 1<sup>st</sup> Floor,  
105, Sardar Patel Road  
Secunderabad - 500 003.

## REGISTRAR & TRANSFER AGENTS

Sathguru Management Consultants Pvt. Ltd.,  
Plot No.15, Hindi Nagar,  
Punjagutta, Hyderabad - 500 034.

## BANKERS

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

Axis Bank Limited  
Begumpet, Hyderabad.

## FACTORIES

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

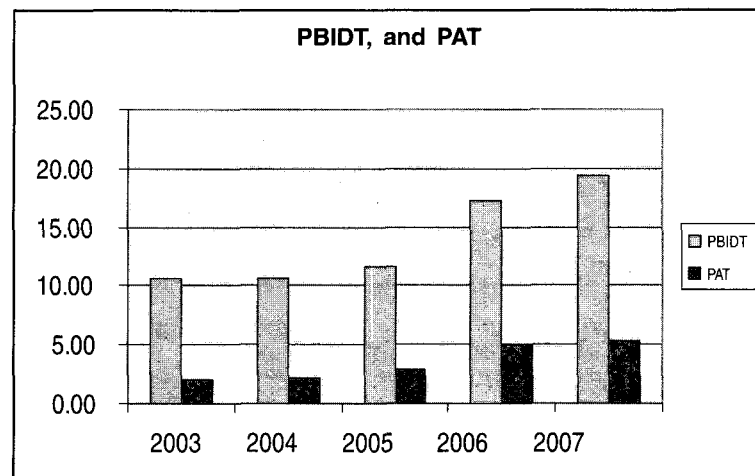
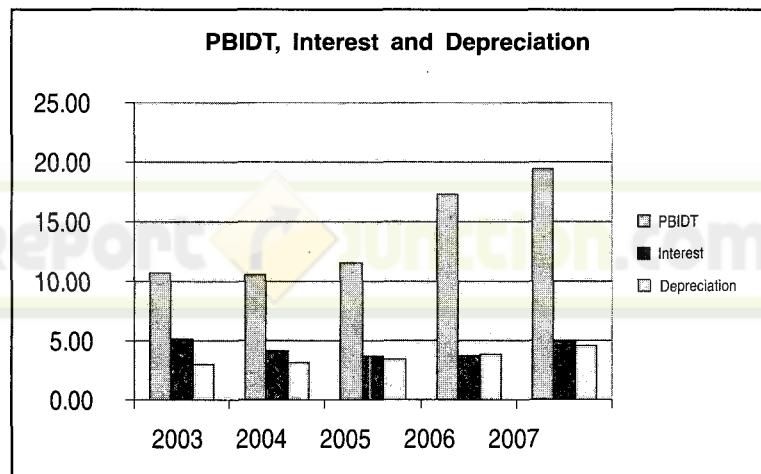
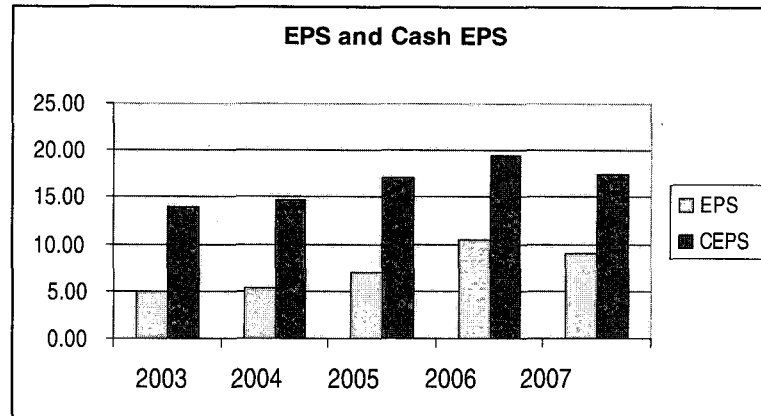
Mouza-Nayakund,  
Near Ramtek,  
Nagpur District,  
Maharashtra.

Urkondapet  
Midjil Mandal,  
Mahaboobnagar District,  
Andhra Pradesh.

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# **SURYALATA SPINNING MILLS LIMITED**

## **Performance Indicators**



# **SURYALATA SPINNING MILLS LIMITED**

## **NOTICE OF THE 24TH ANNUAL GENERAL MEETING**

**Notice** is hereby given that the twenty fourth Annual General Meeting of **Suryalata Spinning Mills Limited** will be held on Wednesday, the 26th September 2007, at 10: 30 A.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad - 500 026, 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 2007 and the Balance Sheet as on that date and Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31st March, 2007.
3. To declare dividend on Cumulative Redeemable Preference Shares for the year ended 31st March, 2007.
4. To appoint a Director in place of Shri R. Surender Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri K.S. Purohit, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. Brahmayya & Co., Chartered Accountants, as Auditors of the company to hold office from the conclusion of this Annual General meeting until the conclusion of the next Annual General meeting and to authorise the Board of Directors to fix their remuneration.

### **Special business**

7. To consider and, if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution:  
 "Resolved that pursuant 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 up to the date and subject to the approval of financial institutions, if any, consent of the members of the Company be and is hereby accorded for the re-appointment of Shri Veerender Kumar Agarwal as the Executive Director of the Company for a further period of 5 years effective from 27th May, 2007 on the following terms and conditions :

- 1) Salary: Rs. 70,000/- per month.
- 2) Commission: At the rate of 1% of the net profit of the Company or 50% of the annual salary, whichever is less.
- 3) Perquisites: In addition to the salary and commission as stated above Sri Veerender Kumar Agarwal shall be entitled to the following perquisites:

### **CATEGORY - A**

- a. 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 40% of the salary.
- b. Medical Reimbursement: Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three month's salary in a period of three years.
- c. Leave Travel Concession: For self and family once in a year incurred in accordance with the rules of the Company.
- d. Club Fee: Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
- e. Personal Accident Insurance: Of an amount, the Premium of which not to exceed Rs.4,000/- per annum.

# **SURYALATA SPINNING MILLS LIMITED**

## CATEGORY - B

- i) Contribution 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. 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 financial year, the above remuneration will be paid as minimum remuneration in terms of Section II of Part II of Schedule XIII of the Companies Act, 1956."

By order of the Board of Directors

Place :Secunderabad

Chinmoy Patnaik

Date : 04.06.2007

**Company Secretary**

## 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 and Share Transfer Books of the Company will remain closed from 21.09.2007 to 26.09.2007 (both days inclusive).
3. Dividend on Equity Shares and Preference Shares as recommended by the Directors for the Financial Year ended on 31st March, 2007 when declared at the Meeting, will be paid on or after 27th September, 2007. The Final Dividend on Equity shares, if declared will be paid:
  - a. To all the beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository (India) Limited as of the close of the business hours on 20th September, 2007;
  - b. To all the Shareholders in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of the business hours on 20th September, 2007.
4. The Company has already transferred all unclaimed dividends declared up to the financial year ended 31st March, 1999 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.
5. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2001 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.

# **SURYALATA SPINNING MILLS LIMITED**

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	Last Date for Claiming un-paid dividend	Due for transfer on
2000-2001	20.07.2001	19.07.2008	26.08.2008
2003-2004	31.08.2004	30.08.2011	07.10.2011
2004-2005	29.09.2005	28.09.2012	05.11.2012
2005-2006	08.09.2006	07.09.2013	07.10.2013

Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 2001 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.

6. The Company's Equity shares are listed at The Hyderabad Stock Exchange Limited, 6-3-654, Somajiguda, Hyderabad and Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 and the company has paid the Listing Fees to the said Stock Exchanges.
7. Particulars of Directors seeking re-appointment is given in the report on Corporate Governance.
8. An explanatory statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of the business set out under item no. 7 is annexed.
9. Members are requested to bring their copy of the Annual Report to the meeting.

## **Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.**

### **ITEM NO. 7**

Members of the Company are aware that the tenure of appointment of Shri Veerender Kumar Agarwal as Executive Director of the Company has expired on 26.05.2007. Keeping in view Mr. Agarwal's efforts and his valuable contribution to the Company towards Company's growth and success, the Board of Directors at their meeting held on 31.01.2007 approved re-appointment of Shri Veerender Kumar Agarwal as Executive Director of the Company for a further period of 5 years w.e.f. 27th May, 2007 which is subject to approval of members of the Company.

The Board of Directors recommends the resolution for your approval.

None of the Directors of the Company, except Shri Veerender Kumar Agarwal himself and Shri Vithaldas Agarwal, Managing Director and Shri Mahender Kumar Agarwal, Joint Managing Director, being his relatives, are interested in the said resolution.

By order of the Board of Directors

Place : Secunderabad  
Date : 04.06.2007

Chinmoy Patnaik  
**Company Secretary**

# **SURYALATA SPINNING MILLS LIMITED**

## DIRECTORS' REPORT

To  
The Members,

Your Directors have pleasure in presenting the 24th Annual Report together with the audited Annual Accounts of your Company for the financial year ended 31st March 2007.

### Financial Results

The performance of your Company during the year ended 31st March 2007 has been briefed below:

	(Rs. in Lakhs)	
	2006-2007	2005-2006
Gross Sales	<b>20557</b>	18114
Net Sales	<b>19368</b>	16967
Profit before Tax	<b>996</b>	960
Less: Provision for		
Tax for the year	<b>215</b>	251
Fringe Benefit Tax	<b>7</b>	5
Provision for the earlier years	<b>3</b>	2
Deferred Tax Liability	<b>246</b>	205
Profit After Tax	<b>525</b>	497
Add: Profit brought forward from last year	<b>233</b>	101
Amount available for appropriation	<b>758</b>	598
Appropriations:		
1. Provisions for Dividend		
(a) Equity Dividend	<b>109</b>	109
(b) Preference Dividend	<b>27</b>	36
© Corporate Dividend Tax	<b>23</b>	20
2. Transfer to		
(a) General Reserve	<b>100</b>	100
(b) Preference Share Redemption Reserve	<b>150</b>	100
Balance Carried forward to Balance Sheet	<b>349</b>	233

### Operations

During the year under review, the gross turnover of your Company was Rs.20557 lakhs compared to Rs.18114 lakhs in the previous year, indicating a growth of 13.5%. The production during the year was 197.87 lakh kgs of yarn as against 175.20 lakh kgs in the previous year, an increase of 12.94%. The increase in the production is on account of increased spindle utilization and use of ultra modern machinery. We are also pleased to inform you that the new unit at Urkondapet has become operational during the year. The first line operation started from January 2007 and second line from the month of April 2007. This has also contributed to the increased production to the extent of 3.95 lakhs kgs..

Your Company has earned a Profit Before Tax of Rs.996 lakhs as against Rs.960 lakhs in the previous year, registering a growth of 3.75%. The Company earned a profit after tax of Rs.525 lakhs as against Rs.497 lakhs in the previous year, an increase of 5.84%. Increase in input costs, which has generally affected our industry, had an impact on our profit margin, in comparison to last year.

### Dividend

Your Directors have recommended payment of dividend on Cumulative Redeemable Preference Shares as per the terms and conditions of the issue. The dividend will absorb a sum of Rs.27 lakhs.

Your Directors are pleased to recommend a dividend of Rs. 2 per share (previous year Rs.2 per share) on the Equity Share Capital of the Company for the financial year ended 31st March 2007. The dividend will absorb a sum of Rs. 108.90 lakhs (previous year Rs.108.90 lakhs)



# **SURYALATA SPINNING MILLS LIMITED**

## **Redemption / Issue of Preference Shares**

During the year, your Company has redeemed 1,00,000 12% Cumulative Redeemable Preference Shares of Rs. 100/- each and has further issued 100,000 8% Cumulative Redeemable Preference Shares of Rs.100/- each.

## **Transfer to reserves.**

Your Company proposes to transfer Rs.100 lakhs to General Reserve Account and Rs. 150 lakhs to Preference Share Redemption Reserve Account of the Company for the year.

## **Operation of new unit at Urkundapet**

The new unit at Urkundapet village has commenced commercial production from its first line on January 2007. The second and final line has also commenced production from the month of April 2007. This unit has added additional 20,160 spindles to the company's existing capacity.

## **Capital expenditure**

Apart from the setting up of Greenfield Project at Urkundapet, your Company has modernized the plant and machinery at existing plants at a cost of Rs. 530 lakhs. During the year under review, your Company has incurred Rs.5351.88 lakhs towards capital expenditure (including Capital work-in-progress).

## **Exports**

The export turnover of your Company during the year 2006-2007 was Rs.3881.35 lakhs (including merchant exports). The export turnover grew by 56.55% from Rs.2479.38 lakhs in the previous year. Your Company has been exporting yarn to various countries like Turkey, Italy, Taiwan, Iran, Brazil, USA, Argentina and continues to explore new markets to improve the performance.

## **Future outlook**

A note on the future outlook of your Company is presented under Management Discussion and Analysis, which forms part of this Report.

## **Deposits**

There were no overdue deposits as on 31st March 2007.

## **Directors**

In accordance with the provisions of the Companies Act, 1956 and in terms of Articles of Association of the Company Sri R. Surender Reddy and Sri K.S.Purohit, Directors of the Company, retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for re-appointment.

## **Directors Responsibility Statement**

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

- i) That in the preparation of the Annual Accounts for the financial year ended 31st March 2007 the applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) That appropriate accounting policies have been selected and applied consistently, and have made judgments 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 31st March, 2007 and of the profit of the Company for the year ended on 31st March, 2007.

# **SURYALATA SPINNING MILLS LIMITED**

- iii) 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; and
- iv) That the annual accounts for the financial year ended 31st March 2007 have been prepared on a going concern' basis.

## **Auditors**

M/s. Brahmayya & Co., Chartered Accountants, Hyderabad, Statutory Auditors of the Company, retire at the ensuing Annual General meeting and is eligible for re-appointment.

## **Corporate Governance**

Corporate Governance Report, Management Discussion and Analysis Report and the Certificate from the Auditors of your Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, forms part of this Report.

Conservation of energy, technology absorption, foreign exchange earnings and outgo.

The information as required under Section 217 (1) (e) read with Companies (Disclosure of

Particulars in the Report of Board of Directors) Rules, 1988, are provided in the annexure forming part of this Report.

## **Employees**

Your 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 Board of Directors places on record its gratitude to IDBI Bank Limited, State Bank of India, Axis Bank Limited, UCO Bank, Insurance Companies and Government Authorities for their assistance and cooperation. The Board also acknowledges the support of the shareholders of the Company. The Board also places on record their deep sense of appreciation for the committed services of all the employees of the Company.

For and on behalf of the Board of Directors

Place : Secunderabad  
Date : 28.05.2007

R. Surender Reddy  
**Chairman**