

A large spool of white thread is the central focus of the image, set against a solid black background. The spool is partially unwound, with a thick strand of thread looping around its base and extending towards the bottom left. The lighting highlights the texture of the thread and the metallic sheen of the spool's components.

ANNUAL REPORT
2007-08



SURYALATA SPINNING MILLS LIMITED

SURYALATA SPINNING MILLS LIMITED

BOARD OF DIRECTORS

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

Chairman
 Director
 Director
 Director
 Director
 Managing Director
 Joint Managing Director

GENERAL MANAGER (FINANCE)

Sri V.K. Chakravarthy

REGISTERED OFFICE

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

AUDITORS

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

REGISTRAR & TRANSFER AGENTS

Sathguru Management Consultants Private Limited,
 Plot No.15, Hindi Nagar,
 Panjagutta, Hyderabad - 500 034.

BANKERS

State Bank of India
 Industrial Finance Branch
 Somajiguda, Hyderabad

Axis Bank Ltd
 Begumpet Branch
 Hyderabad

FACTORIES

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

Urkondapet
 Midjil Mandal,
 Mahaboobnagar District,
 Andhra Pradesh.

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SURYALATA SPINNING MILLS LIMITED

NOTICE OF THE 25TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of SURYALATA SPINNING MILLS LIMITED will be held on Thursday, 18th September, 2008 at 10.00 a.m. at Kamat Lingapur Hotel, 1-10-44/2, Chikoti Gardens, Begumpet, Hyderabad - 500016 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, 2008 and the Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri K. Srinivas Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri V.K. Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

For and on behalf of the Board
For Suryalata Spinning Mills Limited

Place : Secunderabad R Surender Reddy
Date : 29th July 2008 Chairman

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 15th September, 2008 to 18th September, 2008 (both days inclusive).
3. The Company has already transferred all unclaimed dividends declared up to the financial year ended 31st March, 2000 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.
4. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2002 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	Last Date for Claiming unpaid dividend	Due for transfer on
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	14.10.2013
2006-2007	26.09.2007	25.09.2014	02.11.2014

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Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 2003 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 Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-

400 001 and the company has paid the Listing Fees to the said Stock Exchange.

6. Members are requested to bring their copy of the Annual Report to the meeting.

For and on behalf of the Board
For **Suryalata Spinning Mills Limited**

Place :Secunderabad
Date : 29th July, 2008

R Surender Reddy
Chairman



SURYALATA SPINNING MILLS LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the 25th Annual Report together with the audited Annual Accounts of your Company for the financial year ended 31st March 2008.

Financial results

The performance of your Company during the year ended 31st March 2008 is as under:

	(Rs. in Lakhs)	
	2007-08	2006-07
Gross Sales	17,569	20,557
Net Sales	17,245	19,368
Profit before		
Extraordinary item	579	996
Extraordinary item	279	–
Profit before Tax	300	996
Less: Provision for		
Tax for the year	75	215
Fringe Benefit Tax	6	7
Provision for the		
earlier years	–	3
Deferred Tax Liability	214	246
Profit After Tax	5	525

Operations

Pursuant to the Scheme of Arrangement, the Ramtek unit of the Company has been demerged and transferred and vested in M/s. Suryaamba Spinning Mills Limited with effect from the Appointed Date i.e. 30th June, 2007. Accordingly, the performance of the Company is excluding the operations at Ramtek unit from 1st July 2007. Therefore, the figures are not comparable with that of last year.

During the year under review, the second unit in Andhra Pradesh at Urkondapet has commenced

commercial production fully. With this, the total spindle capacity is 59,328 against 64,368 spindles before demerger. The topline would improve in the current year as the production stabilized in the new unit.

During the year 2007-08, the gross turnover of your Company was Rs. 17,569 lakhs (Rs. 20,557 lakhs in the previous year). The production during the year was 177.38 Lakh kgs. of yarn (197.87 Lakh kgs. in the previous year).

Your Company has earned a Profit before Extraordinary expenditure of Rs. 579 Lakhs for 2007-08 (Rs. 996 Lakhs in the previous year). The Extraordinary expenditure represents MTM loss on derivatives structures, which have knocked in as per to the ICAI directive.

The Company earned a profit after tax of Rs.5 Lakhs (Rs.525 Lakhs in the previous year). The contribution margins were under pressure due to the rise in prices of raw material not fully absorbed by the market. The fall in margins coupled with increase in interest cost and depreciation has resulted in lower profit.

It is largely perceived that because of the recessionary trends in the US and raising crude prices, the textile companies will be under pricing pressure for the current year also.

Change in business structure pursuant to Scheme of De-merger:

As the members are aware that Company went in for restructuring of its businesses through the scheme of arrangement (de-merger) with Suryaamba Spinning Mills Limited. The process of de-merger has been completed with appointed date as 30th June, 2007 and the Hon'ble High Court of Andhra Pradesh vide its Order dated 1st February, 2008 (copy of the same is received by the Company on 21st February, 2008) sanctioned the Composite scheme of Arrangement (de-merger). The said order was filed and registered with the Ministry of Corporate Affairs through the Office of Registrar of Companies, Andhra Pradesh on 15th March 2008. Thus, pursuant to

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the scheme, Company's Business stand de-merged and all the assets and liabilities belonged to Ramtek unit have been transferred to Suryaamba Spinning Mills Limited on the effective date i.e. 15th March, 2008.

Restructuring the Share Capital:

During the year, the company had a Scheme of Arrangement (De-merger) with the Suryaamba Spinning Mills Limited approved by the Hon'ble High Court of Andhra Pradesh under Section 391-394 of the Companies Act, 1956. As per the said Scheme, the Issued and Subscribed equity Share Capital of the Company has been reduced from Rs 5,44,50,000/- divided into 54,45,000 Equity Shares of Rs 10/- each into Rs 3,26,70,000/- divided into 32,67,000 Equity Shares of Rs 10/- each. So, every Member of the Company whose name is born in the Registered of Members on the Record Date has been issued 3 new Equity Shares of Rs 10/- each in lieu of 5 Existing Equity Shares of Rs 10/- each. The Company has applied for Listing of these new Equity Shares in the Bombay Stock Exchange Limited. In addition, every Member of the company holding 5 Equity Shares of Rs 10/- each prior to De-merger has been issued 2 new Equity Shares of Rs 10/- each of Suryaamba Spinning Mills Limited. The Equity Shares of the Suryaamba Spinning Mills Limited will also be listed in the Bombay Stock Exchange Limited in due course of time.

Also, pursuant to the said Scheme, 95,250, 12% Cumulative Redeemable Preference shares of Rs. 100/- each has been reduced to 81,406, 12% Cumulative Redeemable Preference shares of Rs. 100/- each and 1,57,000, 8% Cumulative Redeemable Preference shares of Rs. 100/- each has been reduced to 1,42,078, 8% Cumulative Redeemable Preference shares of Rs. 100/- each thus reducing the total Preference Share Capital from Rs. 2,52,25,000/- to Rs. 2,23,48,400/-.

Dividend

The Company's financial performance is affected badly due to the prevailing market conditions and resulted in lower profits. Therefore, keeping in view the current year profits and the trends in the market the Company did not declare dividend

for the year on equity and preference share capital of the Company. However, the preference share capital being cumulative, the dividend is cumulated to be paid in the following years.

Your Company has not transferred any amount to General Reserve Account for the year, as the company has not declared any dividend.

Operation of unit at Urkundapet

The green field project to setup 20,160 spindles at Urkundapet has commenced operation in its second and final line from April 2007. During the year, the capacity is increased by 2,880 spindles to 23,040 spindles out of internal accruals. This unit has contributed 4837 MT to the production and Rs. 42 crores to the topline for the year. At full capacity, a production of 5922 MT is expected from this unit.

Capital expenditure

During the year under review, your Company has incurred Rs.538 Lakhs towards capital expenditure (including Capital work-in-progress).

Exports

The exports including merchant exports turnover of your Company during the year 2007-2008 was Rs.8,023.63 lakhs. The export turnover grew by 106.72% from Rs.3,881.35 Lakhs in the previous year. Your Company has been exporting yarn to various countries like Turkey, Italy, Romania, Spain, Columbia, Tunisia, Moraccao, Portugul, Korea, 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 2008.

Directors

In accordance with the provisions of the Companies Act, 1956 and in terms of Articles of Association of the Company Sri K. Srinivas Reddy and Sri V.K. Agarwal, Directors of the Company, retire by rotation at the ensuing Annual General

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meeting and being eligible, offer themselves for re-appointment.

Sri. K S Purohit, Director of the Company, has resigned from his office as Director due to illhealth w.e.f. November 17, 2007. Sri Virender Kumar Agarwal, Executive Director of the Company, has tendered his resignation from his office as Executive Director due to his preoccupation and he will continue as non-executive Director of the Company w.e.f. February 29, 2008. Your directors place on record, their appreciation for the valuable contributions made by them to the company during their tenure.

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 2008 the applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) That your Directors have selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit of the Company for the year under review;
- iii) That your 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 your Directors have prepared the accounts for the financial year ended 31st March 2008 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 are eligible for re-appointment.

Auditors have made the following observation on the Annual Accounts of the Company:

"Company has not provided for the contingent loss on the Derivative Transactions".

Reply by the Board:

As per the clarification given by the Institute of Chartered Accountants of India, early compliance to AS32 is recommended and advised corporates to state the policy on the MTM losses in the Balance sheet.

Accordingly, the Company has provided for the derivative losses to the extent of the structures which have knocked in. No provision is made for structures with protection and time to maturity, as the liability may not arise on these transactions. However, disclosure is made for the MTM loss on them as a contingent liability.

Cost Audit:

Upon implementation of scheme as per the order dated 1st February 2008 passed by the Hon'ble Andhra Pradesh High Court, company's unit at Ramtek stand demerged and transferred to Suryaamba Spinning Mills Limited on the effective date i.e. 15th March 2008. Accordingly company has made an application to Ministry of Company Affairs, Cost Audit Branch, New Delhi to take note of the above said order and make necessary changes in the record.

Corporate Governance

A detailed Report on Corporate Governance, 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.

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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.

Human Resources

Industrial relations continued to be cordial throughout the year under report. Your Company firmly believes that a dedicated workforce constitutes the primary source of sustainable competitive advantage. Accordingly, human

resource development continues to receive focused attention. Your Directors wish to place on record their appreciation of the dedicated and commendable services rendered by the staff and workforce of the Company.

Acknowledgements

The Board of Directors place 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.

For and on behalf of the Board

Place : Secunderabad

Date : 29th July, 2008

R. Surender 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, 2008.

A. Conservation of energy

- (a) Energy conservation measures taken:
Synchronized Maintenance schedules, installed Horizon series screw Compressor, conducted regular energy audits and taken 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 power cost per kg. 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

I. Power & Fuel consumption	2007-08	2006-07
1. ELECTRICITY		
a) Purchased Unit (No.)	4,35,03,470	4,54,71,655
Total Amount (Rs.)	13,34,11,911	15,51,73,428
Rate/Unit (Rs.)	3.07	3.41
b) Own Generation		
i) Through Generator Unit (No.)	NIL	NIL
ii) Through Steam turbine/Generator	NIL	NIL
2. COAL (Specify quality and where used)	NIL	NIL
3. FURNACE OIL	NIL	NIL
4. OTHERS/INTERNAL GENERATORS	NIL	NIL
II. Consumption per Unit of Production (Kg)		
Electricity (No. Of Units)	2.45	2.30
Furnace Oil	N.A.	N.A.
Coal	N.A.	N.A.
Others	N.A.	N.A.

B. Technology absorption:

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

FORM - B

Form for disclosure of particulars with respect to absorption

Research and Development (R&D)

In order to meet the changed competitive conditions due to globalization and liberalization of the economy, there is an urgent need for upgrading the technology levels currently prevailing in the industry. All these call for the preparation and implementation of proper action plan in which all the stakeholders i.e., the government, the weavers and the other interest groups get fully involved.

S SURYALATA SPINNING MILLS LIMITED

In an effort to adopt cutting edge technology, your Company gives particular importance in the research, aiming at the better quality and increased market value.

1. Specific areas in which R & D carried out by the Company : The company is having adequate R & D for process improvement and introduction and development of value added products
2. Benefits derived as a result of the above R & D : Continue to produce high quality products due to which the demand for the products of the Company is improved
3. Future plan of action : To develop more value added products and further improve 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 technology absorption, adaptation and innovation : The Company has adapted indigenous technology and made innovation on the same.
2. Benefits derived as a result of the above efforts, e.g. Product development, import substitution etc., : Product improvement, increase in yield and quality has resulted increase in turnover.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the Financial year), following information may be furnished : No technology has been imported during the last five years.
 - i) Technology imported : Nil
 - ii) Year of Import : Not applicable
 - iii) Has Technology been fully absorbed : Not applicable
 - iv) If not fully absorbed, area where this has not taken place reasons therefor and future plans of action. : Not applicable

C. Foreign exchange earnings and outgo

- (f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for production and service and export plans. : Exports exploration mainly include of exports to new markets, new customers and increasing exports to traditional markets.

g) Total foreign exchange used and earned:		(Rs. in Lakhs)	
		2007-08	2006-07
(i) Foreign Exchange earned			
FOB Value of Exports	:	130.04	157.13
(ii) Foreign Exchange Used			
Import of Capital Goods	:	28.95	1356.36
Foreign Travel		0.72	2.27
Commission on Export Sales		1.52	Nil
Raw Materials		Nil	69.67
Spares		26.85	16.02

For and on behalf of the Board

Place : Secunderabad
Date : 29th July 2008

R. Surender Reddy
Chairman