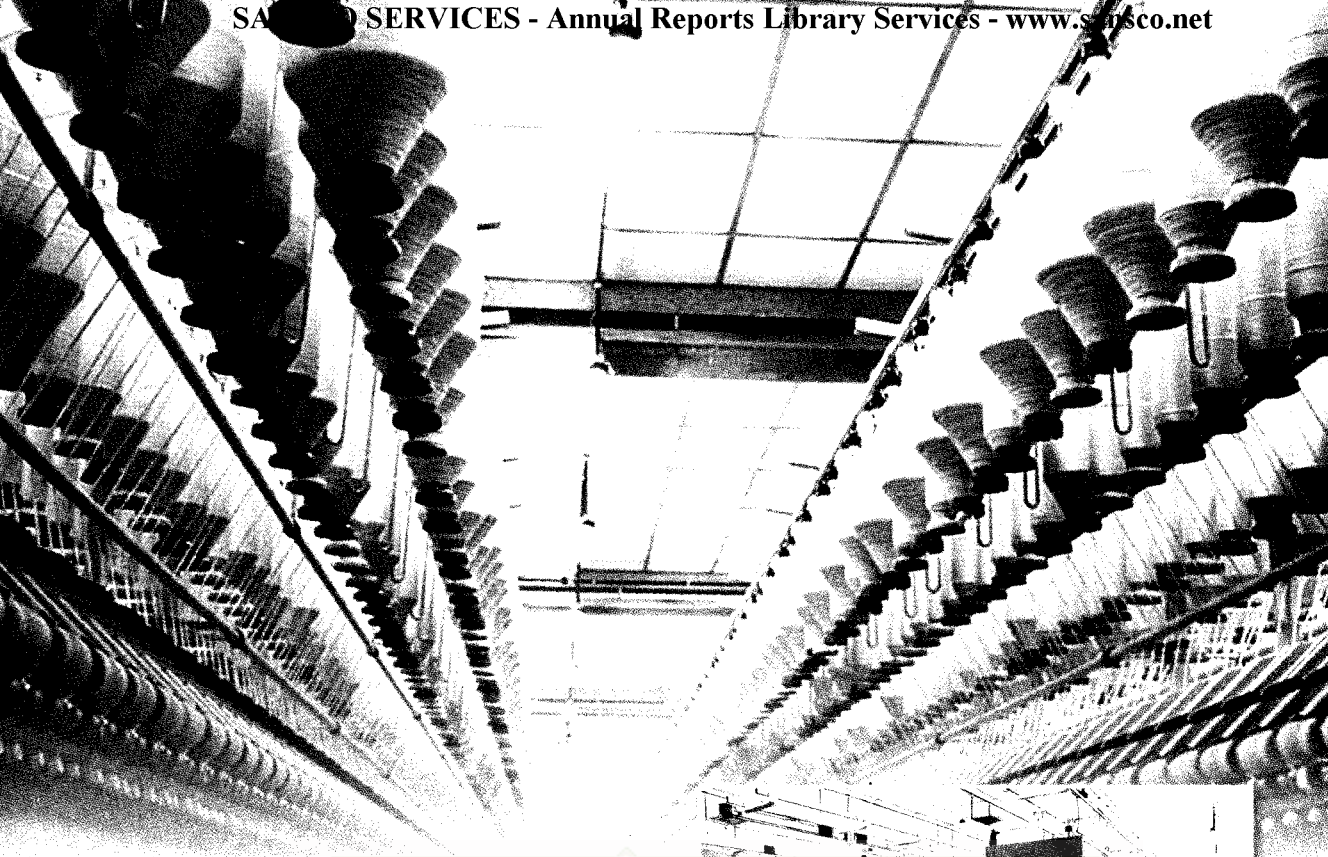


Annual Report 2008-09

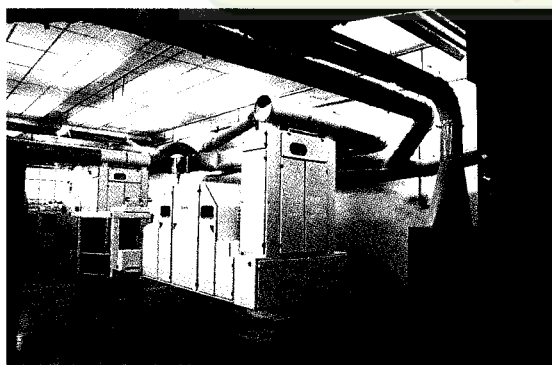
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SURYALATA SPINNING MILLS LIMITED



Report



GLIMPSES OF
MACINERY

SURYALATA SPINNING MILLS LIMITED

BOARD OF DIRECTORS

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

Chairman
Director
Director
Director
Managing Director
Joint Managing Director

GENERAL MANAGER (Finance)
Sri K.Nageswara Rao

REGISTERED OFFICE

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

AUDITORS

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

Axis Bank Limited
Begumpet Branch,
Hyderabad.

IDBI Limited
Z.O : Chennai.

FACTORIES

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

Urukondapet
Midjil Mandal,
Mahaboobnagar District,
Andhra Pradesh.

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SURYALATA SPINNING MILLS LIMITED

NOTICE OF THE 26TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Members of SURYALATA SPINNING MILLS LIMITED will be held on Monday, the 14th September 2009, at 10.00 A.M. at Kamat Lingapur Hotel, 1-10-44/2, Chikoti Gardens, Begumpet, Hyderabad-500 016 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, 2009 and the Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend on Cumulative Redeemable Preference Shares for the year ended 31st March, 2008 and 31st March, 2009.
3. To appoint a Director in place of Sri K. Lakshmikanth Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri R.S. Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the

Companies Act, 1956, read with Schedule XIII thereof as amended up to date and subject to the approval of financial institutions, consent of the members of the Company, be and is hereby accorded for the re-appointment of Sri Vithaldas Agarwal as the Managing Director of the Company for a further period of 5 Years with effect from 1st July, 2009 to 30th June, 2014 on the following terms and conditions:

- a) Salary: Rs.95,000/- per month.
- b) HRA: 50% of salary
- c) Commission: At the rate of 1% of the net profits of the Company or 50% of the annual salary whichever is less.
- d) Perquisites: In addition to the salary and commission as stated above Sri Vithaldas Agarwal shall be entitled to the following perquisites:

CATEGORY 'A'

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 during his tenure of office, the above remuneration will be paid as minimum remuneration to Sri Vithaldas Agarwal, Managing Director in terms of Section II of Part II of Schedule XIII of the Companies Act, 1956."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT subject to provisions of Section 314(1)(b) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, consent of the

SURYALATA SPINNING MILLS LIMITED

members of the Company be and is hereby accorded to appoint Mr. Yash Agarwal S/o Sri Mahender Kumar Agarwal, Jt. Managing Director, to hold and continue to hold an office of profit under the Company as Chief Executive (Operations) with effect from 27th July, 2009 for a period of three years and on such terms and conditions and on such remuneration together with usual allowances and benefits, amenities and facilities including accommodation, medical facilities, leave travel allowance, personal accident insurance, superannuation fund, retiring gratuity and provident fund benefits as per rules of the company, or fixed by the Board of Directors of the Company, provided that the remuneration payable to Mr. Yash Agarwal shall not exceed Rs. 45,000/- per month.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard".

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

Place : Secunderabad **Vithaldas Agarwal**
Date : 6th June, 2009 Managing Director

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 10th September, 2009 to 14th September, 2009 (both days inclusive).
3. The Company has already transferred all unclaimed dividends declared up to the financial year ended 31st March, 2002 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

Members who have not encashed the dividend warrant(s) so far for the financial

SURYALATA SPINNING MILLS LIMITED

year ended 31st March, 2004 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 be 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. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the business set out under item no. 6 and 7 are annexed.
7. 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 6: Re-appointment of Sri Vithaldas Agarwal as the Managing Director of the Company.

The existing tenure of Sri Vithaldas Agarwal, Managing Director expires on 30th June, 2009. Sri Vithaldas Agarwal is the Promoter Director of the Company and since inception he steered the Company with a total dedication, hard work and effective leadership into diversified activities, resulting in the profitable growth of the Company's operations. In times of slowdown of the business, the Company has always kept its spirit high both in words and action due to the untiring efforts of Sri Vithaldas Agarwal, Managing Director.

The Board reviewed the performance achieved by the Company under his leadership and appreciated the same. Further in order to avail his uninterrupted services for the growth of the Company, Board has proposed to re-appoint him for a further period of 5 Years with effect from 1st July, 2009 on the terms and conditions contained in the resolution. The Remuneration Committee has approved the remuneration proposed to Sri Vithaldas Agarwal, Managing Director.

The re-appointment of Sri Vithaldas Agarwal as the Managing Director requires the approval of members in general meeting pursuant to Section 269, 311 read with Schedule XIII to the Companies Act, 1956.

Board of Directors recommends the resolution for your approval.

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

Item 7: Appointment of Mr. Yash Agarwal as Chief Executive (Operations).

Considering the capacity expansion and the business activities of the Company, the management thought that the Company should appoint a qualified dynamic officer for discharging the duties of Chief Executive (Operations) in the Company. In this connection, Board of Directors appointed Mr. Yash Agarwal as Chief Executive (Operations) with effect from 27th July, 2009 for a period of three years on the terms contained in the resolution.

Mr. Yash Agarwal, aged about 21 years has done Master of Engineering (Engineering Management) from Cornell University, New York and graduated in Bachelor of Science in Industrial Engineering from Purdue University, state of Indiana, USA.

The Board considers that looking into his dynamic education background, his appointment will strengthen the management in controlling the Operations of the Company in a focused and efficient manner.

The terms of remuneration, as set out in the resolution are considered to be just, fair and reasonable and are in accordance with the remuneration paid to other similarly placed

SURYALATA SPINNING MILLS LIMITED

executives in the Company as well as in the Industry.

As per the provisions of Section 314(1)(b) of the Companies Act, 1956 the appointment of a Relative of a Director drawing a monthly remuneration of Rs.10,000/- or more shall not be made except with the approval of shareholders by a special resolution passed at the General Meeting of the Company. Board of Directors recommends the resolution for your approval.

The Directors Sri Vithaldas Agarwal, Managing Director and Sri Mahender Kumar Agarwal, Joint Managing Director, being relatives are considered

to be interested in the proposed resolution. The other Directors are not concerned or interested in the proposed resolution.

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

Place : Secunderabad
Date : 6th June, 2009

Vithaldas Agarwal
Managing Director



SURYALATA SPINNING MILLS LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the 26th Annual Report together with the Audited Annual Accounts of your Company for the financial year ended 31st March 2009.

Financial results

The performance of your Company during the year ended 31st March 2009 has been briefed below:

	(Rs. in Lakhs)	
	2008-09	2007-08
Gross Sales	15,840	17,569
Net Sales	15,840	17,245
Profit before Interest, Depreciation and Tax	1371	1638
Extraordinary item	76	279
Interest	527	523
Depreciation	498	536
Profit Before Tax	270	300
Less: Provision for Tax for the year	32	75
Fringe Benefit Tax	5	6
Provision for the earlier years	(38)	–
Deferred Tax Liability	119	214
Profit After Tax	152	5
Add: Profit brought forward from last year	78	349
Amount available for appropriation	230	354
Appropriations:		
1. Transfer to		
(a) Gratuity for earlier years	–	48
(b) Suryaamba as per scheme of de-merger	–	228
(c) General Reserve	10	–
(d) Dividend on Preference Shares	44	–
(e) Dividend distribution tax	7	–
Balance Carried forward to Balance Sheet	169	78

Operations:

The gross turnover of your Company for 2008-09 was Rs. 15,840 lakhs (Rs. 17,569 lakhs in the previous year). The production during the year was 151.95 Lakh kgs. of yarn (177.38 Lakh kgs. in the previous year). Ramtek unit operations for the first quarter of 2007-08 (Net Sales – Rs. 2144 lakhs, PBT – Rs 7 Lakhs and production quantity 22.00 lakh kgs) are included in the previous year, Company is able to maintain production, turnover at the level of previous year.

Your Company has earned a Profit Before Tax of Rs.270 Lakhs for 2008-09 (Rs.300 Lakhs in the previous year). The Company earned a profit after tax of Rs.152 Lakhs (Rs.5 Lakhs in the previous year). The extraordinary expenditure of Rs.76 lakhs (previous year Rs.279 lakhs) represents MTM loss on derivatives structures, which have knocked in as per to the ICAI directive. During the year 2008-09, the textile industry was under pressure in all quarters. The prices of Raw material touched high in the first and second quarters due to sharp appreciation of the dollar against rupee and the rise in prices of raw material not fully absorbed by the market. Global recession impacted the export market and thus resulted in excessive supply into the domestic markets. The trend seems to take coming years to reverse.

Capital expenditure

During the year under review, your Company has incurred Rs. 303.08 Lakhs towards capital expenditure, and the old cars disposed worth of Rs. 26 Lakhs.

Exports

The export turnover of your Company during the year 2008-09 was Rs.2393.97 lakhs against the previous year export turnover of Rs. 8023.63 Lakhs. Global recession resulted to negative growth in export turnover. Your Company has been exporting yarn to various countries like Turkey, Italy, Taiwan, Iran, Brazil, USA, and Argentina and continues to explore new markets to improve the performance.

SURYALATA SPINNING MILLS LIMITED

Future outlook

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

Allotment of shares as per scheme of de-merger and arrangement:

As per Scheme, Company as well as Suryaamba Spinning Mills Limited have made allotment of equity shares on 22nd May, 2008 to all the members who were holding equity shares of the company on the record date i.e. 30th April, 2008 fixed for the purpose. Both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) have credited to the demat account of the members holding equity shares in electronic mode. The Equity shares of the Company got re-listed and commenced its trading on 12th September, 2008.

The Equity Shares of Suryaamba Spinning Mills Limited have secured the listing permission and trading of Equity Shares was pending due to approval from the Securities and Exchange Board of India.

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 it is thought to be prudent to skip the dividend on equity shares for the year.

Your Directors have recommended the payment of Dividend on the Cumulative Redeemable Preference Shares as per the terms and conditions of the Issue for the Financial Year 2007-08 and 2008-09. The Dividend will absorb a sum of Rs. 21,84,676/- for the financial year 2007-08 and Rs. 21,61,429/- for the financial year 2008-09. The dividend tax will be Rs. 7,38,621/-. An amount of Rs. 10,00,000/- is proposed to be transferred to General Reserve Account for the year.

Redemption / Issue of Preference Shares

During the year, your Company has redeemed 45,871; 12% Cumulative Redeemable Preference Shares (Series III) of Rs. 100/- each.

The original period of redemption of existing Cumulative Redeemable Preference Shares are extended to 12 years. This was done to improve the Capital Gearing ratio of the Company.

The promoters have converted their unsecured deposits into 7% Cumulative Redeemable Preference Shares of Rs. 100/-. During the year the Company has issued a total 5,58,871, 7% Cumulative Redeemable Preference Shares to Promoters and their Associates, redeemable after 3 years & 12 years.

Deposits

During the year under review, the Company has made the pre-mature repayment of all the unsecured deposits after complying with the applicable rules. There were no overdue deposits as on 31st March 2009.

Directors

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

Sri Veerender Kumar Agarwal has resigned from the office of Director with effect from 4th December 2008.

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 confirms:

- i) That in the preparation of the Annual Accounts for the financial year ended 31st March 2009 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

SURYALATA SPINNING MILLS LIMITED

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 has prepared the accounts for the financial year ended 31st March 2009 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.

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.

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.

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

During the year, Industrial relations continued to be cordial throughout the year. Your Company firmly believes that a dedicated workforce constitute 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, without whose efforts, such an impressive performance may not have been possible.

Acknowledgements

The Board of Directors places on record its gratitude to IDBI Limited, State Bank of India, Axis Bank Limited, 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
for Suryalata Spinning Mills Limited

Vithaldas Agarwal Mahender Kumar Agarwal
Managing Director Joint Managing Director

Place : Secunderabad
Date : 6th June, 2009