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Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Please refer page no. 53 of this 29th Annual Report for details.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sri R Surender Reddy	Chairman
Sri Vithaldas Agarwal	Managing Director
Sri Mahender Kumar Agarwal	Joint Managing Director
Sri Yash Agarwal	Executive Director
Sri K Lakshmikanth Reddy	Director
Sri R S Agarwal	Director
Sri K R Suresh Reddy	Director
Sri K K Sinha	Director (Operations)
Sri K Nageswara Rao	General Manager (Finance)

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Sri R Surender Reddy, *Chairman*
Sri R S Agarwal
Sri K R Suresh Reddy

REMUNERATION COMMITTEE

Sri K R Suresh Reddy, *Chairman*
Sri K Lakshmikanth Reddy
Sri R S Agarwal

INVESTOR GRIEVANCE COMMITTEE

Sri K R Suresh Reddy, *Chairman*
Sri Vithaldas Agarwal
Sri Mahender Kumar Agarwal

REGISTRAR & TRANSFER AGENTS

M/s.Karvy Computershare Private Limited
Plot No.17 to 24, Vithal Rao Nagar
Madhapur, Hyderabad- 500 081

AUDITORS

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

BANKERS

State Bank of India, IFB, Hyderabad
IDBI Bank Limited, Chennai

REGISTERED OFFICE

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

ISIN: INE132C01027 **CIN:** L18100AP1983PLC003962

Listed on Bombay Stock Exchange Limited (BSE)
Stock code : 514138

FACTORIES

Machala Village
Kalwakurthy Mandal
Mahaboobnagar District
Andhra Pradesh - 509 320

Urukondapet Village
Midjil Mandal
Mahaboobnagar District
Andhra Pradesh - 509 320

Book Closure Dates: 7th September, 2012 to 12th September, 2012 (Both days Inclusive)

NOTICE

NOTICE is hereby given that the **Twenty Ninth Annual General Meeting** of the Members of **SURYALATA SPINNING MILLS LIMITED** will be held on **12th September, 2012 at 10.15 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, 2012 and the Audited 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 financial year ended 31st March, 2012.
3. To declare dividend on Equity Shares of the Company for the financial year ended 31st March, 2012.
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 a Director in place of **Sri Yash Agarwal**, who retires by rotation and being eligible, offers himself for re-appointment.
6. To Consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution relating to appointment of Statutory Auditors of the Company:

"RESOLVED THAT pursuant to Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Brahmayya & Co., Chartered Accountants, Hyderabad (Registration No. 000513S) be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company, at such remuneration plus service tax as applicable and reimbursement of actual out of pocket expenses as may be incurred in the performance of their duties, as the Board of Directors may fix in this behalf".

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

Place: Secunderabad
Date : 6th August, 2012

R. Surender Reddy
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 / herself 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 commencement of the meeting.**
2. Member / proxy should bring the attendance slip sent herewith, duly filed in, for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **7th September, 2012 to 12th September, 2012** for the purpose of payment of dividend, if approved by the members. (Both days inclusive).
4. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2005 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	Un-claimed Dividend Amount (in Rs.)	Last Date of claiming un-paid Dividend/Due Date for transfer to IEPF Account
2004 - 2005	29th September, 2005	1,01,718/-	04th November, 2012
2005 - 2006	08th September, 2006	1,50,587/-	14th November, 2013
2006 - 2007	26th September, 2007	1,82,846/-	01st November, 2014
2007 - 2008	Not Applicable (As Dividend was not declared)		
2008 - 2009	Not Applicable (As Dividend was not declared)		
2009 - 2010	23rd September, 2010	1,15,506/-	29th September, 2017
2010 - 2011	15th September, 2011	1,79,904/-	21st October, 2018

Members who have not en-cashed the dividend warrant(s) so far for the financial year ended 31st March, 2005 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 with the Company.

5. Members are requested to address all their correspondence including change of address, mandates etc., to the registrars viz., M/s. Karvy Computershare Private Limited, Plot No.17 to 24, Vithal Rao Nagar, Madhapur, Hyderabad - 500 081.
6. 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.
7. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
8. Pursuant to Clause 49 of the Listing Agreement, brief profile of the Directors appointed/ Re-appointed is given in the Corporate Governance Report.
9. Members are requested to bring their copy of the Annual Report to the meeting.

DIRECTORS' REPORT

**To
The Members,**

Your Directors have pleasure in presenting the 29th Annual Report together with the Audited Annual Accounts of your Company for the financial year ended 31st March, 2012.

Financial Results

The performance of your Company during the year ended 31st March, 2012 has been briefed below:

(Rs. in Lakhs)

Particulars	Current Year 2011-12	Previous Year 2010-11
Gross Sales/Turnover	25,661	24,394
Net Sales/Turnover	25,256	24,392
Profit before Interest, Depreciation and Tax	1,938	4,338
Extra-ordinary item	-	-
Interest	654	601
Depreciation	629	639
Profit Before Tax	655	3098
Less : Provision for Tax for the year	200	986
Deferred Tax Liability	32	133
Profit After Tax	423	1,979
Add: Profit brought forward from last year	692	300
Amount available for appropriation	1115	2279
Appropriations: Transfer to		
(a) General Reserve	500	900
(b) Preference Shares Redemption Reserve	0	509
(c) Dividend on Equity Shares	55	98
(d) Dividend on Preference Shares	55	55
(e) Dividend distribution tax	18	25
Balance Carried forward to Balance Sheet	552	692

Operations

The Net turnover of your Company for the Financial Year 2011-12 was Rs. 25,256 Lakhs compared to Rs. 24,392 Lakhs in the previous year. The production during the year was 169.31 Lakh kgs. of yarn (182.97 Lakh kgs. in the previous year).

Your Company has earned a Profit before Tax of Rs. 655 Lakhs in comparison to Rs. 3,098 Lakhs in the previous year. The Company earned a profit after tax of Rs. 423 Lakhs as against Rs. 1,979 Lakhs in the previous year. The decline

in profits is attributed mainly due to increase in the cost of raw material and fall in price margins due to recessionary trend in the Europe. The textile companies were under pricing pressure throughout the year.

Capital expenditure

During the year under review, your company has incurred Rs. 95.23 lakhs towards the capital expenditure for non-factory buildings, Plant & Machinery, water works, furniture & fixture and office equipment related expenditure. Civil works are in progress for 23,040 spindle project expansion for which Rs. 858.37 Lakhs has been spent.

Exports

The export turnover of your Company during the current year was Rs. 12,347 Lakhs against the previous year export turnover of Rs. 11,193 Lakhs. Your Company has been exporting yarn to various countries like Turkey, Italy, Morocco, Taiwan, Iran, Brazil, USA, and 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.

Conversion of Warrants

The company has allotted 4,00,000 Equity Shares bearing the face value of Rs. 10/- each at a premium of Rs. 100/- per share to the promoters on 13th February 2012, pursuant to the conversion of 4,00,000 share warrants that have been allotted earlier on preferential basis.

Dividends

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 2011-12. The said Dividend will absorb a sum of Rs. 54,75,141/-. The corporate dividend tax will be Rs. 8,88,205/-. No amount is transferred to Preference Shares Redemption Reserve Account for the year.

Your Directors have recommended the payment of Dividend on the Equity Shares at 15% (i.e.) Rs. 1.50 per share of Rs. 10/- each for the year 2011-12. The dividend will absorb a sum of Rs. 55,00,500/- and the dividend tax will be Rs. 8,92,456/-.

Deposits

During the year under review, the Company has made the repayment / pre-mature repayment of unsecured deposits after complying with the applicable rules. There were no overdue deposits as on 31st March 2012.

Directors

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

Board of Directors recommends the above re-appointments.

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, 2012 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 has prepared the accounts for the financial year ended 31st March, 2012 on a going concern basis.

Corporate Social Responsibility

A note on the Corporate Social Responsibility presented under the Management Discussion and Analysis, which forms part of this report.

Auditors

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

Auditors' Report

The Auditors' Report to the shareholders does not contain any qualification or adverse remark.

The Audit Committee of the Company has reviewed the audited financial statements for the year under review at its meeting held on 6th August, 2012 and recommended the same for the approval of the directors.

Cost Auditors

Pursuant to the directives from the Central Government and the provisions of Section 233B of the Companies Act 1956, Smt. Aruna Prasad, Cost Accountant, Chennai has been appointed as Cost Auditors of the Company for the financial year 2011-12.

The Cost Audit Report for the financial year 2011-12 shall be submitted to the Central Government within the stipulated period.

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.

Acknowledgments

The Board of Directors places on record its gratitude to IDBI Bank Limited, State Bank of India, Insurance Companies Government Authorities and to customers for their continued assistance and co-operation. 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**

Place: Secunderabad
Date : 6th August, 2012

R.Surender Reddy
Chairman

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, 2012.

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 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	2011-12	2010-11
1. ELECTRICITY		
a) Purchased Unit (No.)	4,92,13,740	5,06,53,198
Total Amount (Rs.)	18,16,13,318	18,69,65,214
Rate/Unit (Rs.)	3.69	3.69
b) Own Generation		
i) Through Generator Unit (No.)	Nil	Nil
Unit per Ltr. of Oil (No.)	Nil	Nil
Cost/Unit (Rs.)	Nil	Nil
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)	2.91	2.77
Furnace Oil	Not Used	Not Used
Coal	Not Used	Not Used
Others	Not Used	Not Used

B. Technology absorption:

Efforts made in technology absorption as per Form B:

FORM - B
Form for disclosure of particulars with respect to absorption
A. 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.

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 good R & D Introduction and development of value added products. |
| 2. Benefits derived as a result of the above R & D | : High quality products have been developed, due to which the demand for the products of the Company has considerably gone up. |
| 3. Future plan of action | : To develop more value added products and improve further 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. |

B. 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 5 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 |