



SURYAVANSHI
SPINNING MILLS LTD

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

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*19th Annual
Report
1997 - 98*





SURYAVANSHI SPINNING MILLS LIMITED

BOARD OF DIRECTORS

Sri B.N.Agarwal

Chairman & Managing Director

Sri R.Surender Reddy

Sri B.N.Rathi

Dr.Akkineni Nageswara Rao

Sri C.Narsi Reddy

Sri K.Venkatram

Nominee of ICICI (from 02/12/1997)

Sri Rajender Kumar Agarwal

Joint Managing Director

Sri J.K.Agarwal

Executive Director

Sri D.K.Agarwal

Company Secretary

Sri B.R.S.Reddy

Manager (Finance)

Sri B.V.Radha Krishna

Auditors

M/s.Brahmayya & Co.
Hyderabad

Factory Offices

Bhongir
Nalgonda Dist.
Andhra Pradesh - 508 116

Bankers

Andhra Bank
Hyderabad

Aliabad
Medchal Tq.
Ranga Reddy Dist.
Andhra Pradesh - 500 114

State Bank of Hyderabad
Secunderabad

ICICI Banking Corporation Ltd
Hyderabad

Registered Office

6th Floor, Surya Towers,
105, Sardar Patel Road,
Secunderabad - 500 003.
Telephone; 843333.

Rajna
Pandhurna (Tq.)
Chindwara Dist.
Madhya Pradesh - 480 340



SURYAVANSHI SPINNING MILLS LIMITED

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of Suryavanshi Spinning Mills Limited will be held on Friday the 25th September, 1998 at 11-45 A.M. at Gayatri Gardens, Survey No.26, Sikh Village, Near Diamond Point Hotel, Secunderabad - 500 003 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 1998 and the Balance sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend on the Equity Shares of the company for the year ended 31st March, 1998.
3. To appoint a Director in place of Sri B.N.Rathi, Director who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri D.K.Agarwal, Director who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution.

"RESOLVED THAT Sri K. Venkatram be and is hereby appointed Director of the Company liable to retire by rotation".

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), and subject to the limits specified in Schedule XIII to the said Act, the Company hereby approves the re-appointment of and remuneration payable to Shri J.K.Agarwal as Executive Director of the Company for a period of five years with effect from 28th June, 1998, on the terms and conditions mentioned below:

- a) Basic Salary: Rs.40000/- per month.

- b) Commission @ 1% (one percent) of Net Profits of the Company or 50% of the salary whichever is less.
- c) Perquisites: In addition to salary and commission as stated above, Sri J.K.Agarwal, shall be entitled to the following perquisites.

PART - A:

- i) 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.
- ii) Medical Reimbursement: Reimbursement of medical expenses for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii) Leave Travel Concession for self and family once in a year in accordance with the Rules of the Company.
- iv) Fees of clubs, subject to a maximum of two clubs provided that no life membership or admission fees is paid.
- v) Personal Accident Insurance: Premium not to exceed Rs.4000/- (Rupees Four thousand) per annum.

PART - B:

- i) Contribution to Provident Fund, Super annuation Fund or Annuity Fund as per the Rules of the Company.
- ii) Gratuity payable shall not exceed half month's salary for each completed year of service.

PART - C:

- i) Provision of car for use of company's business and telephone at residence.

"FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above as a minimum remuneration subject to provisions of part II of Schedule XIII of the Companies Act, 1956".



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8. **To consider and, if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution.**

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company of such mortgages and charges in addition to the existing mortgages and charges and hypothecation(s) created by the Company as the Board may direct on the assets of the company both present and future together with power to takeover the management of the Company in certain events to and in favour of

The Industrial Development Bank of India (IDBI) to secure the Corporate Loan of Rs.1000 Lacs sanctioned by the IDBI together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and other monies payable by the Company to the IDBI under its loan agreement entered into/to be entered into in respect of the said borrowing.

“RESOLVED FURTHER THAT the Company do hereby confirm and ratify the execution of the documents for creation of above said mortgage / charge in favour of IDBI.

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

“RESOLVED THAT pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956 “the other objects”, of the Memorandum of Association of the Company be altered by inserting the following Clause”.

Clause 12

To carry on in India or elsewhere the business to manufacture, process, prepare, produce, bleach, dye, press, convert, clean, commercialize, cut, stitch, pack, design, develop, trade, export, import, finish, hemp, flex, weave, knit, spin, grade, job work, market, promote, protect, provide, buy, sale, resale and to act as agent, stockist, distributor, supplier, representative, consultant, collaborator, export house, consignor, or otherwise to deal in all sorts of hosiery cloth, yarn, garments, apparel, fabrics, and goods, such as vests, underwear, socks, brassieres, shirts, T-shirts, sweaters, handkerchieves, mufflers, pullovers, shawls, sports

wear, child wears, swimming shirts/suits, jerkins, belts, ribbons, laces, tapes, mantles, towels, bed sheets, wrappers and other allied materials of whatsoever nature whether made fully or partly in combination with cotton, synthetic, hosiery, leather, rexine or other dress materials and to carry on all foregoing activities for raw materials, consumables, cutleries, fixtures, & substances used therein and to do all incidental acts and things necessary for the attainment of above objects.

10. **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 Section. 149(2A) and other applicable provisions, if any of the Companies Act 1956, approval of the company be and is hereby accorded to the Board of Directors for commencing the business of all or any of the activities as detailed in the proposed sub-clause 12 of the Objects clause III (c) of the Memorandum of Association of the Company being inserted by way of amendment of the objects clause as and when deemed fit by the board or a committee thereof”.

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

‘RESOLVED that pursuant to section 31 and all other applicable provisions, if any, of the companies Act, 1956, the Articles of Association of the Company be altered in the following manner;

The existing Article 21 ‘together with its title **Company’s Shares not to be purchased** be substituted by the following Article.

Buy Back of Shares

21. ‘Notwithstanding anything contained in these Articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back such of the Company’s own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by law’.

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

“RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof



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and any Ordinance promulgated in this regard for the time being in force and as may be enacted/ promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares on a proportionate basis and/or from the open market and/or from the lots of smaller than market lots of the Securities (odd lots) and/or by purchasing the securities issued to the employees pursuant to a scheme of stock option, the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the Securities"), of the Company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms, conditions and upto such limits and in such manner as may be prescribed by law from time to time"

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper".

"RESOLVED FURTHER THAT nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the Company or the Board to buy-back any Ordinary Shares or Securities".

BY ORDER OF THE BOARD
For SURYAVANSHI SPINNING MILLS LTD

Place : Secunderabad

Date : 27.06.1998

(B.R.S.REDDY)

COMPANY SECRETARY

Registered Office:

Surya Towers, 6th floor,

105, Sardar Patel Road,

SECUNDERABAD - 500 003

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING A PROXY MUST BE DEPOSITED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
3. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.
4. The Register of Members and Share transfer books of the company will remain closed from Wednesday the 16th September, 1998 to Friday the 25th September, 1998 (both days inclusive).
5. The members are requested to notify change, if any, in their addresses to the Registered Office of the company immediately.
6. Non-resident shareholders are requested to send their latest mandate and also communicate their NRE/NRO A/C Number with name and address of their Bank in India to enable the company to send their dividend warrants to the concerned Bank.
7. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends up to and for the financial year 1993-94 have already been transferred to General Revenue Account of the Central Government and the unclaimed/unpaid dividends for the financial year 1994-95 will be transferred to General Revenue Account of the Central Government in terms of the provisions of the Section 205A of the Companies Act, 1956
8. Shareholders desiring any further information as regards the Accounts are requested to write to the company so as to reach it atleast one week prior to the date of the meeting for consideration of the Management to deal at the meeting.



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Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special business items.

Item No.6

ICICI vide its letter dated 02/12/1997 has withdrawn the nomination of Sri S. B. Mouli and nominated Sri K. Venkatram, Vice President of ICICI Ltd as nominee director on the Board with effect from 02/12/1997. The Board noted and approved the appointment of Sri K. Venkatram as an additional director of the Company.

As per Section 260 of the Companies Act, 1956 the above appointment will be valid upto the forthcoming Annual General Meeting. In terms of Section 257 of the Companies Act, 1956, notice has been received from a Shareholder proposing him for the Directorship. Your Directors recommended this resolution for your adoption.

None of the Directors, other than the above Director is interested or concerned in the resolution.

Item No.7

Present term of appointment of Sri J.K.Agarwal, Executive Director of the Company will be expiring on 27th June, 1998.

Sri J.K.Agarwal, B.Tech (Textiles) has vast experience in the textile industry. He has been associated with the Company for the last 10 years in various capacities.

With a view to avail his services, the Board has reappointed him as Executive Director for a further period of five years with effect from 28th June, 1998 on the terms and conditions mentioned in the item No.7.

Sri J.K.Agarwal himself, Sri B.N.Agarwal, Sri R.K.Agarwal, Sri D.K.Agarwal being relatives may be deemed to be concerned/interested in the Resolution.

None of the other Directors is interested or concerned in the resolution.

The text of the resolution as stated in item No.7 together with its explanatory statements may also be treated as an abstract of terms of appointment of Sri J.K.Agarwal as Executive Director of the Company pursuant to Section 302 of the Companies Act, 1956.

Item No.8

The Company obtained financial assistance in the form of Corporate Loan to the tune of Rs.1000 Lacs from the IDBI to meet the company's incremental margin money requirements

The financial assistance from the IDBI has to be secured by way of first charge on all the immovable and movable properties of the Company present and future, by equitable mortgage, ranking pari passu with the existing charges /mortgages.

In view of the urgent requirement of the funds, the Company already subject to your approval and ratification, created mortgage/charge in favour of IDBI.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the IDBI may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 for creation of said mortgage/charge.

Your approval and ratification is sought for the mortgage already created by the Company.

Your directors recommend the resolutions for your approval.

None of the Directors of the Company is interested in the above resolution.

Item Nos. 9 & 10

Presently your company is engaged in the manufacture of cotton and blended yarns. It is felt that the business of manufacture of garments and knitting of cotton fabrics can be profitably combined and carried on with the existing business. The company has to amend its object clause to enable it to carry on the said new business.

Accordingly the directors proposed to amend clause III (c) of the memorandum of association of the company as set out at item 9. As per the provisions of Companies Act, 1956 for alteration of the object clause requires the approval of the shareholders of the company by way of a special resolution.

Approval of shareholders by way of special Resolution is also required pursuant to section 149(2A) of the Companies Act, 1956 for commencing the new business as set out at item 9 at an appropriate time.



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The company's memorandum of association is open for inspection at the company's Registered Office between 11 A.M. and 1 P.M. on any working day of the Company.

The Board recommends the resolution set out at item Nos 9 & 10 for your approval.

None of the Directors is interested in the resolutions:

Item No.11

Article 21 of the Articles of Association of the Company prohibits the Company from buying its own shares. It is proposed to substitute the existing article as set out in the Resolution at item No.11 to enable the Company to purchase any of its own shares or securities, as proposed in the Resolution at Item No.12, in the event it is permissible by the law.

Amendment of articles requires members approval by way of a Special Resolution. The Board Commends the Resolution for your approval.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its Registered Office between 11 A.M. and 1 P.M. on any working day of the Company.

None of the directors is interested in the above resolution.

Item No.12

Section 77 of the Companies Act, 1956 restricts the Company to purchase its own shares unless the same is done with a view to reduce its capital in pursuance of Sections 100 to 104 and 402 of the Companies Act, 1956. However, it is anticipated that the Companies Act, 1956 may be amended to provide for buy back of its own shares subject to certain conditions. Such buy back of shares, if permitted, is expected to enhance the shareholders value. Hence the Directors feel that it would be desirable to have an enabling power from the shareholders for this purpose, as set out in item No.12 of the notice.

None of the Directors of the Company is interested in the above resolution.

BY ORDER OF THE BOARD
For **SURYAVANSHI SPINNING MILLS LTD**

Place : Secunderabad

Date : 27.06.1998

(**B.R.S.REDDY**)

COMPANY SECRETARY

Registered Office:

Surya Towers, 6th floor,
105, Sardar Patel Road,
SECUNDERABAD - 500 003.



SURYAVANSHI SPINNING MILLS LIMITED

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting their Nineteenth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 1998.

Financial Results

	(Rs.in Lakhs)	
	1997-98	1996-97
Net Profit for the year	264	413
Less: Provision for Income Tax	16	52
Profit After Tax	248	361
Less: Prior year adjustments (Net)	2	—
Preliminary and share issue expenses written off	14	11
	232	350
Add: Profit brought forward from last year	27	30
Surplus available	259	380
Less:		
1. Provision for Dividend	68	85
2. Corporate Dividend Tax	7	8
3. Transfer to Debenture Redemption Reserve	10	10
4. Transfer to General Reserve	50	250
Balance carried forward to next year	124	27

Operations

During the year under review your company achieved a turnover of Rs.120.25 crores as against Rs.115.22 crores in 1996-97, thus registering a growth of about 4.36%. The production has increased to 111.63 lacs kgs of yarn from 106.56 lacs kgs in the previous year, registering a growth of 4.76%.

The net profit for the year ended 31st March, 1998 was Rs.264 lacs as against the net profit of Rs.413 lacs in the previous year.

The recessionary conditions and imbalances in demand and supply position continued unabated during the year under review. Many units have either closed their

operations or working at reduced capacities. The steep hike in input prices, increases in power tariffs and diesel prices coupled with non-availability of quality cotton due to unseasonal rain and pests, unremunerative selling prices and turmoils in the currencies of far east countries have affected the performance of your company. Significant improvements in operational efficiencies and high volume growth, prudent policy adopted by the company in procurement of cotton, quick changes effected by the company in the product mix to meet the requirements of market could only partially offset the pressure on margins. Your Company performed well when compared to other similar units.

With a view to reduce the interest burden, your company succeeded in obtaining low cost borrowings in the form of ECBs to the tune of USD 6.00 Million of which USD 4.5 Million has already been drawn and the same was utilised for repayment of high cost debts, incremental margin money requirements and plant and machinery.

Dividend

Your Directors have pleasure in recommending a dividend of 12% (previous year 15%) on the equity capital of the Company subject to the approval of the Financial Institutions and Banks.

Capital Expenditure

During the year under review the Company incurred a Capital Expenditure of Rs.3.33 crores on the expansion-cum-modernisation scheme at its units at Bhongir, Aliabad and Rajna.

Exports

The exports of your Company during April to September was Rs.3104 lakhs against exports of Rs.2398 lakhs during the corresponding period of the previous year. The exports during the second half were badly affected due to the crisis in the far east countries such as Korea, Malaysia & Indonesia. The crisis not only affected exports to these countries but crippled India's exports to countries such as Hong Kong, China, Japan & Taiwan. The major thrust of exports of your Company was to the far East countries and this badly affected the performance in the second half of the year under review. The Company took all possible efforts and successfully achieved exports of Rs.5089 lakhs (CIF value) during the year in addition to exports through merchant exporters valued at Rs.2745 lakhs.



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Future Outlook

Expected favourable monsoon over the cotton growing areas in the country and increased cotton cultivation acreage are expected to ensure the availability of good and quality cotton at the competitive prices and possibility of resolution of crisis in the currencies of far east Asian countries, your Company is expected to do better in the current year.

ISO 9002

Your directors are glad to inform you that spinning division of Aliabad unit of the Company has been awarded ISO 9002 certificate from KPMG Peat Marwick LLP Newjersey. The ISO 9002 certificate should help the company's exports especially in the European markets.

Directors

During the year under review the Industrial Credit and Investment Corporation of India Limited withdrew the nomination of Sri C.B.Mouli and nominated Sri K.Venktram, Vice President, ICICI as nominee director with effect from 02/12/1997.

The Board placed on record deep appreciation for the valuable contribution made by Sri C.B.Mouli during his tenure.

Pursuant to the provisions of sections 255 and 256 of the Companies Act, 1956, Sri B.N.Rathi and Sri D.K.Agarwal, directors will retire from their offices by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Auditors

The Auditors M/s.Brahmayya & Co., will retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Fixed Deposits

The Company has not invited/accepted deposits

Subsidiary Company

M/s.Suryavanshi Textiles Limited, subsidiary of your company has commenced commercial production with effect from 01/01/1998. The response for the company's products is encouraging.

As required Under Section 212 of the Companies Act, 1956 the Audited Statement of Expenditure along with the reports of Board of Directors and Auditors of Suryavanshi Textiles Limited for the year ended 31.03.1998 are enclosed.

Auditors' Report

With reference to Point No. 6 of Notes to Accounts referred to in the Auditors' Report, the Board wish to inform that the expenditure referred in the said note was not entirely written off during the year as the benefit from such expenditure is of enduring nature. The Company treated the expenditure as deferred expenditure.

Conservation of Energy, 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 the Annexure-I.

Employees

The relations with employees are cordial. The information required under section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 is annexed hereto and the same forms an integral part of the report Annexure-II.

Acknowledgement

The Board of Directors is pleased to place on record their appreciation of the co-operation and support extended by All India Financial Institutions, Banks and various State and Central Government Agencies

The Board would like to thank the Company's shareholders, customers, suppliers for the support and the confidence which they have reposed in its management.

The Board also wishes to place on record its appreciation of the valuable services rendered by all the employees of the Company.

For and on behalf of the Board of Directors

Place : Secunderabad (B.N.AGARWAL)
Date : 27.06.1998 Chairman & Managing Director