



SURYAVANS SPINNING MILLS



**20th
Annual Report
1998-99**



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 (upto 04/02/1999)

Sri K.Ravindra

Nominee of ICICI (from 04/02/1999)

Sri Rajender Kumar Agarwal

Joint Managing Director

Sri J.K.Agarwal

Executive Director

Sri D.K.Agarwal

Company Secretary

Sri B.R.S.Reddy

Finance Manager

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 500003.
Telephone:7843333

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



SURYAVANSHI SPINNING MILLS LIMITED

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Suryavanshi Spinning Mills Limited will be held on Thursday, the 30th September, 1999 at 12.30 P.M. at Gayatri Gardens, Survey No.26, Sikh Village, Near Diamond Point Hotel, Secunderabad - 500 009 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 1999, 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 B.N.Rathi, a Director who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri R.Surender Reddy, a Director who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass the following resolution with or without modification(s) as an **ORDINARY RESOLUTION**.

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

6. 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 and 309 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, Sri B.N.Agarwal be and is hereby re-appointed as Chairman & Managing Director of the Company for a period of five years w.e.f. 01/02/1999 to 31/01/2004 on the following terms and conditions:

- a) Basic Salary: Rs.60,000/- 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 B.N.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.4,000/- (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 Sri B.N. Agarwal, Chairman and Managing 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"



7. To consider and, if thought fit, to pass the following resolution with or without modification(s) as an **ORDINARY RESOLUTION**.

"RESOLVED THAT the Company do hereby approve and ratify in terms of section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the mortgaging and/or charging by the Board of Directors of the Company of all the movable and immovable properties of the Company wheresoever situate, present and future, of the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events on first charge basis on pari passu basis among the first charge holders in favour of

- a) ICICI Limited (ICICI) to secure its Rupee Term Loan of Rs.500 Lacs.
- b) The Industrial Development Bank of India (IDBI) to secure its Rupee Term Loan of Rs.500 Lacs

AND

on Second charge basis on pari passu basis among the second charge holders in favour of

- a) Andhra Bank (AB) of its additional working capital facilities aggregating to Rs.300 lakhs;
- b) State Bank of Hyderabad (SBH) of its additional working capital facilities aggregating to Rs.137.50 Lakhs;
- c) ICICI Banking Corporation Ltd. (ICICI Bank) of its additional working capital facilities aggregating to Rs.62.50 Lakhs

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to ICICI, IDBI, AB, SBH and ICICI

BANK under their respective letters of sanction/loan agreements entered / to be entered into by the Company in respect of the said financial assistance.

Provided that the above mortgage/charge in favour of ICICI and IDBI shall rank pari-passu with the mortgages and / or charges already created or to be created by the Company to secure the term loans sanctioned / to be sanctioned by ICICI, IDBI and SBI and the mortgage / charge in favour of AB / SBH and ICICI BANK shall rank second and subservient to the charges created / to be created by the Company in favour of ICICI / IDBI and SBI to secure the term loans sanctioned / to be sanctioned by them.

RESOLVED FURTHER THAT the Company do hereby confirm and ratify the execution of the documents for creation of mortgage / charge in favour of IDBI to secure its term loan of Rs.500 Lakhs".

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorised to finalise with ICICI, Andhra Bank, State Bank of Hyderabad and ICICI Banking Corporation Ltd the documents for creating the aforesaid mortgage / or charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

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

Place : Secunderabad
Date : 20.08.1999

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

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



SURYAVANSHI SPINNING MILLS LIMITED

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 items is annexed hereto.

4. The register of members and share transfer books of the Company will remain closed from Thursday, the 23rd September, 1999 to Thursday, the 30th day of September, 1999 (both days inclusive) for the purpose of Annual General Meeting.

5. The shareholders desiring any further information as regards the accounts are requested to write to the Company so as to reach it at least one week prior to the date of the meeting.

6. Unclaimed dividends of the following years will be transferred to the Investor Education & Protection Fund to be set up by the Central Government on the dates mentioned against them :

For the Financial Year	Date of declaration	Due for transfer
1995-96	25.09.1996	09.11.2003
1996-97	26.09.1997	10.11.2004
1997-98	25.09.1998	09.11.2005

Members who have not encashed their dividend warrants pertaining to these years may have their warrants revalidated by sending them to the Registered Office of the Company.

7. The recent amendment to the Companies Act, 1956 has provided the facility of nomination to the holders of Shares/Debentures/Fixed Deposits in a Company. Accordingly members can avail the facility of nomination in respect of their shares held either singly or jointly. Members desiring to avail this facility are requested to fill up according to the instructions contained in the nomination form separately enclosed and send the same to the Registered Office of the Company.

8. The shares of the Company are listed on

- 1) Hyderabad Stock Exchange Ltd, 3-6-275, Himayatnagar, Hyderabad - 500 029.
- 2) The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
- 3) Madras Stock Exchange Limited, Exchange Building, Post Box No. 183, 11, Second Lane Beach, Chennai - 600 001.
- 4) The Delhi Stock Exchange Association Ltd, 3 & 4/4B, Asaf Ali Road, New Delhi - 110 002.

And the Company has paid upto date all the listing fees to these Exchanges.

9. Members are requested to notify immediately any change, if any, in their addressess to the Company.

10. The Members are requested to bring their copy of the annual report with them at the time of attending Annual General Meeting.



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

Item No. 5

ICICI vide its letter No.Co-ordn/27488 dated 04/02/1999 has withdrawn the nomination of Sri K.Venkatram and in his place nominated Sri K.Ravindra, Zonal Manager of ICICI Ltd as nominee director on the Board of your company with effect from 04/02/1999. The Board noted and approved the appointment of Sri K.Ravindra 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 recommend this resolution for adoption.

None of the Directors, except Sri K. Ravindra to the extent of his appointment is interested or concerned in the resolution.

Item No. 6

Present term of appointment of Sri B.N.Agarwal, Chairman and Managing Director of the Company expired on 31st January, 1999.

Sri B.N.Agarwal, one of the promoters of the Company has vast experience in the textile industry, and with a view to avail his services, the Board has subject to your approval, reappointed him as Chairman and Managing Director for a further period of five years with effect from 1st February, 1999 to 31st January, 2004 on the terms and conditions mentioned in the item No.6 of the Notice.

In the best interest of the company, the board recommends the resolution for your approval.

Except Sri B.N. Agarwal to the extent of his appointment and remuneration and Sri R.K. Agarwal, Sri J.K. Agarwal and Sri D.K. Agarwal, being relatives of Sri B.N. Agarwal to the extent of the appointment and remuneration of their relative, no other Director is interest or concerned in the resolution.

Text of the resolution as stated in item No.6 together with the explanatory statement may also be treated as an

abstract of terms of appointment of Sri B.N.Agarwal as Chairman and Managing Director of the Company pursuant to Section 302 of the Companies Act, 1956.

Item No.7

The Company obtained financial assistance of Rs.500 lakhs from IDBI under the project finance scheme and Rs.500 lakhs from ICICI to meet part of Company's requirement of funds for working capital and normal capital expenditure during the year ended March 31, 2000.

The above term loans are to be secured by way of first pari-passu charge/mortgage of all the company's movable and immovable properties.

Andhra Bank(AB), State Bank of Hyderabad(SBH) and ICICI Banking Corporation Ltd(ICICI Bank) have sanctioned additional working capital facilities of Rs.300 lakhs, Rs.137.50 lakhs and Rs.62.50 lakhs respectively. As per the terms of the above sanction, the additional working capital facilities are to be secured by way of second charge/mortgage of the company's movable and immovable properties.

In view of the urgent requirement of the funds, the Company has already, subject to your approval and ratification, created mortgage/charge in favour of IDBI to secure the term loan of Rs.500 lakhs.

Now, the Company has to create first charge on its movable and immovable properties in favour of ICICI to secure the term loan of Rs.500 lakhs by way of extension of equitable mortgage by deposit of title deeds and second charge in favour of AB, SBH and ICICI Bank to secure the above referred additional working capital facilities.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the above institutions/banks 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.

Your Directors recommend to your approval for further creation of mortgage and ratification of mortgage already created by the Company.

None of the Directors of the Company except Sri K.Ravindra, nominee of ICICI Ltd is deemed to be concerned/interested in the above resolution.

BY ORDER OF THE BOARD
For SURYAVANSHI SPINNING MILLS LTD

Place : Secunderabad

Date : 20.08.1999

(B.R.S.REDDY)
COMPANY SECRETARY



SURYAVANSHI SPINNING MILLS LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors present their Twentieth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 1999.

Financial Results

	(Rs.in Lakhs)	
	For the year ended	
	31st March	
	1999	1998
Net Profit/(Loss) for the year	(280)	264
Less: Provision for Income Tax	--	16
Profit/(Loss) After Tax	(280)	248
Less: Prior year adjustments(Net)	1	2
Preliminary and share issue expenses written off	19	14
Income Tax of earlier years	89	--
Add: Profit brought forward from last year	124	27
Surplus (Deficit) available	(265)	259
Less:		
1. Provision for Dividend	--	68
2. Corporate Dividend Tax	--	7
3. Transfer to Debenture Redemption Reserve	--	10
4. Transfer to General Reserve	(265)	50
Balance carried forward to next year	--	124

Operations

During the year under review your company achieved a turnover of Rs.121.51 crores as against Rs.120.25 crores in 1997-98, thus registering a marginal growth of about 1.05%. The production has marginally declined to 107.46 lac kgs of yarn from 111.63 lacs kgs in the previous year, registering a fall of 3.7%

Despite the increase in turnover, the operations have ended with a loss of Rs.280 lakhs as against the profit of Rs.248 lakhs in the previous year. The market for the Company's products have remained extremely sluggish.

Recession in the economy coupled with hike in the raw material prices have affected the Company's performance. All these factors have contributed to the loss during the year.

Dividend

In view of the loss incurred by the Company during the year, your directors regret their inability to recommend any dividend for the year under review.

Capital Expenditure

During the year under review the Company incurred a Capital Expenditure of Rs.1332 lakhs on the expansion-cum-modernisation scheme at its units at Bhongir, Aliabad and Rajna.

Exports

The Exports of the Company for the year under review were Rs.40.92 crores as against Rs.48.66 crores in the previous year excluding Merchant Exports of Rs.20.35 crores as against Rs.22.77 crores in the previous year. Export performance of your Company has been affected due to recession in the International Markets.

Future Outlook

As per the reports available, total crop area of cotton has substantially increased in the country and availability of the cotton for the industry at competitive rates is expected. The Company is also planning to import quality cotton at competitive prices. Your company already initiated steps to avail the benefits available under Technology Upgradation Fund, announced by the Government of India in the recent budget, by modernising its existing units. With all the above, the Company foresee better performance during the current year.

Directors

During the year under review ICICI Limited withdrew the nomination of Sri K. Venkatram and nominated Sri K. Ravindra, Zonal Manager of ICICI Ltd as nominee director with effect from 04/02/1999.

The Board placed on record deep appreciation of the valuable contribution made by Sri K. Venkatram during his tenure.



SURYAVANSHI SPINNING MILLS LIMITED

The present term of Sri B. N. Agarwal, Chairman and Managing Director of the company expired on 31/01/1999. The Board reappointed him as Chairman and Managing Director, for a further period of 5 years with effect from 1/2/1999. Mr. K. Ravindra was appointed as an additional director of the Company with effect from 04/02/1999 in terms of Section 260 of the Companies Act, 1956. Your approval is sought for the appointments of Sri B.N. Agarwal and Sri K. Ravindra.

Pursuant to the provisions of sections 255 and 256 of the Companies Act, 1956, Sri B.N.Rathi and Sri R.Surender Reddy, 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

As required by the Companies Act, accounts of your Company's subsidiary are annexed to the Balance Sheet and Profit & Loss Account.

Conservation of Energy, Technology Absorption and 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.

Y2K Compliance

Your Company has taken appropriate/effective steps to secure Y2K compliance of equipment, Data processing

Systems and main applications. Significant progress has been made in this direction and your Company would become Y2K Compliant by October '99.

The expenditure for achieving Y2K compliance is not significant.

Your Company does not envisage any disruptions of its operations due to Y2K problem. However, your Company is taking all possible precautions to counter any eventuality.

Employees

The relations with the employees of your Company 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 as Annexure - II which forms an integral part of the report.

Acknowledgement

The Board of Directors is pleased to place on record its 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 : 20.08.1999 Chairman & Managing Director



SURYAVANSHI SPINNING MILLS LIMITED

ANNEXURE TO DIRECTORS' REPORT

Annexure-I

Details as required under Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 read with clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

The Company has implemented various measures to conserve energy

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

1) Fuel efficient higher capacity generators, capacitors for power factor improvement, frequency invertors and high capacity stabilizers are being installed.

2) Existing high capacity D/G set fuel system is being converted from HSD to LDO which further reduces the cost of power.

(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 will reduce the cost of production and improve the productivity.

FORM - A

Form for disclosure of particulars with respect to conservation of energy

A. Power & Fuel Consumption	1998-99	1997-98
a) Purchased		
Unit (Nos.)	9790982	13364917
Total Amount (Rs.in Lacs)	402	510
Rate per unit (Rs.)	4.10	3.82
b) Own Generation		
i) Through Diesel Generator	29031582	25493940
Unit (Nos)		
Unit per ltr of Diesel Oil	3.54	3.48
Cost per Unit (Rs.)	2.68	2.74
ii) Through Steam Turbine/Generator	N.A	N.A
2. COAL (Specify the quality and where used)	N.A	N.A
3. FURNACE OIL	N.A	N.A
4. OTHERS/INTERNAL GENERATORS (Please give details)	N.A	N.A

B. Consumption Per Unit of Production

Consumption per Kg.of Production	Standards (if any)	Current year	Previous year
Electricity(No.of units)	—	3.61	3.48
Furnace Oil	Nil	Nil	Nil
Coal(Specify Quality)	Nil	Nil	Nil
Others(Specify)	Nil	Nil	Nil



FORM-B

Form of disclosure of particulars with respect to technology absorption

A. Research and Development

- | | |
|---|--|
| 1. Specific areas in which R&D carried out by the Company | The Company is continuing with its efforts to strengthen its test house. We have today a State-of-art testing laboratory with high volume instruments for cotton testing, UT3, Single Yarn Tester and the Classmate. |
| 2. Benefits derived as a result of the above R&D | The Company could maintain international Quality Standards. |
| 3. Future plan of action | It is proposed to setup State-of-art Laboratory equipments in all over existing units. |
| 4. Expenditure on R & D | Expenditure on in-house Research and Development has been shown under respective heads of Expenditure in the Profit and Loss Account as no separate account is maintained. |

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|--|---|
| 1. Efforts, inbrief, made towards technology absorption, adaptation and innovation | The Company imported modern equipments for its winding department to improve the quality of its products. |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. | Product improvement, better yield, cost reduction etc., |
| 3. In case of imported technology (imported during the 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. |
| (a) Technology imported | : Nil |
| (b) Year of import | : Not applicable |
| (c) Has technology been fully absorbed | : Not applicable |
| (d) if not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action | : Not applicable |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- | | |
|--|--|
| (a) Activities relating to exports, initiatives taken to increase exports, development of new exports markets and export plans | : Concentrating mainly to explore export markets in non-quota countries and increase exports to traditional markets. |
| (b) Total foreign exchange used: and earned | During the year ended
31st March |
| | 1999 1998 |
| i) Foreign Exchange Earned(Rs.in lacs)
(FOB value of exports) | 4092 4867 |
| ii) Foreign Exchange Used | |
| a) Commission on Exports(Rs.in lacs) | 72 102 |
| b) Import of Machinery
(CIF value in Rs.) | 329 7 |
| c) Import of Raw Materials
(CIF Value in Rs.) | NIL NIL |
| d) Expenditure on Foreign Travel | 11 9 |