



SURYAVANSHI
SPINNING MILLS LTD



21st
Annual Report
1999-2000



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.Ravindra	Nominee of ICICI
Sri Rajender Kumar Agarwal	Joint Managing Director
Sri J.K.Agarwal	Executive Director
Sri D.K.Agarwal	

Company Secretary

Sri B.R.S.Reddy

DGM (Finance)

Sri B.V.Radha Krishna

Auditors

M/s.Brahmayya & Co.
Hyderabad

Factory Offices

Bhongir
Nalgonda Dist.
Andhra Pradesh-508116

Bankers

Andhra Bank
Hyderabad

State Bank of Hyderabad
Secunderabad

ICICI Bank Ltd
Hyderabad

Aliabad
Medchal Tq.
Ranga Reddy Dist.
Andhra Pradesh-500114

Registered Office

6th Floor, Surya Towers,
105, Sardar Patel Road,
Secunderabad 500003.
Telephone:7843333

Rajna
Pandhurna (Tq.)
Chindwara Dist.
Madhya Pradesh-480340



SURYAVANSHI SPINNING MILLS LIMITED

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of Suryavanshi Spinning Mills Limited will be held on Saturday the 30th September, 2000 at 11.30 A.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, 2000, 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 Dr.Akkineni Nageswara Rao, Director who retires by rotation and being eligible, offers himself for re-appointment.
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 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 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) Industrial Development Bank of India (IDBI) to secure its Rupee Term Loan of Rs.1200 Laes

AND

on Second charge basis on pari passu basis among the second charge holders in favour of Andhra Bank(AB) of its additional Non-fund Based Limits of Rs.480 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 IDBI and AB 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 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 IDBI, ICICI, and SBI and the mortgage/charge in favour of AB 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.1200 lakhs".

"FURTHER RESOLVED THAT the Board of Directors of the company be and is hereby authorised to finalise with Andhra Bank, the documents for creating the aforesaid mortgage/or charge on Second charge basis on pari passu basis among the second charge holders and to do all such acts and things as may be necessary for giving effect to the above resolution".

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :



- (i) The following new Article 50A with marginal note as indicated, be inserted after the existing Article 50.

50A Register and Index of Members

The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with the details of shares held in physical and dematerialised form in any media as may be permitted by law including in any form of electronic media.

The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also deemed to be the Register and Index of Members for the purpose of the Companies Act, 1956 and any amendment or re-enactment thereof. The Company shall have power to keep in any State or country outside India, a Register of Members for the residents in that State or Country.

- (ii) The following new Article 66A with marginal note as indicated be inserted after the existing Article 66:

66A Dematerialisation of Securities

For the purpose of this Article, unless the context otherwise requires:

A. Definitions :

Beneficial Owner : 'Beneficial Owner' means the beneficial owner as defined in clause (a) of subsection (1) of Section 2 of the Depositories Act, 1996;

Bye-laws : 'Bye-laws' means bye-laws made by a Depository under Section 26 of the Depositories Act, 1996;

Depositories Act : 'Depositories Act' means the Depositories Act, 1996, and any statutory modification or re-enactment thereof for the time being in force;

Depository : 'Depository' means a company formed and registered under the Companies Act,

1956 (1 of 1956) ('the Act') and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

Record : 'Record' includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by SEBI;

Regulations : 'Regulations' means the regulations made by SEBI;

SEBI : SEBI means the Securities and Exchange Board of India;

Shareholder or member : 'Shareholder' or 'member' means the duly registered holder, from time to time of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and also every person holding Equity Shares and or Preference Shares of the Company as also one whose name is entered as a beneficial owner of the shares in the records of a Depository;

B. Dematerialisation of Securities :

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any.

C. Option for Investors:

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.



Where a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of such information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security;

D. Securities in Depositories to be in fungible form:

All securities held by a Depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners;

E. Rights of Depositories and Beneficial Owners :

- i. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner;
- ii. Save as otherwise provided in (i) above, the Depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it;
- iii. Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository.

F. Depository to furnish information :

Notwithstanding anything to the contrary contained in the Act or these Articles, where the securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies and discs.

G. Option to opt out in respect of any security :

If a beneficial owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall, on receipt of the intimation as above, make appropriate entries in its record and shall inform the Company accordingly.

The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

H. Sections 83 and 108 of the Act not to apply:

Notwithstanding anything to the contrary contained in the Articles -

- i. Section 83 of the Act shall not apply to the shares with a Depository;
- ii. Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.

I. Register and Index of Beneficial Owners:

The Register and Index of Beneficial Owners, maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members and Security holders as the case may be for the purposes of these Articles.

J. Intimation to Depository :

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a Depository, the Company shall intimate the details of allotment of securities thereof to the Depository immediately on allotment of such securities.

K. Stamp duty on securities held in dematerialised form :

No stamp duty would be payable on shares and



securities held in dematerialised form in any medium as may be permitted by law including any form of electronic medium.

L. Applicability of the Depositories Act :

In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

M. Company to recognise the rights of Registered Holders as also the Beneficial Owners in the records of the Depository:

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share, as also the Beneficial Owner of the

shares in records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company, and accordingly, the Company shall not, except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof."

BY ORDER OF THE BOARD
For SURYAVANSHI SPINNING MILLS LTD

Place : Secunderabad

(B.R.S.REDDY)

Date : 29.06.2000

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 AND A PROXY NEED NOT BE A MEMBER.

For the Financial Year	Date of declaration	Due for transfer
1995-96	25.09.1996	24.09.2003
1996-97	26.09.1997	25.09.2004
1997-98	25.09.1998	24.09.2005
2. THE INSTRUMENT APPOINTING A PROXY MUST BE DEPOSITED WITH THE COMPANY 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 Saturday, the 23rd September, 2000 to Saturday, the 30th day of September, 2000 (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 for consideration of the management to deal at 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 at the dates mentioned against them:

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.		
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7. 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 and 4) The Delhi Stock Exchange Association Ltd, DSE House, 3/1, Asaf Ali Road, NEW DELHI - 110 002 and the Company has paid upto date all the listing fees to these Exchanges.
8. Members are requested to notify immediately any change, if any, in their addresses to the Company.
9. 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

The Company obtained financial assistance of Rs.1200 lakhs from IDBI under Technology Upgradation Fund Scheme to modernise its unit situated at Bhongir, Nalgonda District and Aliabad, Shamirpet, Medchal Taluq, R.R.District in Andhra Pradesh and at Rajna in Madhya Pradesh at subsidised rate of interest.

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

Andhra Bank(AB), has sanctioned additional Non-fund based limits of Rs.480 lakhs. As per the term of the above sanction, the additional working capital facilities are to be secured by way of second charge/mortgage on the company's 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.1200 lakhs.

The Company now has to create mortgaged/charge on its immovable properties by way of second charge in favour of AB, to secure the above referred additional non-fund based limits by way of extension of equitable mortgage by deposit of title deeds.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the above institution/bank 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 is concerned/interested in the above resolution.

Item No. 6

Consequent upon the enactment of the Depositories Act, 1996 and the Securities and Exchange Board of India making compulsory dematerialised trading of the Company's shares by all classes of investors with effect from 26th December, 2000, the Company has to enter into Agreements with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable shareholders who may wish to dematerialise their shareholding in the Company. The Depositories Act, 1996 amended some of the provisions of the Companies Act, 1956 pertaining to the issue, holding, transfer, transmission and dealing in shares and other securities as also issue of relevant certificates thereof, so as to facilitate the introduction and implementation of the Depository System.

It has, therefore, become necessary to alter the Articles of Association of the Company as proposed in the Resolution set out at Item No.6 of the accompanying Notice.

The Directors commend the Resolution for approval of the Members.

No Director of the Company is concerned or interested in the said Resolution except to the extent of his/her shareholding.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alteration is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M and 1.00 P.M. on any working day.

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

Place : Secunderabad **(B.R.S.REDDY)**
Date : 29.06.2000 **COMPANY SECRETARY**

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



DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Twenty First Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2000.

Financial Results

	(Rs.in Lakhs)	
	1999-2000	1998-99
Net Profit/(Loss) for the year	187	(280)
Less : Provision for Income Tax	14	—
Profit/(Loss) After Tax	173	(280)
Less : Prior year adjustments(Net)	(1)	1
Less : Preliminary and share issue expenses written off	34	19
Income Tax of earlier years	—	89
Add : Profit brought forward from last year	—	124
Surplus/Deficit available	140	(265)
Less :		
1. Transfer to Debenture Redemption Reserve	20	—
2. Loss set off against General Reserve	—	(265)
Balance carried forward to next year	120	—

Operations

During the year under review your company achieved a turnover of Rs.135.59 crores as against Rs.122.33 crores in 1998-99, registering a growth of about 10.84%. The production has increased to 118.88 lacs kgs of yarn from 107.46 lacs kgs in the previous year, registering an increase of 10.63%.

The profit after tax for the year ended 31st March, 2000 was Rs.173 lakhs as against loss of Rs.280 lakhs in the previous year.

The performance of your Company was better during the year under review and shown a positive growth both in terms of production and turnover despite sluggish market conditions and increase in expenses like cost of purchased power, HSD oil etc., Further, your Company could earn profit mainly due to maintaining stable prices and marketing of value added

products like melange yarn. Your Directors have taken a timely decision to import cotton to meet part requirement of the year as a measure of cost reduction which has helped in improving profitability of the year due to price advantage. Your Directors have taken about 10000 spindles for one year on conversion basis to have advantage of idle spindleage available in the industry.

Dividend

With a view to conserve the resources for future expansions, your directors decided not to recommend any dividend for the year ended 31st March, 2000.

Capital Expenditure

During the year under review the Company incurred a Capital Expenditure of Rs.804.20 lakhs on the expansion-cum-modernisation scheme at its units at Bhongir, Aliabad and Rajna.

ISO 9002

Your directors are glad to inform you that Bhongir unit of the company has been recommended for ISO 9002 certificate by KPMG Peat Marwick LLP, New Jersey. The ISO 9002 certificate should help in increasing company's exports especially in European Markets.

Exports

Exports (FoB) of your Company during the year under review were Rs. 3530 lacs (Previous Year Rs. 4092 lacs). The reason for decline in exports is mainly due to concentration on merchant exports for better realisations. Secondly, due to change in the product mix of your Company, more efforts were put for domestic sales to take price advantage.

Future Outlook

The general prospects of yarn are encouraging both in domestic and export markets. By virtue of implementation of WTO, demand for yarn is expected to increase in the future years to come. Your company has taken adequate measures to meet future demand with a flexible product mix option. Cotton being the major input in the process your directors are closely monitoring domestic and international markets for procurement of cotton to avail cost advantage. Due to better monsoon conditions industry is expecting plenty



SURYAVANSHI SPINNING MILLS LIMITED

availability of quality cotton and thereby increase in productivity.

Your Company has taken up modernisation in all its Mills from Blow room to winding, with an estimated cost of Rs. 1600 lacs, for qualitative and increased productivity, under Technology Upgradation Fund (TUF) and the same is under implementation at the end of the year under review. Total scheme is expected to be completed during the financial year 2000-01. Your Directors expects improved productivity on completion of the Scheme besides lower financial cost due to subsidised rate of interest under TUF.

Directors

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

Dematerialisation of Shares

The Securities and Exchange Board of India (SEBI) has directed that the Company's shares will be compulsorily traded only in the dematerialised form from 26.12.2000. This needs certain amendments in the Articles of Association to facilitate the holding of the shares in electronic form and other procedural changes. A resolution has been proposed at the ensuing Annual General Meeting to secure the approval of the members for the same.

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 Absorbtion, 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 (II) hereto and the same forms an integral part of the report.

Acknowledgement

The Board of Directors is pleased to place on record their appreciation for 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 on its management.

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

For and on behalf of the Board of Directors

Place : Secunderabad (B. N. Agarwal)
Date : 29.06.2000 Chairman & Managing Director