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## **Annual Report 2000-2001**



## 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 (up to 08/11/2000)
Sri S.V.Jagannath	Nominee of ICICI (from 08/11/2000)
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

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

State Bank of Hyderabad  
Secunderabad

ICICI Bank Ltd  
Hyderabad

#### Registered Office

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

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



## NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of Suryavanshi Spinning Mills Limited will be held on Saturday the 29th September, 2001 at 10.00 A.M at Gayatri Gardens, Near Diamond Point Hotel, Sikh Village, 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, 2001, 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 D.K.Agarwal, Director who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of C.Narsi Reddy, 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 a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or enactment thereof for the time being in force), consent of the Company be and is hereby accorded to the re-appointment and payment of the remuneration to Sri R.K.Agarwal, Joint Managing Director of the Company for a further period of 5 years w.e.f. 31st October, 2000 to 30th October, 2005 as set out below :

- 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 R.K.Agarwal, shall be entitled to the following perquisites.

### PART - A :

- i) Rent-free furnished residential accommodation or House Rent Allowance to the extent of 40% of the salary and all facilities and amenities including water, gas, electricity, maintenance, security, furnishings and all utilities and services.
- 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 only) per annum.

### PART - B :

- i) Contribution to Provident Fund, Super annuation Fund or Annuity Fund, Group Insurance Scheme as per the Rules of the Company.
- ii) Gratuity payable shall not exceed half a 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 tenure of his office, the Company has no profits or its profits are inadequate, the aggregate remuneration and perquisites payable to Sri R.K.Agarwal, Joint



Managing Director of the Company be restricted to the ceiling limits as mentioned in Section II of Part II of Schedule XIII (as amended) of the Companies Act, 1956".

**6. 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 for 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 in favour of Industrial Development Bank of India (IDBI) to secure its Rupee Term Loan of Rs.100.00 Million sanctioned by the IDBI together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to IDBI under its letter of sanction/loan agreements entered into by the Company in respect of the said financial assistance.

"FURTHER RESOLVED THAT the Board of Directors of the company be and is hereby authorised to finalise with IDBI, the documents for the aforesaid mortgage on pari passu basis and to do all such acts and things as may be necessary for giving effect to the above resolution".

**7. 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 the Companies Act, 1956, (including any

statutory modification(s) or reenactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority 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" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist its equity shares from The Madras Stock Exchange Ltd., at Chennai and The Delhi Stock Exchange Association Ltd., at New Delhi."

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

"RESOLVED THAT pursuant to the provisions of the Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby confirm and ratify the Donations made in excess of the amounts specified in the aforesaid section by the Company to the extent of Rs.3,33,482/- to Charitable and other Funds not directly relating to the business of the Company or the welfare of its employees during the year ended 31.03.2001".

BY ORDER OF THE BOARD  
For SURYAVANSHI SPINNING MILLS LTD

Place : Secunderabad  
Date : 29.06.2001

(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 AND A PROXY NEED NOT BE A MEMBER.
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 item Nos. 5 to 8 is annexed hereto.
4. The register of members and share transfer books of the Company will remain closed from Friday, the 21st September, 2001, to Saturday, the 29th September, 2001 (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 set up by the Central Government at the dates mentioned against them:

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

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 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 of the Notice**

**Item No. 5**

Present term of appointment of Sri R.K. Agarwal, Joint Managing Director of the Company expired on 30th October, 2000.

Sri R.K. Agarwal a Graduate in Mechanical Engineering has been associated with the Company for the last 16 years and he is instrumental for the implementation of Rajna and Aliabad units of the Company. In view of his vast experience in the textile industry, and with a view to continue to avail his services, the Board subject to your approval, re-appointed him as Joint Managing Director for a further period of five years with effect from 31st October, 2000 on the terms and conditions mentioned in the item No.5 of the Notice. Mr. R.K. Agarwal is also Managing Director of M/s. Suryavanshi Textiles Limited but without remuneration.

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

The Board recommends the resolution for your approval. Text of the resolution as stated in item No.5 together with the explanatory statement may also be treated as an abstract of terms of appointment of Sri R.K. Agarwal as Joint Managing Director of the Company pursuant to Section 302 of the Companies Act, 1956.

**Item No. 6**

The Company obtained financial assistance of Rs.100.00 Million from IDBI under Project Finance Scheme (PFS) for restructuring the high cost debts.

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.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of the above

institution 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.

The Board recommends the resolutions for your approval for creation of mortgage in favour of IDBI to secure the above financial assistance.

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

**Item No. 7**

Presently, the Company's securities are listed on The Stock Exchange, Mumbai, The Delhi Stock Exchange Association Limited, Delhi, The Madras Stock Exchange Ltd, Chennai and the Regional Stock Exchange i.e. 'The Hyderabad Stock Exchange Limited', Hyderabad.

The trading volumes on The Delhi Stock Exchange Association Limited and The Madras Stock Exchange Limited in the Company's securities are negligible.

It has also been observed that the listing fees paid to the said two Stock Exchanges is disproportionate higher. As a part of its cost reduction measures, the Company proposed delisting of its securities from the said Stock Exchanges of Delhi and Madras and in line with the SEBI regulations for voluntary delisting of Company's securities, members' approval for the same is sought by a Special Resolution as set out in the Notice at Item No.7.

With the networking of centres of The Stock Exchange, Mumbai, the members of the Company have access to online dealings in the Company's securities across the country. The proposed delisting of the Company's securities on these Exchanges will not, therefore, adversely affect any investor including the members located in the two regions and being in the interest of the Company, the Board recommends the Resolution for your approval.

The delisting will take effect after all approvals, permissions and sanctions are received. The exact date



## SURYAVANSHI SPINNING MILLS LIMITED

on which the delisting will take effect will be suitably notified at that time.

The Company is also separately giving notice of the proposed delisting in one national newspaper and one regional newspaper circulating in each of the two regions where the said Stock Exchanges are situated.

None of the Directors is, in any way, concerned or interested in the Resolution.

### Item No. 8

During the year 2000-2001, the Company had contributed to various Charitable and other Funds an amount of Rs.3,33,482/- though not directly related to the business of the Company or the welfare of its employees. (The Donations were made to meet the demands of local residents of the places where the Company's factories are situated). Under the provisions of the Section 293(1)(e) of the Companies Act, 1956 contributions made during any Financial

Year by a Company to Charitable and other Funds not directly relating to the business of the Company or the welfare of its employees in excess of the limits specified therein, require a sanction of the members of the Company in a General Meeting. The Board recommends the resolution for the approval of the members.

None of the Directors is in any way concerned or interested in the resolution.

BY ORDER OF THE BOARD  
For SURYAVANSHI SPINNING MILLS LTD

Place : Secunderabad

Date : 29.06.2001

(B.R.S.REDDY)  
COMPANY SECRETARY

Registered Office:

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

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**DIRECTORS' REPORT**

To  
The Members

Your Directors have pleasure in presenting their Twenty Second Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2001.

**Financial Results**

	(Rs.in Laacs)	
	2000-2001	1999-2000
Net Profit/(Loss) for the year	(745)	187
Less : Provision for Income Tax	—	14
Profit/(Loss) After the Tax	(745)	173
Add/Less : Prior year adjustments (Net)	2	1
Less : Misc.Expenditure W/off	63	34
Add : Profit brought forward from last year	120	—
Surplus/(Deficit) available	(690)	140
Less : Transfer to Debenture Redemption Reserve	—	20
Loss carried forward to Balance Sheet	(690)	120

**Operations**

During the year under review your Company achieved a turnover of Rs.14741 Laacs as against Rs.13559 Laacs in 1999-00 registering a growth of 8.72%. The production increased to 126.58 lac Kgs of yarn from 118.88 lac Kgs in the previous year registering an increase of 6.48%.

The Company incurred an operational loss of Rs.206.52 laacs (excluding miscellaneous expenditure of Rs. 63.00 laacs w/off ) for the year ended 31st March 2001 as against the profit of Rs.187.00 laacs in the previous year.

To comply with Accounting Standard – 13, company made provision for Rs.538.00 laacs in respect of the diminution in the value of the investments. However, this provision can be reversed when there is a hike in the value of investments or if the reasons for reduction no longer exists.

There has been abnormal increase in the prices of cotton in the second half of the year compared to the first 6 months. Further the cost of production was also high on account of increase in the prices of diesel oil and electricity. The performance during the year under review was also affected due to extremely depressed export markets and recessionary conditions prevailing in the domestic market.

**Dividend**

In view of losses 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.1300.74 laacs on the expansion-cum-modernisation scheme at its units at Bhongir, Aliabad in Andhra Pradesh and Rajna in Madhya Pradesh respectively.

**Exports**

During the year under review your Company achieved Exports of Rs.5281.00 laacs (Direct Exports of Rs. 2088.00 laacs and Merchant Exports of Rs.3193.00 laacs) as against exports of Rs.6377.00 laacs (Direct Exports of Rs.3634.00 laacs and Merchant Exports of Rs.2743.00 laacs). The Company is trying to economise cost on various fronts to make exports more competitive.

**Future Outlook**

The textile industry is passing through a very critical phase, plagued by demand recession and increased cost of production and increasing international competition. Many spinning mills have already been forced to close down their production and quite a few are in a process of turning sick. The competition from China and other South East Asian countries by way of import of cheap





garments into the country is only further aggravate the existing condition of the industry. To meet these challenges, the Company has introduced new products like PV Yarns and also started export of value added products like new shades and Readymade Garments to new export markets. The Company has been continuously modernising all its mills under Technology Upgradation Fund Schemes to further improve the quality of the production. Efforts are also being made to reduce the cost of production by reducing cost of power and also by resorting to energy efficient management techniques. To avail the benefit of lower international prices, the Company is importing basic raw material i.e. cotton and polyester staple fibre. In the light of these steps, the Company expects to turnout a better performance in the current year.

## Directors

ICICI withdrew the nomination of Sri K.Ravindra and nominated Sri S.V.Jagannath, Zonal Manager of ICICI Ltd as nominee director on the Board with effect from 08/11/2000. The Board extended warm welcome to Sri S.V. Jagannath and recorded its deep appreciation for the valuable contribution made by Sri K.Ravindra during his tenure.

The present term of Sri R.K.Agarwal, Joint Managing Director expired on 30th October, 2000. The Board at its meeting held on 30th October, 2000 re-appointed him as Joint Managing Director for a further period of five years with effect from 31st October, 2000 to 30th October, 2005. Your approval is sought for the re-appointment and payment of remuneration to Sri R.K.Agarwal.

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

## Directors' Responsibility Statement

Pursuant to sub-section 2AA of Section 217 of the Companies Act, 1956, The Board of Directors of the Company hereby state and confirm that:

- (i) that in preparing the Annual Accounts, the applicable accounting standards had been

followed along with proper explanation relating to material departures.

- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements 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 and Loss Account of the Company for that period;
- (iii) that the Directors had 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 the Directors had prepared the Annual Accounts on going concern basis.

## Audit Committee

As required by the provisions of Section 292A of the Companies Act, 1956, the Board of Directors had constituted Audit Committee on 30th January, 2001 comprising Sri C. Narsi Reddy and Sri R. Surender Reddy, who are independent Directors and Sri R.K. Agarwal who is Joint Managing Director. The Audit Committee met once during the year under review.

## Corporate Governance

Corporate Governance in terms of Listing Agreement has to be implemented before March, 2003. The Company is taking necessary steps for implementation of the Corporate Governance within the stipulated period.

## Auditors

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

## Dis-investment

During the year under review your Company dis-invested 4,40,000 Equity Shares of Rs.10/- each in the Equity Capital of Suryavanshi Textiles Limited. Consequently, Suryavanshi Textiles Limited is no more subsidiary of your Company.



**Auditor's Remarks**

The qualifications made by the Auditors in their report on the accounts for the year ended 31.03.2001 have been dealt with in the Notes on Accounts which are self explanatory.

**Fixed Deposits**

The Company has not invited/accepted deposits.

**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.

**Employees**

The relations with employees are cordial. No employee is drawing remuneration to furnish the information required under section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975.

**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 : 29.06.2001 Chairman & Managing Director

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