



SURYAVANSHI
SPINNING MILLS LTD

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23rd
Annual Report
2001-2002



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 S.V.Jagannath

Nominee of ICICI Bank Ltd.

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-508 116

Bankers

Andhra Bank

Hyderabad

Aliabad

Medchal Tq.

Ranga Reddy Dist.

Andhra Pradesh-500 078

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 Third Annual General Meeting of the Members of Suryavanshi Spinning Mills Limited will be held on Monday the 30th September, 2002 at 11.00 A.M. at Gayatri Gardens, Near Diamond Point Hotel, Sikh Village, 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, 2002, 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 R.Surender Reddy, Director who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint a Director in place of Dr.Akkineni Nageswara Rao, Director who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint Auditors and fix their remuneration.

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

Place : Secunderabad
Date : 12-6-2002

(B.R.S.REDDY)
COMPANY SECRETARY

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

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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 NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
 3. The register of members and share transfer books of the Company will remain closed from Tuesday, the 24th September, 2002, to Monday, the 30th September, 2002 (both days inclusive) for the purpose of Annual General Meeting.
 4. 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.
 5. 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:
- may have their warrants revalidated by sending them to the Registered Office of the Company.
6. 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.
 7. Members are requested to notify immediately any change, if any, in their addresses to the Company.
 8. The Members are requested to bring their copy of the annual report with them at the time of attending Annual General Meeting.

BY ORDER OF THE BOARD
For SURYAVANSHI SPINNING MILLS LTD

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

Place : Secunderabad (B.R.S.REDDY)
Date : 12-6-2002 COMPANY SECRETARY

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



DIRECTORS' REPORT

To
The Members

Your Directors present the Twenty Third Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2002.

(Rs.in Lakhs)

Financial Results	2001-2002	2000-2001
Net Profit/(Loss) for the year	(850)	(745)
Add : Deferred Tax Asset	73	—
Profit/(Loss) After Tax	(777)	(745)
Add/Less : Prior year adjustments(Net)	(2)	(2)
Misc.expenditure written off	(71)	(63)
Profit brought forward from last year	—	120
Investment Allowance Reserve written back	165	—
Transfer to Debenture Redemption Reserve	(20)	—
Surplus/(Deficit) available	(704)	(690)
Loss carried forward to Balance Sheet	(704)	(690)

Operations

Sales and operating income during the year under review was Rs.13575.00 lakhs as against Rs.14819.00 lakhs in the previous year. The production during the year was 136.00 lakh kgs as against 126.58 lakhs in the previous year registering an increase of 7.44% over previous year.

Your Company incurred loss of Rs.850 lakhs for the year ended 31.03.2002 as against loss of Rs.810 lakhs in the previous year.

Your Company incurred loss mainly on account of fall in selling prices. During the year under review yarn

prices were lower by more than 15% as compared with the previous year. The exports of the company have also come down due to continued recession in the International Markets. During the year the Company imported cotton to the tune of Rs.2130.00 lakhs due to non availability and higher prices of cotton in the domestic markets. The Company incurred higher consumption of raw materials due to inferior quality of imported cotton.

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 normal Capital Expenditure of Rs.203.67 lakhs which includes foreign exchange fluctuations on the Foreign Currency loans availed in the earlier years.

Exports

During the year under review your Company achieved Exports of Rs.26.90 crores as against exports of Rs.52.81crores in the previous year. Due to developments that took place after the 11th September, 2001 incidents, the exports of the Company have fallen in line with the industry situation as a whole in the country.

Reschedulement of Term Loans

Due to continuous recession in the textile industry and consequent impact on performance, your Company approached Term lenders for reschedulement of existing debts to reduce pressure on cash flows. The IDBI and ICICI were kind enough to sanction reschedulement of term loans with funding of interest for about 18 months. The proposal with State Bank of India in respect of its Foreign Currency Loan is under active consideration. With the help of reschedulement of these loans your Company would be in a position to perform better in the coming years.

Future Outlook

Cotton production in our country is expected to increase with the measures taken up by the Government of India



like Cotton Technology Mission by which the Industry is expecting more cotton production in the Country, improvement in quality and reduction in cost. However, the abolition of export quota system may be a threat to the industry by way of serious competition from import of products from the countries like China and other South East Asian countries who are having low cost of production.

In order to meet challenges in future and with a thrust to meet quality conscious needs of the market your Company is actively engaged in introduction of new shades identifying new markets etc. and also increase in export volumes of Readymade Garments which are value added products. Further, the management of your Company is continuously striving for strong presence in the international and domestic markets by adopting latest technology in the manufacturing process which will ensure quality of end products to all its customers. The company is taking immediate steps to reduce cost of power which is continuously rising and is the main area of concern. The steps were being taken for conservation of energy by resorting to energy Efficient Management techniques, installation of Furnace Oil Generator Sets, etc.

Directors

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

Corporate Governance

As per the revised Clause 49 of the Listing Agreement on Corporate Governance, Management Discussion and Analysis Report forms part of the Annual Report. Further, a separate report on the Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance of the Corporate Governance also forms part of the Annual Report.

Audit Committee

The Audit Committee constituted in terms of Section 292(A) of the Companies Act, 1956 has been reconstituted by the replacement of Sri R.K.Agarwal,

Joint Managing Director by Sri D.K.Agarwal, a non-Executive Promoter Director. The Audit Committee met thrice during the year under review.

The Audit Committee comprises of the following Directors as on 30.01.2002

Sri C.Narsi Reddy	Independent Non-Executive Director, Chairman
Sri R.Surender Reddy	Independent Non-Executive Director
Sri D.K.Agarwal	Promoter Non-Executive Director

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:

- in preparing the Annual Accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
- the Directors have 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 31st March, 2002 and of the Loss of the Company for that period.
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the Directors have prepared the Annual Accounts on a going concern basis.

Auditors

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



Auditor's Remarks

The qualifications made by the Auditors in their report on the accounts for the year ended 31.03.2002 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 Absorption, 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. There are no employees of the Company who was in receipt of remuneration of more than Rs.2,00,000/- per month or Rs.24,00,000/- per annum 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 : 12.06.2002

Chairman & Managing Director

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AN ANNEXURE TO DIRECTORS' REPORT

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 undertaken Energy Audit in its mills conducted by South Indian Textile Research Association, Coimbatore with a focus on saving in energy cost and to identify wastage in processing. The company has implemented the measures suggested in the energy audit.

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

Installation of capacitors to Feeder Line and improving power factors, adding cables to feeders, replacing conventional ballasts with electronic ballasts and introduction of electrical soft start drive at Draw frames.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The above measures have reflected in reduction in number of units per Kg of yarn manufactured.

FORM - A

Form for disclosure of particulars with respect to conservation of energy

	2001-2002	2000-2001
A. Power & Fuel Consumption		
(a) Purchased		
Unit Nos.	2,61,43,755	1,96,29,143
Total Amount (Rs.in Lacs)	1,119	858
Rate per unit (Rs.)	4.28	4.37
(b) Own Generation		
i) Through Diesel Generator		
Unit Nos.	2,10,20,388	2,49,50,716
Unit per liter of Diesel Oil	3.64	3.58
Cost per Unit (Rs.)	3.80	4.02
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)	—	3.47	3.54
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 | The Company has not carried out any R& D activity during the year under review. |
| 2. Benefits derived as a result of the above R&D | N.A. |
| 3. Future plan of action | The company is planning to take up necessary R&D. |
| 4. Expenditure on R & D | Expenditure on R&D during the year under review- Nil |

B. Technology absorption, adaptation and innovation

- | | |
|--|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation | The Company has upgraded certain equipment to suit industry requirements. |
| 2. Benefits derived as a result of, the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. | Product improvement and increased production. |
| 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 |



SURYAVANSHI SPINNING MILLS LIMITED

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets and export plans

Exports of the Company amounts to Rs.1347 lakhs to various countries like Hong Kong, Bangladesh, Korea etc. The company is taking steps to increase exports in the scenario of abolition of quota system by 2004.

- (b) Total foreign exchange used and earned

	(Rs. in lacs)	
	31st March, 2002	31st March, 2001
i) Foreign Exchange Earned (FOB value of exports)	1,347	2,015
ii) Foreign Exchange Used		
a) Commission on Exports	30	43
b) Import of Machinery (CIF value)	—	234
c) Import of Raw Materials (CIF Value)	2,130	1,127
d) Expenditure on Foreign Travel	11	14

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For and on behalf of the Board of Directors

Place : Secunderabad
Date : 12-06-2002

(B.N.Agarwal)
Chairman & Managing Director