



SURYAVANSHI
SPINNING MILLS LTD

Report  Junction.com

24th
Annual Report
2002-2003



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 Limited

Sri Rajender Kumar Agarwal

Joint Managing Director

Sri J.K.Agarwal

Executive Director

Sri D.K.Agarwal

Company Secretary

Sri B.R.S.Reddy

General 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-500 078

State Bank of Hyderabad

Secunderabad

ICICI Bank Ltd

Hyderabad

State Bank of India

Hyderabad

Registered Office

6th Floor, Surya Towers,

105, Sardar Patel Road,

Secunderabad 500003.

Telephone : 27843333

Rajna

Pandhurna (Tq.)

Chindwara Dist.

Madhya Pradesh - 480 340



NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Members of **Suryavanshi Spinning Mills Limited** will be held on **Monday the 29th September, 2003 at 10.00 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, 2003, 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 Sri B.N.Rathi, 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 pursuant to the relevant provisions of the Articles of Association of the Company and of the Companies Act, 1956, Shri S.V.Jagannath be and is hereby appointed as a Director of the Company, liable to retirement 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 pursuant to the provisions of Sections 198, 269, 309, 310 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), subject to the limits specified in Schedule XIII to the said Act, subject to such approvals, permissions and sanctions as may be necessary, subject to such conditions and

modifications as may be prescribed or imposed by the authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors the Company hereby approves the re-appointment of and remuneration payable to Shri J.K.Agarwal as Executive Director of the Company for a further period of five years with effect from 28th June, 2003, on the terms and conditions mentioned below:

- a) Basic Salary : Rs.50000/- 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, Superannuation Fund or Annuity Fund 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 currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, 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 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:

State Bank of India, to secure the additional term loan of Rs.136.20 lakhs.

AND

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

- a) Andhra Bank (AB) Sultan Bazar, Hyderabad, of its Additional Working Capital Facilities of Rs.690 lakhs.
- b) State Bank of Hyderabad,(SBH) of its Additional Working Capital Facilities of Rs. 96.25 lakhs.

- c) ICICI Bank Limited,(ICICI Bank) of its Additional Working Capital Facilities of Rs.93.75 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 SBI, AB, SBH and ICICI Bank under their letters of sanction/loan agreements entered / to be entered into by the Company in respect of the said financial assistance.

Provided however that the above mortgage/charge in favour of SBI 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 BANK, 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 on second charge basis in favour of AB / SBH and ICICI Bank to secure their additional working capital limits".

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorised to finalise with SBI, the documents for creating aforesaid mortgage and to do all such acts and things as may be necessary for giving effect to the above resolution".

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contract (Regulation) Act, 1956 and Rules framed thereunder, the Listing Agreements, the Securities Exchange Board of India (Delisting of Securities) Guidelines-2003 and all other applicable laws, rules, regulations and guidelines 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 the authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors (hereinafter referred to 'The Board', which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board), the Consent of the Company be and is hereby accorded to the Board to delist its equity shares of the Company from The Hyderabad Stock Exchange Limited, The Delhi Stock Exchange Association Ltd., and The Madras Stock Exchange Limited".

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 163 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves that the Register of Members, the index of Members and copies of all Annual Returns along with the copies of certificates and documents or any or more of them, required to be annexed

thereto under Section 160 and 161 of the said Act, be kept at the office of the Company's Transfer Agents, M/s.Sathguru Management Consultants Pvt. Ltd., Plot No.15, Hindi Nagar, Behind Saibaba Temple, Punjagutta, Hyderabad – 500 034 with effect from 1st October, 2003 instead of being kept at the Registered Office of the Company".

"RESOLVED FURTHER THAT the Company Secretary of the Company be and is hereby authorised to take all such steps as may be necessary, desirable or expedient to give effect to this resolution".

BY ORDER OF THE BOARD
For SURYAVANSHI SPINNING MILLS LTD

Place : Secunderabad

(B.R.S.REDDY)

Date : June 27, 2003

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 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 23rd September, 2003, to Monday the 29th September, 2003 (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:

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.

6. The shares of the Company are listed on
1) Hyderabad Stock Exchange Ltd, 6-3-654, Adjacent to Erramanzil Bus Stop, Somajiguda, HYDERABAD - 500 082 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.

7. M/s.Sathguru Management Consultants Pvt. Ltd., Plot No.15, Hindi Nagar; Behind Saibaba Temple, Punjagutta, Hyderabad - 500 034. Phone No.(s) : 23356507, 23356975, 23350586 (Fax No. 23354042) have been appointed as the Company's Registrar and Share Transfer Agent for the physical segment of the shares and also the Registrar for dematerialised shares.
8. Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to M/s.Sathguru Management Consultants Pvt. Ltd., Unit: Suryavanshi Spinning Mills Limited in the above address in respect of their physical share folios, if any.
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 Special Business items.

Item No.5

Sri S.V.Jagannath, a nominee of ICICI Bank Limited was appointed as Director of the Company at the Board Meeting held on 16.12.2000 to fill the casual vacancy caused by withdrawal of nomination of Sri .K.Ravindra by ICICI Bank Limited. In terms of Article No.106 of the Articles of Association of the Company and pursuant Section 262 of the Companies Act, 1956, Sri S.V.Jagannath holds office as Director only upto the date upto which Sri K.Ravindra in whose place he was appointed would have held office i.e. upto to the date of this Annual General Meeting.

Sri S.V.Jagannath, LME, BE, PGDM is associated with ICICI Bank Limited in various positions for the last 9 years. He possess specialised knowledge in Finance. Presently Sri S.V.Jagannath is Assistant General Manager of ICICI Bank Limited

The Directors accordingly recommend the resolution for the approval of the shareholders. None of the Directors of the Company except Sri S.V.Jagannath is deemed to be interested in this resolution.



Item No.6

Present term of appointment of Sri J.K.Agarwal, Executive Director of the Company will be expiring on 27th June, 2003.

Sri J.K.Agarwal, B.Tech (Textiles) has vast experience in the textile industry. He has been associated with the Company for the last 15 years in various capacities.

With a view to avail his services, the Board has subject to your approval re-appointed him as Executive Director for a further period of 5 years with effect from 28th June, 2003 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.

Sri J.K.Agarwal himself, Sri B.N.Agarwal, Sri R.K.Agarwal and Sri D.K.Agarwal being relatives of Sri J.K. Agarwal may be deemed to be concerned / interested 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 re-appointment of Sri J.K.Agarwal as Executive Director of the Company pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company is interested or concerned in this resolution.

Item No.7

State Bank of India, Industrial Finance Branch, Rajbhavan Road, Hyderabad – 500 082 has Rescheduled ECB loan of US\$ 3.6 million vide their letter No.IFB/COMP2/PSB dated 07.09.2002. (ECB loan of US\$ 6.0 million sanctioned to the company during the year 1997-98). As per the above reschedulement, the outstanding liability of the above ECB loan stands increased from Rs.2280.00 lakhs to Rs.2416.20 lakhs mainly due to conversion of devolved instalments/interest into Rupee Term Loan and Funded Interest Term Loans.

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

The Consortium of banks viz. Andhra Bank, Sultan Bazar, Hyderabad, State Bank of

Hyderabad, Commercial Branch, Secunderabad and ICICI Bank Limited, Begumpet, Hyderabad have sanctioned Additional Working Capital Facilities of Rs.690 lakhs, 96.25 lakhs and Rs.93.75 lakhs respectively. As per the terms of the above sanction, the Additional Working Capital facilities are also to be secured on Company's immovable properties on second charge basis.

In view of the urgent requirement of the working capital facilities, the Company has already, subject to your approval and ratification, created mortgage on its immovable properties on second charge basis in favour of the above bankers to secure the above referred additional working capital facilities.

Now, the company has to create mortgage on its immovable properties in favour of SBI to secure the additional term loans of Rs.136.20 lakhs 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 above institution/bank may be regarded as disposal of the Company's properties / undertakings, it is necessary for the members pass a resolution under section 293(1)(a) of the Companies Act, for the creation of the said mortgage.

The Board recommends to your approval further creation of mortgage and ratification of mortgage already created on second charge basis by the company.

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

Item No.8

Presently the Company's securities are listed on the Stock Exchange, Mumbai, The Delhi Stock Exchange Association Limited, New Delhi, The Madras Stock Exchange Ltd., Chennai and The Hyderabad Stock Exchange Limited, Hyderabad. Further the Company's shares are required to be compulsorily traded in the dematerialised form.

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



It has also been observed that the listing fees paid to these stock exchanges are disproportionately higher. As a part of cost reduction measures, the company proposed delisting of its securities from the Hyderabad Stock Exchange, Hyderabad, The Madras Stock Exchange Ltd., Chennai and the Delhi Stock Exchange Association Limited, New Delhi and pursuant to the Provisions of SEBI (Delisting of Securities) Guidelines, 2003, members' approval for the same is sought by way of special resolution as set out in the Notice at Item No.8.

With the networking of centers 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 the Hyderabad Stock Exchange, Hyderabad, The Madras Stock Exchange Ltd., Chennai and the Delhi Stock Exchange Association Limited, New Delhi will not, therefore, adversely affect any investor including the members located in the region and being in the interest of the Company, the Board recommends the Resolution for your approval as a special resolution.

The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which the delisting will take effect will be suitably notified at that time.

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

Item No.9

The Company had, pursuant to the directive issued by the Securities and Exchange Board of

India (SEBI), entrusted the job of processing the share transfer work (physical mode in addition to electronic mode) to M/s.Sathguru Management Consultants Pvt. Ltd., Plot No.15, Hindi Nagar, Behind Saibaba Temple, Punjagutta, Hyderabad – 500 034 effective 1st April, 2003. Accordingly, it has now become necessary to shift the Register of Members, the index of Members and copies of all Annual Returns prepared under Section 159 and 160 of the Companies Act, 1956, along with the copies of Certificates and documents required to be annexed thereto under Sections 160 and 161 of the said Act, or any or more of them, with effect from 1st October, 2003 and kept at the office of M/s.Sathguru Management Consultants Pvt. Ltd.

The Special Resolution is necessary having regard to the provisions of Section 163 of the Companies Act, 1956 and approval of the Members is being sought therefor.

The Board commends Special Resolution for your approval.

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 : June 27, 2003

(B.R.S.REDDY)

COMPANY SECRETARY

Registered Office:

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



DIRECTORS' REPORT

To

The Members

Your Directors present their Twenty Fourth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2003.

	(Rs.in Lakhs)	
Financial Results	2002-2003	2001-2002
Loss for the year	670	850
Add : Deferred Tax Asset	(52)	(73)
Loss After the Tax	618	777
Add : Prior year adjustments (Net)	63	2
Misc.Expenditure written off	79	71
Net Loss	760	850
Add : Debenture Redemption Reserve	—	20
Investment Allowance Reserve written back	—	(166)
Debenture Redemption Reserve written back	(100)	—
Transfer to General Reserve	(219)	(704)
Loss carried forward to Balance Sheet	441	—

Operations:

During the year under review, the Company achieved a turnover of Rs.141.07 crores as against Rs.135.75 crores in the previous year. The production during the year was 124.68 lakh kgs as against Rs.136.00 lakh kgs in the previous year.

The Company suffered a loss of Rs.670 lakhs for the year ended 31.03.2003 as against loss of Rs.850 lakhs in the previous year.

During the year under review, the textile industry continues to be in the grip of stagnant domestic demand and fall in prices in the international market.

The reasons for losses are mainly attributable to steep increase in cotton prices during the fourth quarter of the year without any corresponding increase in the selling prices, lower production due to an illegal strike resorted by the workmen in Rajna unit for about 55 days, non-lifting of stocks during March, 03 by small weavers due to introduction of CENVAT to textile chain and due to increase in fuel prices.

Except the above the Company could reduce the expenditure on all other heads or atleast maintain at the same level as compared with previous year.

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.298.33 lakhs which includes foreign exchange fluctuations (appreciation) of Rs.27.37 lakhs on the Foreign Currency loans availed in the earlier years.

Exports:

During the year under review your Company achieved Exports (including Merchant Exports) of Rs.22.27 crores as against exports of Rs.26.90 crores in the previous year. The reduction in exports is due to better price realisation in domestic markets.

Debonding of EOU Unit:

During the year under review, 100% Export Oriented Unit of the Company situated at Rajna Village, Chindwara District, Pandurna Taluq, Madhya Pradesh was debonded and converted into Domestic Tariff Area (DTA) Unit with effect from 5th December, 2002. The Company has taken decision for debonding considering the advantages of better price realization in domestic markets, additional benefit of DEPB credit, particularly in the present scenario of fall in export demand.



Due to the above conversion, the Company had to incur an amount of Rs.6.98 lakhs towards duty on Imported Capital Goods and an amount of Rs. 84.68 lakhs towards duty on Indigenous Capital Goods, Finished Goods, Semi-finished Goods, WIP and Stores and Spares (Cenvatable). Though the unit is converted into DTA unit, your Company continues its efforts to increase exports.

Future Outlook:

Encouraging trends in increasing demand for textiles and improving margins are visible in the textile scenario. Appropriate government support in the form of favourable budgetary proposals, modernisation schemes, establishment of attractive incentive electricity tariff are likely to lead the industry to experience higher growth levels. The Company is gearing itself to meet the post 2004 situation following the multifibre agreement quota phase out by constantly modernising the machinery and developing innovative product applications. However, the cotton prices have of late started rising and as always the prices of finished products have not risen correspondingly. The quality of the domestic cotton continues to be unsatisfactory.

Directors:

Pursuant to the provisions of sections 255 and 256 of the Companies Act, 1956 Sri D.K.Agarwal 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.

Pursuant to Section 262 of the Companies Act, 1956, Sri S.V.Jagannath will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.

The term of appointment of Sri J.K.Agarwal, Executive Director expires on 27th June, 2003. The necessary resolution seeking approval of the members for renewal of his appointment has been included in the notice for the ensuing Annual General Meeting.

Brief resume of the above Directors, nature of their expertise in specific functional areas and names of companies in which they hold the directorship and the membership/chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in the Annual Report.

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:

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 and Sri D.K.Agarwal, majority of them are independent directors. The Audit Committee met thrice during the year under review.

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) In preparing the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) 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 and of the Profit and Loss Account of the Company for that period;
- (iii) 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.
- (iv) That the Directors have prepared the Annual Accounts on going concern basis.

Auditors:

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