



SURYAVANSHI
SPINNING MILLS LTD

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25th
Annual Report
2003-2004



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, M.L.A	
Sri S.V.Jagannath	Nominee of ICICI Bank Limited
Sri A.U Katra	Nominee of IDBI (from 8.9.2003)
Sri Rajender Kumar Agarwal	Joint Managing Director
Sri J.K.Agarwal	Executive Director
Sri D.K.Agarwal	

Company Secretary

Sri B.R.S.Reddy

Auditors

M/s.Brahmayya & Co.
Hyderabad

Bankers

Andhra Bank
Hyderabad

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.

Factories

Bhongir
Nalgonda Dist.
Andhra Pradesh-508 116

Aliabad
Medchal Tq.
Ranga Reddy Dist.
Andhra Pradesh-500 078

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

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SURYAVANSHI SPINNING MILLS LIMITED

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 item.

Item No.5

Present term of appointment of Sri B.N.Agarwal, Chairman & Managing Director of the Company expired on 31st January, 2004.

Sri B.N.Agarwal, Promoter Director and having more than four decades of experience and looking

after the entire operations of the Company. With a view to avail his services, the Board has subject to approval of Members and Central Government re-appointed him as Chairman and Managing Director for a further period of 5 years with effect from 1st February, 2004 on the terms and conditions mentioned in the item No.5 of the Notice.

In the best interest of the Company, the Board recommends the Resolution for your approval.

Sri B.N.Agarwal, himself, Sri R.K.Agarwal, Sri J.K.Agarwal and Sri D.K.Agarwal being relatives of Sri B.N. Agarwal may be deemed to be concerned / interested in the Resolution.

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

BY ORDER OF THE BOARD
For SURYAVANSHI SPINNING MILLS LTD

B.R.S.REDDY
COMPANY SECRETARY

Place : Secunderabad
Date : June 11, 2004
Registered Office:
Surya Towers, 6th floor,
105, Sardar Patel Road,
SECUNDERABAD - 500 003



SURYAVANSHI SPINNING MILLS LIMITED

DIRECTORS' REPORT

To

The Members

Your Directors present their Twenty Fifth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2004.

(Rs. in Lakhs)

	2003-2004	2002-2003
Financial Results		
Gross profit for the year	1,369	793
Less : Depreciation	597	580
Finance Charges	948	962
Loss before Taxation	176	749
Add/(Less): Deferred Taxation (Net)	19	(52)
Loss after Taxation	195	697
Add/(Less): Prior Period expenditure	2	63
Loss Brought Forwarded from last year	441	—
Transfer from General Reserve	—	(219)
Transfer from Debenture Redemption Reserve	—	(100)
Loss carried forward to Balance Sheet	638	441

OPERATIONS

During the year under review, the company achieved a Gross turnover of Rs. 195.92 Crores as against Rs. 137.16 Crores of the previous year. The production during the year was 134.17 lakh kgs as against 124.68 lakh kgs in the previous year.

The Gross Profit of the Company was Rs. 1,369 lakhs as against Rs. 793 lakhs in the previous year.

It may be observed that the Company could restrict the loss in the year to Rs. 195 lakhs as against Rs. 697 lakhs in the previous year. This was achieved on account of significant improvement in the Yarn realisation and Export Performance during the year. It is expected that the performance of the Company would improve further.

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 the Company has incurred expenditure of Rs.466.42 lacs. During the year the Company credited to Plant & Machinery with an amount of Rs. 73.73 lacs on account of difference in foreign exchange fluctuations on foreign currency loans availed during the earlier years.

EXPORTS

During the year under review the Company achieved spectacular growth in the Exports front. Exports (including Cotton Exports) have gone up to Rs.56.35 Crores from Rs.10.44 crores in the previous year thus registering a growth of 440%.

During the year under review, the Company achieved Raw cotton exports of Rs. 2151 lakhs. This also incidentally enabled the Company to procure cotton at competitive prices for its own consumption.



This growth in exports was achieved due to better yarn realisation and Company's continued efforts to export not only cotton yarn but also Raw Cotton to various countries viz., Korea, Hongkong, Taiwan, Bangladesh, Malaysia and China. The Company continues to explore new markets especially in the context of the international market likely to open up from next year following the abolition of the quota regime. The Company continues to meet the stringent quality requirements in the International Markets.

FUTURE OUTLOOK

The removal of quotas from 1st January, 2005, on textile trade after four decades of protectionism will undoubtedly be a landmark event in the annals of international trade. The implication of this removal of quotas are expected to be tremendous.

The main fall out of the quota removal for a developing country like India is from outsourcing. Post 2004, manufacturers in United States and European Union will look at lowering costs by outsourcing garments from countries like India. There are also ofcourse threats in this because of strong competition from China and a few developing countries like Bangladesh, Vietnam and some African countries which have modernised their textile industries recently.

The Company believes that the ensuing competition in the emerging market place will have to be met squarely only by developing production systems based on cost efficiency, high productivity, modern technology, quality assurance and timely deliveries.

Accordingly, the Company is gearing itself to meet the post 2004 situation by constantly

modernising the machinery (by replacing the old), installation of balancing equipments and developing innovative product applications. Constant efforts are being made to meet the stringent quality requirements in all markets. The old ring frames have been replaced with new ones and with a view to increase the production of value added yarns the combed yarn capacity has been enhanced. New markets are being explored and efforts to widen the depth and penetration of the existing markets are being taken.

In this scenario the Company expects a further improvement in the Company's performance in the future.

DIRECTORS

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

The term of appointment of Sri B.N.Agarwal, Chairman and Managing Director expired on 31st January, 2004. 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 Directors retiring by rotation, nature of their expertise in specific functional areas and names of companies in which they hold the directorships 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.



AUDIT COMMITTEE

The Board of Directors had re-constituted Audit Committee on June 11, 2004 by inducting Sri.A.U.Katra, Nominee of IDBI, the audit committee now comprising of Sri C.Narsi Reddy, Chairman, Sri R.Surender Reddy, Member, Sri D.K.Agarwal, Member and Sri. A.U.Katra, Member, majority of them are independent directors. The Audit Committee met thrice during the year under review.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure ;
2. that the selected accounting policies were applied consistently and the Directors 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 as at March 31, 2004 and of the

Profit & Loss Account of the Company for the year ended on that date.

3. that proper and sufficient care has been taken 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;
4. that the annual accounts have been prepared on a going concern basis.

DELISTING

The Company's applications for delisting of its shares on the stock exchanges of Hyderabad and Madras have been approved by the Stock Exchanges of Madras and Hyderabad. However, delisting application with the Delhi Stock Exchange is still pending with them.

AUDITORS

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

AUDITORS' QUALIFICATIONS

The qualifications made by the Auditors in their report on the accounts for the year ended 31.03.2004 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-I and form part of the Report.

EMPLOYEES

No employee was in receipt of remuneration in excess of the limits prescribed under section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 and hence the prescribed information is not required to be given.

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 : June 11, 2004 Chairman & Managing Director



ANNEXURE – I

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 given priority for Energy Conservation in all its units, and it has put continuous efforts.

(b) To reduce consumption of energy the Company has taken steps of continuous monitoring for replacement of conventional electrical motors, etc. with improved technology.

(c) The above measures have reflected in reduction of Energy Consumption during part of the year and full year benefits are expected to achieve in the ensuring Financial Year.

FORM – A

Form for disclosure of particulars with respect to conservation of energy

	2003-2004	2002-2003
1. Power & Fuel Consumption		
(a) Purchased		
Unit Nos.	4,67,09,668	3,41,31,054
Total Amount (Rs.in Lacs)	1,774	1,361
Rate per unit (Rs.)	3.80	3.99
(b) Own Generation		
i) Through Generator (LDO/HSD/FO)		
Unit Nos.	20,85,763	1,38,91,779
Unit per ltr of Diesel Oil	3.21	3.43
Cost per Unit (Rs.)	5.48	3.93
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	N.A	N.A
(please give details)		

B. Consumption Per Unit of Production

Consumption per Kg. of Production	Standards (if any)	Current year	Previous year
Electricity (No.of units)	—	3.64	3.85
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 proposing to take up R & D activity, particularly in the area of Value Added Products in its Dyeing Division and also for development of different shades of yarn. |
| 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 continues to adopt new technology for improvement in quality of its products. |
| 2. Benefits derived as a result of, the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. | Product improvement in quality |
| 3. In case of imported technology (imported during the 5 years reckoned from the beginning of the financial year) following information may be furnished | No technology has been imported during the last 5 years |
| (a) Technology imported | Nil |
| (b) Year of import | Not Applicable |
| (c) Has technology been fully absorbed | Not Applicable |
| (d) if not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action | Not applicable |



C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

Exports of the Company amounts to Rs.5495 lakhs to various countries like Hong Kong, Bangladesh, Korea The Company is exploring new markets for export of its products.

- (b) Total foreign exchange used and earned

	31st March, 2004	(Rs.in lacs) 31st March, 2003
i) Foreign Exchange Earned (FOB value of exports)	5495	1007
ii) Foreign Exchange Used		
a) Commission on Exports (Rs.in lacs)	93	24
b) Import of Machinery (CIF value in Rs.)	32	15
c) Import of Raw Materials (CIF Value in Rs.)	97	612
d) Expenditure on Foreign Travel	11	9

For and on behalf of the Board of Directors

Place: Secunderabad
Date : 11.06.2004

(B.N.Agarwal)
Chairman & Managing Director