

annual report

2004-2005



growing with quality, consistency and perfection



Suryavanshi
spinning mills ltd.



BOARD OF DIRECTORS

Sri B.N.Agarwal
Sri R.Surender Reddy
Sri B.N.Rathi
Dr. Akkineni Nageswara Rao
Sri C.Narsi Reddy, M.L.A
Sri S.V.Jagannath
Sri A.U.Katra
Sri Rajender Kumar Agarwal
Sri J.K.Agarwal
Sri D.K.Agarwal

Chairman & Managing Director

Nominee of ICICI Bank Limited (upto 06-06-2005)

Nominee of IDBI

Joint Managing Director

Executive Director

Vice President (Corporate Affairs) & Company Secretary

Sri B.R.S.Reddy

General Manager (Finance & Accounts)

Sri K.V.Chalapathi Reddy

Auditors

M/s.Brahmayya & Co.
Hyderabad

Bankers / Financial Institutions

Andhra Bank
Hyderabad
State Bank of Hyderabad
Secunderabad
ICICI Bank Ltd
Hyderabad
State Bank of India
Hyderabad
Industrial Development Bank of India
Hyderabad

Registered Office

6th Floor, Surya Towers,
105, Sardar Patel Road,
Secunderabad 500003.
Telephone : 040-27843333

Registrar & Transfer Agents

M/s.Sathguru Management Consultants Pvt.Ltd.,
Plot No.15, Hindi Nagar, Behind Saibaba Temple,
Punjagutta, Hyderabad - 500 034.
Phones No. 040 - 23356507.

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Factories

Unit - I Bhongir

Nalgonda Dist.
Andhra Pradesh - 508 116

Unit - II Aliabad

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

Unit - II Rajna

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

Sales Depot

SSM Compound, No.86,
Mangalam Road, TIRPUR
Tamil Nadu - 641 604.

NOTICE:

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Members of **Suryavanshi Spinning Mills Limited** will be held on **Monday, the 26th September, 2005 at 10.30 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 Profit and Loss Account for the year ended 31st March, 2005 and Balance sheet as at that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Dr.Akkineni Nageswara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Sri D.K.Agarwal, 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 A SPECIAL RESOLUTION:**

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and 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 and subject to such approvals as may be required, the Company hereby approves the re-appointment of and remuneration payable to Sri R.K.Agarwal as Joint Managing Director of the Company for a further period of five years with effect from 31st October, 2005, on the terms and conditions mentioned below:

- a) Basic Salary: Rs.80,000/- per month
- b) Commission at the rate of 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 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 fee is paid.
- v) Personal Accident Insurance: Premium not to exceed Rs.4000/- (Rupees Four thousand) 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 currency of the tenure of Sri. R.K.Agarwal, Joint Managing 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”.

6. **TO CONSIDER AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS A SPECIAL RESOLUTION:**

“RESOLVED THAT in supersession of the

resolution passed by the Members in the General Meeting held on 20-09-2004 and pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and 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 as may be required, the Company hereby approves the revision in remuneration payable to Shri B.N.Agarwal as Chairman & Managing Director of the Company for remaining period of his employment from 01-07-2005 to 31-01-2009 as under:

- a) Basic Salary: Rs.90,000/- per month
- b) Commission at the rate of 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 B.N.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 fee is paid.
- v) Personal Accident Insurance: Premium not to exceed Rs.4000/- (Rupees Four thousand) per annum

PART - B:

- i) 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 Sri B.N.Agarwal, Chairman & Managing 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 A SPECIAL RESOLUTION:

"RESOLVED THAT in supersession of the Resolution passed by the Members in the General Meeting held on 29-09-2003 and pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof, for the time being in force), subject to the limits specified in Schedule XIII to the said Act, subject to such approvals as may be required, the Company hereby approves revision in remuneration payable to Shri J.K.Agarwal, Executive Director of the Company for the remaining period of the term of his employment i.e. from 01-07-2005 to 27-06-2008 as under:

- a) Basic Salary: Rs.72,000/- per month
- b) Commission at the rate of 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 fee is paid.
- v) Personal Accident Insurance: Premium not to exceed Rs.4000/- (Rupees Four thousand) 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 currency of the tenure of Sri J.K. Agarwal, 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".

8. **TO CONSIDER AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION:**

"RESOLVED in supersession of the resolution passed by the company in the Annual General Meeting held on 25th August,

1995 that the consent of the Company be and is hereby accorded in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to raise or borrow from time to time from the Company's Bankers or Financial Institutions or from elsewhere on such terms and conditions as to repayment or interest or otherwise as it thinks fit such sums as may be necessary for the purpose of the Company's business in excess of the paid up capital and free reserves of the Company, that is to say the reserves not set apart for any specific purpose, provided however, that the total amount of such borrowings together with the monies already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in aggregate shall not exceed at any one time a sum of Rs.200,00,00,000/- (Rupees two hundred crores only)".

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

B.R.S.REDDY
VICE PRESIDENT (CORPORATE AFFAIRS)
& COMPANY SECRETARY

Place : Secunderabad

Date : June 30, 2005

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 Wednesday, the 21st September, 2005 to Monday, the 26th September, 2005 (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 dividend of the following year will be transferred to the Investor Education & Protection Fund set up by the Central Government on the due date mentioned below:

For the Financial Year	Date of declaration	Due date for transfer
1997-98	25.09.1998	14.11.2005

Members who have not encashed their dividend warrants pertaining to the above year may have their warrants revalidated by sending them to the Registered Office of the Company.

6. The shares of the Company are listed on The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001
The Company's equity shares got voluntarily delisted from the Delhi Stock Exchange Association with effect from March 1, 2005
7. **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 respect of their physical share folios, if any.**

8. 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

Present term of appointment of Sri R.K.Agarwal, Joint Managing Director of the Company will be expiring on 30th October, 2005.

Sri R.K.Agarwal, a Graduate in Mechanical Engineering has been associated with the Company for the last two decades and looking after the entire operations of the Company.

In view of his vast experience in the Textile Industry and to avail his services, the Board has subject to approval of Members reappointed him as Joint Managing Director for a further period of 5 years with effect from 31st October, 2005 on the terms and conditions mentioned in the item No.5 of the Notice.

The Remuneration Committee at its meeting held on 30-06-2005 has approved the remuneration payable to Sri R.K. Agarwal.

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

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

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

Item Nos. 6 & 7

Sri B.N. Agarwal has been appointed as Chairman and Managing Director in the 25th Annual General Meeting held on 20-09-2004 for a period of 5 years w.e.f. 01-02-2004 on remuneration of Rs.70,000/- p.m. PLUS all applicable perquisites.

Sri J.K. Agarwal has been appointed as an Executive Director in the 24th Annual General Meeting held on 29-09-2003 for a period of 5 years w.e.f. 28-06-2003 with a remuneration of Rs.50,000/- p.m. PLUS all applicable perquisites.

Keeping in view increase of operations and turnover of the Company, considering the recent trends in the

remuneration being paid to the top managerial persons in the country and the responsibilities being shouldered by Whole-time Directors, the Board in the meeting held on 30-06-2005 approved the revision in the remuneration of the Whole Time Directors as under subject to approval of members and such approvals as may be required:

Sl. No.	Name	Period	Revised remuneration (Rs.) per month (proposed)
1	Sri B.N. Agarwal	01-07-2005 to 31-01-2009	Rs. 90,000 + Usual Allowances and Perquisites
2	Sri J.K. Agarwal	01-07-2005 to 27-06-2008	Rs. 72,000 + Usual Allowances and Perquisites

Perquisites have been detailed in the respective resolutions. These remunerations are further subject to the ceilings mentioned in paragraph 1(A) of Section II, Part II of Schedule XIII of the Companies Act, 1956.

The above remunerations have been approved by the Remuneration Committee in its meeting held on 30th June, 2005.

The Board recommends the resolutions for the approval of the members.

Sri B.N. Agarwal and Sri J.K. Agarwal are interested in the respective resolutions proposing enhancement of their remuneration. Further, Sri R.K. Agarwal and Sri D.K. Agarwal being relatives to the above Directors are also deemed to be interested in the above resolutions.

None of the other Directors of the Company is interested or concerned in the above resolutions.

Item No.8:

At the Annual General Meeting of the Company held on 25th August, 1995, the Company had accorded its consent under section 293(1)(d) of the Companies Act, 1956, to the Directors for borrowing monies upto a limit of Rs. 100 crores (excluding temporary loans obtained from the Company's Bankers in the ordinary course of business). Taking into account the further requirements of additional finance for future plans, it is proposed to increase the existing borrowing limits from Rs. 100 crores to Rs. 200 crores. This requires the consent of the members under section 293(1)(d) of the Companies Act, 1956. The Board recommends the resolution for approval of the members.

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

BY ORDER OF THE BOARD

For SURYAVANSHI SPINNING MILLS LTD

B.R.S.REDDY

**VICE PRESIDENT (CORPORATE AFFAIRS) &
COMPANY SECRETARY**

Place : Secunderabad

Date : June 30, 2005

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

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Twenty Sixth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2005.

(Rs. in Lakhs)

2004-2005 2003-2004

Financial Results

Gross profit before financial charges & depreciation for the year	1,629	1,369
Less : Depreciation	604	597
: Finance Charges	827	948
Profit before Taxation	198	(176)
Deferred Taxation (Net)	12	(19)
Profit after Taxation	186	(195)
Prior Period expenditure	(5)	(2)
Loss brought forward from last year	638	441
Loss carried forward to Balance Sheet	457	638

OPERATIONS

During the year under review, the company achieved a Gross turnover of Rs.193.98 Crores as against Rs.189.34 Crores of the previous year. The production during the year was 150.05 lakh kgs as against 134.17 lakh kgs in the previous year. The Gross Profit of the Company was Rs.1,629 lakhs as against Rs.1,369 lakhs in the previous year. The Company has achieved a net profit after tax of Rs.186 lakhs as against the net loss of Rs. 195 lakhs during the previous year. The Company's performance for the year ahead is expected to be satisfactory.

DIVIDEND

In view of the accumulated losses, your Directors regret their inability to recommend any dividend for the year under review.

CAPITAL EXPENDITURE

During the year the under review, the Company has incurred capital Expenditure of Rs.401.71 lakhs for upgradation of machinery and balancing of equipment.

EXPORTS

During the year under review, the Company achieved Exports of Rs.44.34 crores as against Rs.56.35 crores in the previous year. Your Company concentrated mainly on domestic markets as the prices of cotton yarn in export markets were under pressure.

SALE OF INVESTMENTS

During the year under review, the Company sold the securities held in Suryavanshi Textiles Limited and Suryalakshmi Cotton Mills Limited and the resultant loss / profit was taken to the Profit & Loss Account.

FUTURE OUTLOOK

The removal of quota regime from 01.01.2005, as expected has already ushered in major structural changes in the textile industry. All the leading players are going in for major expansions. Indian textile firms are going in for vertical integration across the entire value chain mainly to tackle the post quota abolition induced squeeze on margins from the international markets.

Your Company has already setup another Garments Division near Bhongir unit situated in Nalgonda District, Andhra Pradesh with a production capacity of 5,000 pieces per day. Together with the existing Garments Unit at Shamirpet, the total capacity is 15,000 pieces per day. Your Company is also planning extensive modernisation of its both Spinning Divisions situated in Andhra Pradesh. With the integration of the Company's operations from Spinning to Garments, your Company is expected to meet the international competition and grow further to meet the global standards.

DIRECTORS

Pursuant to the provisions of sections 255 and 256 of the Companies Act, 1956, Dr. Akkineni Nageswara Rao and Sri D.K. Agarwal, Directors will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. ICICI Bank Ltd. withdrawn the nomination of Sri S.V. Jagannath as its Nominee Director on the Board of Directors of the Company with effect from 06-06-2005. The Board places on record its appreciation for the valuable services rendered by Sri S.V. Jagannath during tenure of his office as Director of the company.

The term of appointment of Sri R.K. Agarwal, Joint Managing Director will be expiring on 30th October, 2005. The necessary resolution seeking approval of the members for renewal of his appointment on the revised terms as well as the revisions on the terms of appointment of Sri B.N. Agarwal and Sri J.K. Agarwal have 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 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, 2005 and of the Profit 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 application for delisting of its shares on the Stock Exchange of Delhi has been approved by the Stock Exchange of Delhi.

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 31.03.2005 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

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

For and on behalf of the Board of Directors

Place : Secunderabad

Date : June 30, 2005

(B.N.Agarwal)

Chairman & Managing Director