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Report  Junction

BOARD OF DIRECTORS

Sri B.N. Agarwal
Sri R. Surender Reddy
Sri B.N. Rathi
Dr. Akkineni Nageswara Rao
Sri A.U. Katra
Sri Rajender Kumar Agarwal
Sri J.K. Agarwal
Sri D.K. Agarwal

Chairman & Managing Director

Nominee of IDBI
Joint Managing Director
Executive Director

Vice President (Corporate Affairs) & Company Secretary

Sri B.R.S. Reddy

General Manager (Finance & Accounts)

Sri M.R. Prasada 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 500 003.
Telephone : 040 – 27843333

Registrar & Transfer Agents

M/s. Sathguru Management Consultants Pvt. Ltd.
Plot No. 15, Hindi Nagar,
Behind Saibaba Temple,
Punjugutta, Hyderabad – 500 034.
Phone 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 – III

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

SALES DEPOT

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

NOTICE

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Members of **Suryavanshi Spinning Mills Limited** will be held on Saturday, the 30th September, 2006 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 Audited Profit and Loss Account for the year ended 31st March 2006, and Balance sheet as at that date and the reports of the Directors and Auditors thereon.
2. To Declare a dividend on Equity shares.
3. To appoint a Director in the place of Sri B.N.Rathi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri R.Surender Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT subject to the approval of Financial Institutions/Banks pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, approval of the company be and is hereby accorded to the Board of Directors for commencing the business of Builders and Contractors as detailed under other object clause III(c)(10) of the Memorandum of Association of the Company at an appropriate time as the Board of Directors may deem fit.

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

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

Place : Secunderabad
Date : 16th May, 2006

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 Monday, the 25th September 2006 to Saturday, the 30th September 2006 (both days inclusive).
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. As per the provisions of Section 205C of the Companies Act, 1956, Unclaimed Dividend amount in respect of 1997-98 has been transferred to Investor Education and Protection Fund upon expiry of seven years.
6. The shares of the Company are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001.

7. The Dividend on equity shares as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be payable to those members whose names appear on the Company's Register of Members on 25th September, 2006. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by NSDL & CDSL for this purpose, as on that date.
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 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 the Special Business item.

Item No.6

Presently your company is engaged in the manufacture of cotton and blended yarns and Readymade Garments. It has been felt that in the recent past, the real estate business offers a profitable business proposition. The approval of members is being sought to foray into the new business at an appropriate time on due evaluation of all the relevant factors.

Approval of shareholders by way of special resolution is required pursuant to section 149(2A) of the Companies Act, 1956 for commencing the new business as set out at item 6 at an appropriate time.

The Board recommends the resolution setout at item No.6 for your approval.

A copy of the memorandum and Articles of Association of the Company is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day till the completion of the ensuing Annual general meeting.

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

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

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

Place : Secunderabad
Date : 16th May, 2006

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 Seventh Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2006.

	(Rs. in Lakhs)	
	2005-06	2004-05
Financial Results		
Net Turnover including other income	23325	19398
Gross profit before financial charges & Depreciation	2291	1629
Less: Depreciation	609	604
Finance charges	654	827
Profit before taxation	1028	198
Provision for Income Tax		
-- Current Tax	88	—
-- Deferred Tax	153	12
-- Fringe Benefit Tax	3	—
Profit after taxation	784	186
Excess provision of Income Tax written back	61	—
Prior period expenditure	(8)	(5)
Loss Brought Forwarded from last year	(458)	(638)
Amount available for appropriation	379	(458)
Proposed dividend on equity shares	72	—
Corporate dividend tax	10	—
Balance carried to Balance Sheet	297	(458)

OPERATIONS

During the year under review, the company achieved a Net Turnover of Rs.233.25 Crores as against Rs.193.98 Crores of the previous year. The Gross Profit of the Company was Rs.2,291 lakhs as against Rs.1,629 lakhs and earned a net profit after tax of Rs.784 lakhs as against

the net profit after tax of Rs.186 lakhs during the previous year. The Company registered growth of 20.24 % in Turnover, 40.63% in Gross Profit and 320.96% in Net Profit over the previous year. The production during the year was 150.73 lakh kgs as against 150.05 lakh kgs in the previous year. The Company's performance for the year to come is expected to be satisfactory.

DIVIDEND

Your Directors are pleased to recommend a Dividend of 10% (Re.1/- per share) on the Paidup Equity capital of the Company.

CAPITAL EXPENDITURE

During the year the under review, the Company has incurred capital Expenditure of Rs.313.45 lakhs for upgradation of machinery and balancing equipment at its units.

EXPORTS

The dismantling of quotas have given exports a boost. The Export performance of the Company has been encouraging in line with the Industry.

During the year under review the Company achieved export turnover of Rs.102.59 crores including Raw Cotton Exports of Rs.23.26 crores as against the export turnover of Rs.48.31 crores and Raw Cotton Exports of Rs.6.60 crores respectively in the previous year.

The company has not only maintained its growth in exports of Cotton Yarn and Garments but also considerably increased its raw cotton exports. These exports have helped to establish the brand in the International Markets.

PREFERENTIAL ALLOTMENT OF SHARES

During the year under review, the Company raised Rs.1310.87 lakhs through allotment of 1506747 Equity Shares of Rs.10/- at the rate of Rs.87/-(including premium of Rs.77/-) per share to the financial institutions and strategic investors. The above funds were utilized to repay the high cost debts and to augment long term capital expenditure. Consequent upon the allotment of shares, the paid up capital of the Company stands increased to Rs.7.15 crores and the share premium has gone up from Rs.14.73 crores to Rs.26.33 crores.

FUTURE OUTLOOK

The future of the textile industry, is encouraging. The Raw Cotton production within the country is at

comfortable level of 275 lakh Bales per annum. There has been a substantial increase in cotton yarn production with increased capacities put into production, machinery manufacturers' order books are full and waiting periods are more than one year.

The Government has identified the Textile Sector as a priority one, for job creation and also enhanced allocation to the Technology Upgradation Fund from Rs.4.4 billion to 5.4 billion. Given the potential in the global scenario, holds for the textile industry the measures are likely to help Textile companies become more competent and attract sizable orders from the US and European Markets. More importantly it would enable textile companies to increase capacities and gain scale, which is crucial for a global players.

The removal of Quota system has opened flood gates for export of garments from India to US and Europe. This coupled with extended quota restrictions on China until 2008 would help the Indian Export of Garments.

Your company with well established market net-work is expected to benefit as a part of country's textile progress.

DIRECTORS

Pursuant to the provisions of sections 255 and 256 of the Companies Act, 1956, Sri B.N.Rathi and Sri R.Surender Reddy, Directors will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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.

The Board deeply regret to record the said demise of Sri C.Narsi Reddy, Senior Director who was associated with the company for the last 20 years in a ghastly attack on 15.08.2005. The Board places on record its deep appreciation for the valuable services rendered by Sri C.Narsi Reddy during tenure of his office as Director of the company.

AUDIT COMMITTEE

The Audit Committee met four times 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, 2006 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.

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 31.03.2006 have been dealt with in the Notes on Accounts which are self-explanatory.

FIXED DEPOSITS

The Company has not invited/accepted deposits from the public.

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 the Company. 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

(B.N.Agarwal)
Chairman & Managing Director

Place : Secunderabad

Date : 16th May, 2006

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ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - I

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 to reduce consumption of energy.

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

FORM - A

Form for disclosure of particulars with respect to conservation of energy

	2005-06	2004-05
I Power & Fuel Consumption		
(a) Purchased		
Unit Nos.	5,49,81,891	5,33,70,316
Total Amount (Rs.in Lacs)	1,904.02	1,924.07
Rate per unit (Rs.)	3.46	3.61
(b) Own Generation		
i) Through Generator (LDO/HSD/FO)		
Unit Nos.	3,95,927	5,83,005
Unit per ltr of Diesel Oil	3.22	3.20
Cost per Unit (Rs.)	10.02	8.83
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)	2005-06	2004-05
Electricity (No.of units)	--	3.67	3.59
Furnace Oil	Nil	Nil	Nil
Coal (Specify Quality)	Nil	Nil	Nil
Others (Specify)	Nil	Nil	Nil

B. TECHNOLOGY ABSORPTION

Efforts made in Technology absorption as per Form B.

FORM-B

Form of disclosure of particulars with respect to technology absorption

A. Research and Development R & D

- | | |
|---|--|
| 1. Specific areas in which R&D carried out by the Company | The Company is having R & D in introduction and development of value added products |
| 2. Benefits derived as a result of the above R&D | New value added products were developed |
| 3. Future plan of action | To further develop more value added products and improve the quality of the products |
| 4. Expenditure on R&D | Expenditure on in-house Research and Development has been shown under respective heads of Expenditure in the Profit and Loss Account as no separate account is maintained. |

B. Technology absorption, adaptation and innovation

- | | |
|--|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation | The Company had adapted indigenous Technology and innovated upon the same. |
| 2. Benefits derived as a result of, the above efforts e.g. product improvement, Cost reduction, product development, import substitution etc. | Product improvement, increase in yield, production of high value added products. |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished. | No technology has been imported during last five 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, development of new export markets and export plans :

Exports of the Company amounts to Rs.9869 lakhs to various countries like U.S.A, Korea, Taiwan, Hong Kong, Italy, Spain, Vietnam, Bangladesh, Malaysia etc. The Company is exploring new markets for export of its products.

(b) Total foreign exchange used and earned

(Rs.in Lakhs)

	31st March, 2006	31st March, 2005
i) Foreign Exchange Earned		
- FOB Value of Exports	9642	4302
- CIF Value of Exports	9869	4430
ii) Foreign Exchange Used		
a) Plant & Machinery	121	5
b) Spare Parts	15	—
b) Raw Materials	463	542
c) Commission on Exports	89	78
d) Foreign Travel	14	11
e) Repayment of Loan	315	332

For and on behalf of the Board of Directors

(B.N.Agarwal)

Chairman & Managing Director

Place : Secunderabad

Date : 16th May, 2006