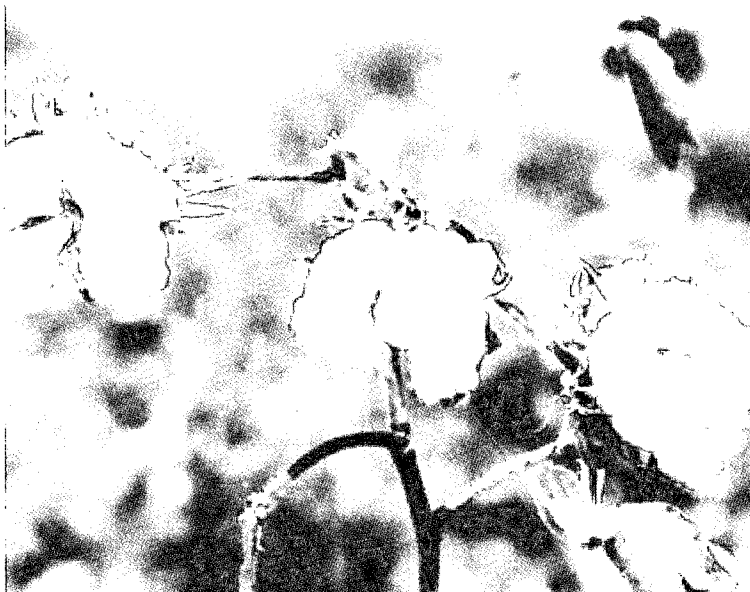


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ANNUAL REPORT 2006 - 2007

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

The Bank of Rajasthan Limited
Hyderabad

Registered Office

6th Floor, Surya Towers,
105, Sardar Patel Road,
Secunderabad 500 003.

Telephone : 040 – 30512700

Registrar & Transfer Agents

M/s. Sathguru Management Consultants Pvt. Ltd.

Plot No. 15, Hindi Nagar,

Behind Saibaba Temple,

Punjagutta, Hyderabad – 500 034.

Phone No. 040 – 23356507, 23356975

Fax No. 040 – 23354042

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FACTORIES

Unit – I

Bhongir

Nalgonda Dist

Andhra Pradesh – 508 116

Unit – II

Aliabad

Medchal Taluq,

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 Eighth Annual General Meeting of the members of **Suryavanshi Spinning Mills Limited** will be held on Thursday, the 9th Day of August 2007 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 2007 Balance Sheet as at that date and reports of the Directors and Auditors thereon.
2. To declare a dividend on equity shares
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 a Director in place of Sri D K Agarwal, Director who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS:

6. 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 (hereinafter referred to as Board) 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 :

The Bank of Rajasthan Limited to secure the term loan of Rs 1650 lakhs

AND

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

- a) Andhra Bank(AB) , Sultan Bazar Branch, Hyderabad of its Additional Working Capital Facilities of Rs 2205 Lakhs (Fund Based: Rs 1660.00 Lakhs and Non-Fund based: Rs 545.00 Lakhs)

- b) State Bank of Hyderabad, (SBH) of its Additional Working capital facilities of Rs 1962.00 Lakhs (Fund Based: Rs 1627.00 Lakhs and Non-Fund based: Rs 335.00 Lakhs)
- c) ICICI Bank Limited (ICICI Bank) of its additional working capital facilities of Rs 37.50 Lakhs(Fund Based: Rs 37.50 Lakhs)

Together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, cost, charges, expenses and other monies, payable by the Company to The Bank of Rajasthan Limited / Andhra bank / State Bank of Hyderabad / ICICI Bank Limited under their respective 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 The Bank of Rajasthan Limited 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 ICICI Bank, Andhra Bank and State Bank of Hyderabad shall rank second and subservient to the charges created/ to be created by the company in favour of ICICI Bank, IDBI, SBI and The Bank of Rajasthan Limited to secure the term loans sanctioned/to be sanctioned by them.

FURTHER RESOLVED THAT the Board of Directors of the company be and are hereby authorized to finalise with the Bank of Rajasthan Limited, Andhra Bank, ICICI Bank and The State Bank of Hyderabad the documents for creating aforesaid mortgage and do all such acts, things as may be necessary for giving effect to 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 : 29th June, 2007

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
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 Registers of Members and Share Transfer Books of the Company will remain closed from Wednesday, 1st August, 2007 to Thursday 9th August, 2007 (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 atleast one week prior to the date of the meeting for consideration of the management to deal at the meeting.
5. The shares of the company are listed at the Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. The Annual listing fee has been paid within the time.
6. 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 1st August, 2007. 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.
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 P Ltd, Unit: Suryavanshi Spinning Mills Limited in respect of their physical share folios, if any.
8. The members are requested to bring their copies of Annual report with them at the time of attending Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 6

The Company has been sanctioned a Rupee Term Loan of Rs.1650 lakhs by The Bank of Rajasthan Limited under the Technology Upgradation Fund Scheme (TUFS) to part-finance the expansion cum modernization scheme. The loan is to be secured on first pari passu charge on total fixed assets, present and future along with other term lending Institutions. and on a Second pari passu Charge on the current assets of the Company pari-passu with other Term lenders

The consortium of banks, viz, Andhra Bank, Sultan Bazar, Hyderabad The State Bank of Hyderabad, Commercial Branch, Secunderabad and the ICICI Bank, Begumpet, Hyderabad have sanctioned Additional working capital facilities of Rs 2205 lakhs, Rs 1962 Lakhs, Rs 37.50 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.

The company has to create mortgage on first charge basis and on second charge basis on its immovable

properties in favour of The Bank of Rajasthan Limited and Andhra Bank, Sultan Bazar, Hyderabad, The State Bank of Hyderabad, Commercial Branch, Secunderabad and the ICICI Bank, Begumpet, Hyderabad respectively for the financial assistance extended by them 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(s) / bank(s) may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under section 293(1)(a) of the Companies Act, 1956 for the creation of the said mortgage.

The Board recommends the Resolution for your approval for creation of mortgage on first charge/second charge basis.

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

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

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

Place : Secunderabad

Date : 29th June, 2007

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the Twenty Eighth Annual Report on the business and operations of the company, the financial results and Cash Flow statement for the year ended 31st March 2007

(Rs. in Lakhs)

	2006-07	2005-06
Financial Results		
Net Turnover including other income	21,728	23,325
Gross profit before financial charges & Depreciation	2,144	2,283
Less: Depreciation	617	609
Finance charges	711	654
Profit before taxation	816	1,020
Provision for Income Tax		
– Current Tax	94	88
– MAT Credit	(92)	–
– Deferred Tax	122	153
– Fringe Benefit Tax	6	3
Short provision of Income Tax of earlier years	18	(61)
Profit after taxation	668	837
Profit/(Loss) Brought Forwarded from last year	297	(458)
Amount available for appropriation	965	379
Proposed dividend on equity shares	72	72
Corporate dividend tax	12	10
Balance carried to Balance Sheet	881	297

OPERATIONS

The Company has achieved a Turnover of Rs.21728 Lakhs and Net Profit of Rs.668 lakhs for the year ended 31.03.2007 as against Turnover of Rs 23325 Lakhs and Net Profit of Rs. 837 lakhs, respectively, in the previous year

During the year under review, the production of the company was 145.51 Lakh Kgs as against Rs 150.73 Lakh Kgs in the previous year.

In view of un-remunerative prices, the company could not aggressively undertake business of merchant exporter. Consequently, the turnover as well as Net Profit of the company has come down when compared to the previous year.

The Government of India has removed the incentives hitherto extended to the Export Houses on achieving incremental growth of exports. Consequently, the profitability of the company has been affected.

DIVIDEND

Your Directors are pleased to recommend a Dividend of 10% (Rs1/- per share) on the Paidup Equity capital of the Company.

CAPITAL EXPENDITURE

During the year under review the company has incurred capital expenditure of Rs 942.03 Lakhs for up-gradation of machinery and balancing equipments at its units.

EXPORTS

During the year under review, the Company has achieved exports of Cotton Yarn, Blended Yarns, Garments and Cotton to the tune of Rs.71.93 Crores as against Rs.102.59 Crores in the previous year.

MERGER OF SURYAVANSHI TEXTILES LIMITED, A GARMENT MANUFACTURING COMPANY WITH YOUR COMPANY

Suryavanshi Textiles Limited has facilities for manufacturing and processing of Dyed Yarns, Knitting of Cotton Fabrics and Readymade Garments with capacities of 2 Tons Per Day, 2.5 Tons Per day and 2500 Pieces Per Day respectively located at Aliabad Village, Shameerpet (Mandal), Ranga Reddy District, Andhra Pradesh.

Your company manufactures cotton yarn, blended yarn and dyed yarn, knitted fabrics, etc. and in view of synergy of operations, the Suryavanshi Textiles Limited is proposed to be merged with Suryavanshi Spinning Mills Limited with effective date as 1st April 2007

This amalgamation of Suryavanshi Textiles Ltd with your company, will have advantages of low cost of raw materials, savings in overheads, presence in the entire chain of textile i.e through Yarn Processing, Yarn Dyeing, Fabrics and till the Garment & Apparels. The above amalgamation will increase your Company's growth potential, diversify its product line to the ultimate value chain of garments, strengthen its financial position and increase its competitiveness. The amalgamation further

combines the garmenting capabilities of associate entity to bring out an integrated textile complex, capable of delivering to international scale and quality, thus adding value for investors. The Honourable Board for Industrial and Financial reconstruction has already approved the amalgamation, however, the official order is awaited.

Future Outlook

The post quota regime has opened up the domestic and international markets for intense competition. The textile industry is already coming to grips with the emerging scenario. The big dampener in the recent past has been the weakening US Dollar which has impacted the slender margins that the exporters have been operating on. However, it is felt that the industry should gear up to handle exchange rate fluctuations whenever the situation demands. It is heartening to note that the Central Government is already seized of the matter. The Garment sector is doing well and consequently, the spinning arm of the industry should also do well. The fast expanding retail sector in Indian economy also presents good opportunities for the industry.

The Company is trying to face all these challenges by adding value added products. Domestic yarn markets could continue to be functioning normally as large weaving capacities have come up in the country and the Readymade Garment exports continue to be favourable. Garment Exports of the company would continue to be encouraging.

The future of the Company would be more promising with the proposed merger of Suryavanshi Textiles Limited with your company after which your company would be one of the large vertically integrated textile units in the country. This could be major benefit while presenting ourselves to the big importers in USA and Europe who look for integrated units from the point of view of large volumes, quality supply and timely supply.

DIRECTORS

Pursuant to the provisions of Section 255 and 256 of the Companies Act, 1956 Dr.Akkineni Nageswara Rao and Sri D.K.Agarwal will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Brief resume of the Directors retiring by rotation, nature of their expertise in specific functional areas and names of companies in which they hold directorships and the membership/chairmanship of the committees of the Board, as stipulated under clause 49 of the listing

agreement with the Stock Exchange are given in section on Corporate Governance elsewhere in the Annual report.

AUDIT COMMITTEE

The Audit committee met four times during the year under review.

CORPORATE GOVERNANCE

In pursuance to Clause 49 of the Listing Agreement with the Stock Exchange, a detailed report on the Management Discussion and Analysis, Corporate Governance Report and Additional Information to the Shareholders are made part of this Annual Report.

RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

In terms of Section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 of the Company for the year under review;
- 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; and
- iv) The Directors have prepared the annual accounts on the going concern basis.

AUDITORS

The Statutory Auditors of the Company, M/s. Brahmayya & Co, Chartered Accountants, Hyderabad will retire at the conclusion of ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS' QUALIFICATIONS

The qualifications made by the Auditors in their report on the accounts of the company for the year ended 31st March 2007 have been dealt with in the Notes on Accounts which are self-explanatory.

FIXED DEPOSIT

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are appended hereto and forms part of this 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 Companies (Particulars of Employees) Rules, 1975 and hence the prescribed information is not required to be given.

ACKNOWLEDGEMENTS

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 also like to thank the Company's shareholders, customers, suppliers for the support and the confidence which they have reposed in the management.

We place on record our appreciation of the contribution made by employees at all levels. Our consistent growth was made possible by their hard work, solidarity, co-operation and support.

For and on behalf of the Board of Directors

(B.N.Agarwal)

Chairman & Managing Director

Place : Secunderabad

Date : 29th June, 2007



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - I

Details as required under Companies (Disclosure Of Particulars In The Report Of Board Of Directors) Rules, 1988 read with clause (e) of Sub Section (I) of Section 217 of the Companies Act, 1956

A. CONSERVATION OF ENERGY

1. (a) Energy Conservation measures taken:

The transformers are provided with on-load tap changers for maintaining constant output voltage which in turn increases the efficiency of motors and reduces motor burn outs.

b) Continuous monitoring of motors with low efficiency due to repeated rewinding and discarding such motors.

2. Maintaining power factor at 0.96-0.98

3. Replacement of conventional chokes with electronic chokes for lighting fixtures

4. Switching off lighting fixtures wherever not required during day time

FORM - A

Form for disclosure of particulars with respect to conservation of energy

	2006-07	2005-06
I Power and Fuel Consumption		
a) Purchased		
Unit Nos	5,25,71,370	5,49,81,891
Total Amount (Rs in Lakhs)	1,816.13	1,904.02
Rate per unit (Rs)	3.45	3.46
b) Own generation		
i) Through Generator (LDO/HSD/FO)		
Unit Nos	8,99,977	3,95,927
Unit per liter of Diesel Oil	2.61	3.22
Cost per Unit (Rs)	12.73	10.02
ii) Through Steam	N A	N A
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)	2006-07	2005-06
Electricity (no of units)	--	3.67	3.67
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 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 & Loss Account as no separate account is maintained. |

B. Technology absorption, adaptation and innovation

- | | |
|--|--|
| 1. Efforts, in brief, made towards technology absorption, adoption 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 | 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 thereof 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.7,193 Lakhs to various countries like China, U.S.A, Korea, Taiwan, Hong Kong, Italy, Spain, Portugal, etc. The Company is exploring new markets for export of its products.

(b) Total foreign exchange used and earned

(Rs.in Lakhs)

	31st March, 2007	31st March, 2006
i) Foreign Exchange Earned		
- FOB Value of exports	6,993	9,642
- CIF Value of exports	7,193	10,259
ii) Foreign Exchange Used		
a) Plant & Machinery	451	121
b) Spare Parts	29	15
c) Raw Materials	551	463
d) Commission on exports	84	89
e) Foreign Travel	9	14
f) Repayment of Loan	315	315

For and on behalf of the Board of Directors

(B.N.Agarwal)

Chairman & Managing Director

Place : Secunderabad
Date : 29th June, 2007