

ANNUAL
REPORT
2007-08



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Suryavanshi
spinning mills ltd.

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BOARD OF DIRECTORS

| | |
|----------------------------|------------------------------|
| Sri B.N. Agarwal | Chairman & Managing Director |
| Sri R. Surender Reddy | |
| Sri B.N. Rathi | |
| Dr. Akkineni Nageswara Rao | |
| Sri A.U. Katra | Nominee of IDBI |
| Sri Rajender Kumar Agarwal | Joint Managing Director |
| Sri J.K. Agarwal | Executive Director |
| Sri D.K. Agarwal | Whole-time 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

SALES DEPOT

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

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

NOTICE

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the members of **Suryavanshi Spinning Mills Limited** will be held on Friday, the 26th Day of September, 2008 at 10 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 2008 Balance Sheet as at that date and reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri B.N. Rathi, Director who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri R. Surender Reddy, Director who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Statutory Auditors, M/s Brahmayya & Co., to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting 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 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), and subject to the limits specified in Schedule XIII to the said Act, 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. The Company hereby approves the re-appointment and remuneration payable to Shri J.K.Agarwal as Executive Director of the Company for a further period of five years with effect from 27th June, 2008, on the terms and conditions mentioned below:

- a) Basic Salary: Rs.72000/- 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 such as gas, electricity, water etc. or House Rent Allowance 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, Super annuation Fund or Annuity Fund, as per the Rules of the Company, if any.
- 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".

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 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, such approvals, permissions and sanctions as may be necessary, such conditions and modifications as may be prescribed or imposed by the authorities 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 D.K.Agarwal as Wholtime Director of the Company for a period of five years with effect from 1st October, 2007, on the terms and conditions mentioned below:

- a) Basic Salary: Rs.72,000/- 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 D.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 such as gas, electricity, water etc. or House Rent Allowance 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.4,000/- (Rupees Four thousand) per annum.

PART - B:

- i) Contribution to Provident Fund, Super annuation Fund or Annuity Fund as per the Rules of the Company, if any.
- 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 Wholtime 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** consent of the Company be and is hereby given in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors for the mortgage and/or charge on 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 Andhra Bank(AB), to secure the term loan (Fresh under TUFs) of Rs.2,490 lakhs together with interest thereon at the 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 AB under its letter 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 AB 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, Industrial Development Bank of India, State Bank of India and The Bank of Rajasthan Limited.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with Andhra Bank, 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 AN ORDINARY RESOLUTION:

"RESOLVED THAT in super session of the Ordinary Resolution passed at the Annual General Meeting of the Company held on September 26, 2005 consent of the Company be and is hereby accorded under the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time such sum or sums of money and on such terms and conditions as it may consider necessary for the purpose of the business

of the Company, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided, however, that the aggregate amount upto which monies may be borrowed by the Board of Directors shall not exceed the sum of Rs.500 crores (Rupees five hundred crores) at any one time."

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

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

Place : Secunderabad
Date : 26.06.2008

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 Tuesday, 16th September, 2008 to Friday, 26th September, 2008 (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.
6. Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holding in electronic form,

and to M/s Sathguru Management Consultants (P) Ltd, Unit: Suryavanshi Spinning Mills limited, Plot No.15, Hindi Nagar, Panjagutta, Hyderabad-500 034, India. in respect of their holding in physical form, if any.

7. The members are requested to bring their copies of Annual report with them at the time of attending the Annual General Meeting.

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

Item Nos.5 & 6

Present term of appointment of Sri J.K.Agarwal, Executive Director of the Company will be expiring on 27th June, 2008.

Sri J.K.Agarwal, B.Tech (Textiles) has vast experience in the textile industry. He has been associated with the Company for the last 20 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 29th June, 2008 on the terms and conditions mentioned in the item No.5 of the Notice.

Sri D.K.Agarwal, who was the Managing Director of Suryavanshi Textiles Limited, has been, subject to your approval, appointed as Wholetime Director of the Company for a period of five years with effect from 1.10.2007 on the terms and conditions mentioned in the item No.6 of the Notice. Sri D.K.Agarwal is a Commerce Graduate having more than 15 years experience in the Textile Industry.

Sri J.K.Agarwal and Sri D.K.Agarwal are the Promoter Directors of the company and holds 193049, 282638 shares respectively in their names as on 31.03.2008.

In the best interest of the Company, the Board recommends the Resolutions for your approval. Sri J.K.Agarwal and Sri D.K.Agarwal themselves, Sri B.N.Agarwal and Sri R.K.Agarwal being relatives of Sri J.K. Agarwal and Sri D.K.Agarwal may be deemed to be concerned / interested in the said Resolutions. Text of the Resolution as stated in item No.5 and 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 and Sri D.K.Agarwal, as Wholetime Director of the Company pursuant to Section 302 of the Companies Act, 1956

The Board recommends the Resolutions for your approval of reappointment and Remuneration payable to Sri J.K.Agarwal as Executive Director and Sri D.K.Agarwal as Wholetime Director

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

Item No.7

Andhra Bank, Sultan Bazar, Hyderabad vide its letter No.205/1144C/489 dated 03.09.2007 has sanctioned a Term Loan (Fresh under TUFS) of Rs.2490 lakhs to meet the part of the funds required for modernisation of Aliabad unit of the company.

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

Now, the company has to create mortgage on its immovable properties in favour of Andhra Bank to secure

the term loan (Fresh under TUFS) of Rs.2490 lakhs by way of execution of equitable mortgage by deposit of title deeds by way of extension.

Since the mortgaging by the Company of its immovable properties as aforesaid in favour of above bank may be regarded as disposal of the Company's properties / undertakings, it is necessary for the members to pass a resolution under section 293(l)(a) of the Companies Act, 1956 for the creation of the said mortgage.

The Board recommends the Resolution for your approval.

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

Item No.8

The Members of the Company at the 26th Annual General Meeting held on 26th September, 2005 authorised the Board of Directors of the Company to borrow upto a maximum amount of Rs.200 crore (Rupees Two hundred crore). In order to fund the capital expenditure projects, long-term working capital expenditure, it is considered desirable to increase the present borrowing powers of the Board of Directors from Rs.200 crore to Rs.500 crore (Rupees Five Hundred crores). The Resolution at item No.8 of the Notice is of an enabling nature. On this resolution being passed, it would supersede the resolutions passed in this behalf at the 26th Annual General Meeting held on 26th September, 2005.

The Board of Directors commends the resolution for your approval.

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

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

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

Place : Secunderabad
Date : 26.06.2008

DIRECTORS' REPORT

To:

The Members

Your Directors have pleasure in presenting their Twenty Ninth Annual Report on the business and operations of the company, the financial results and Cash Flow statement for the year ended 31st March, 2008.

(Rs. in Lakhs)

| | 2007-08 | 2006-07 |
|------------------------------------|---------|---------|
| Financial Results | | |
| Net Turnover including | | |
| other income | 17,645 | 21,728 |
| Gross profit before financial | | |
| charges & Depreciation | 1,212 | 2,144 |
| Less: Depreciation | 675 | 617 |
| Finance charges | 719 | 711 |
| Profit/(Loss) Before Taxation | (182) | 816 |
| Provision for Income Tax | | |
| - Current Tax | -- | 94 |
| - MAT Credit | -- | (92) |
| - Deferred Tax | 378 | 122 |
| - Fringe Benefit Tax | 6 | 6 |
| Short provision of Income Tax | | |
| of earlier years | -- | 18 |
| Profit after taxation | 190 | 668 |
| Profit/(Loss) Brought Forwarded | | |
| from last year | 967 | 297 |
| Amount available for appropriation | 533 | 965 |
| Proposed dividend on equity shares | -- | 72 |
| Corporate dividend tax | -- | 12 |
| Balance carried to Balance Sheet | 533 | 881 |

OPERATIONS

The Company achieved a Turnover of Rs.17,645 Lakhs and incurred a Net Loss of Rs.182 lakhs for the year ended 31.03.2008 as against Turnover of Rs. 21,728 Lakhs and Profit Before Tax of Rs.816 lakhs, respectively, in the previous year.

During the year under review, the company achieved a production of 143.22 Lakh Kgs as against 145.51 Lakh Kgs in the previous year.

The Turnover and profitability of the company were affected due to high cotton prices, irregular power supply, shortage of skilled labour and also due to sudden appreciation of rupee against US Dollar. Economic Slowdown in the US, the largest buyer of Indian Textile and Clothing items, and European Union, the biggest trading bloc, Cutting its consumption of textile products have also adversely impacted the performance of your company.

DIVIDEND

In view of the unfavourable market conditions, you company could not earn profits during the year under review, hence, the Board of Directors regret their inability to recommend any dividend to the shareholders.

CAPITAL EXPENDITURE

Continuous Modernization is essential in the Spinning Industry to meet the stringent quality parameters and your company during the year under review, incurred capital expenditure of Rs 1672 Lakhs for up-gradation of machinery and balancing equipments at its units as against Capital Expenditure of Rs.942.03 lakhs in the previous year.

EXPORTS

During the year under review, the Company achieved exports of Cotton Yarn, Blended Yarns, Garments and Cotton to the tune of Rs.32.46 Crores as against Rs.71.93 Crores in the previous year. The exports were badly affected due to appreciation of rupee as against US Dollar.

AMALGAMATION OF SURYAVANSHI TEXTILES LIMITED

The Scheme of Amalgamation of Suryavanshi Textiles Limited with your Company was approved by the Hon 'ble Board for Industrial and Financial Reconstruction.

Pursuant to the Scheme of Amalgamation, 41,62,536 equity shares of your company were issued and allotted to the shareholders of Suryavanshi Textiles Limited on fully paid up basis, in the ratio of 54 equity shares Rs.10/- each of your Company for every 100 shares held in the erstwhile Suryavanshi Textiles Ltd., Consequent to this, the paid up equity capital of your Company stands increased from Rs.715 lakhs to Rs.1132 lakhs.

FUTURE OUT LOOK

The cyclical fortunes of the textile industry and the challenges of a globalized economy present a great opportunity to a Company to continuously improve its performance by utilizing its potential to the fullest extent possible. As cotton constitutes a major component of the cost of production and the survival of the textile industry depends on the ability to procure cotton of the right variety at the right price, the Suryavanshi Group set

up a state of the art ginning unit in a cotton growing area to procure right quality cotton to ensure adequate supply of raw material to your Company. With this your Company's presence in the textile value chain is complete, as the capacity of garment unit of your Company has already been expanded and is catering to the requirements of well known buyers in U.S.A.

The Company is also considering other options of diversification into the infrastructure, power and real estate sectors to accelerate the growth. In view of the above the future prospects of the Company is expected to be promising.

DIRECTORS

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

The term of appointment of Sri J.K. Agarwal, Executive Director will be expiring on 27.06.2008. Sri D.K.Agarwal, Director has been appointed as Whole-time Director. The necessary resolutions seeking approval of the members for the appointment and the remuneration payable to them 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 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:

In the preparation of the annual accounts, the applicable accounting standards have been followed.

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 Loss of the Company for the year under review.

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

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' QUALIFICATION

The qualifications made by the Auditors in their report on the accounts of the company for the year ended 31st March, 2008 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 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.

The Board place on record its appreciation of the contribution made by employees at all levels for their hard work, solidarity, cooperation and support.

For and on behalf of the Board of Directors

(B.N.Agarwal)

Chairman & Managing Director

Place : Secunderabad

Date : 26th June, 2008