

# Annual Report 2008-09



Towards a brighter tomorrow

 **Suryavanshi**  
spinning mills ltd.

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## BOARD OF DIRECTORS

<b>Sri B.N.Agarwal</b>	Chairman and Managing Director
<b>Sri R.Surender Reddy</b>	
<b>Sri B.N.Rathi</b>	
<b>Dr. Akkineni Nageswara Rao</b>	
<b>Sri A.U. Katra</b>	Nominee of IDBI upto 8/09/2008
<b>Sri G.Ganesh</b>	Nominee of IDBI w.e.f. 8/09/2008
<b>Sri Rajender Kumar Agarwal</b>	Joint Managing Director
<b>Sri J.K.Agarwal</b>	Executive Director
<b>Sri D.K.Agarwal</b>	Whole-time Director

### **Vice President (Corporate Affairs) & Company Secretary**

Sri B.R.S.Reddy

### **General Manager (Finance & Accounts)**

Sri K.N.Nevatia

### **Auditors**

M/s. Brahmayya & Co.  
Hyderabad

### **Bankers**

Andhra Bank  
State Bank of Hyderabad  
ICICI Bank Ltd  
State Bank of India  
IDBI Bank Limited  
The Bank of Rajasthan Limited

### **Registered Office**

6th Floor, Surya Towers, 105, S.P. Road,  
Secunderabad - 500 003. Telephone: (040) 30512700  
Website: www.suryavanshi.com

### **Registrar and Transfer Agents**

M/s.Sathguru Management Consultants Pvt. Ltd.,  
Plot No.15, Hindi Nagar, Behind Saibaba Temple,  
Punjabgutta, Hyderabad - 500 034.  
Ph. Nos. (040) 23356507, 23356975  
Fax Nos.(040) 40040554

### **SALES DEPOT**

SSM Compound, No. 86, Mangalam Road,  
Tirpur, 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 30th Annual General Meeting of the Members of **Suryavanshi Spinning Mills Limited** will be held on Wednesday, the 30th September 2009, at 10 A.M. at Gayatri Gardens, Survey No.26, Sikh Village, Near Diamond Point Hotel, Secunderabad-500 003 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss account for the year ended 31st March, 2009 and Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of **Dr. Akkineni Nageswara Rao** who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of **Sri D. K. Agarwal** 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 RESOLUTIONS WITH OR WITHOUT MODIFICATION(S) AS A SPECIAL RESOLUTION:**

"RESOLVED THAT subject to the provisions of sections 198, 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with schedule XIII thereof as amended upto date, the consent of the Company be and is hereby accorded to reappoint Shri B.N.Agarwal, Chairman & Managing Director for a further period of 5 years w.e.f. 1st February, 2009 i.e. upto 31st January, 2014 as under:

- I. SALARY: Rs.90,000/- per month
- II. Commission at the rate of 1% (one percent) of Net Profits of the Company or 50% of the salary whichever is less.
- III. PERQUISITES

In addition to the salary and commission as stated above Sri B.N.Agarwal shall be entitled to the following perquisites.

### CATEGORY - 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.
- 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.
- vi) Payment of gratuity subject to an amount equal to half a month's salary for each completed year of service.

### CATEGORY - B

- i) The Company shall provide a Car with driver and a telephone at the residence.

Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any year Sri B.N.Agarwal be paid the above remuneration 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 WITH OR WITHOUT MODIFICATION(S) THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION :**

"RESOLVED THAT pursuant to Section 81(IA) and other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and in accordance with the Provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals, consents, permissions and / or sanctions as may be required from Financial Institutions / Banks, Central Government, Reserve Bank of India (RBI), Securities and Exchanges Board of India (SEBI), and any other appropriate authorities, institutions or Bodies (hereinafter collectively referred to as 'the appropriate authorities'), and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions, and / or sanctions (hereinafter referred to as the requisite approvals.), and which may be agreed to by the Board of Directors of the Company

(hereinafter called 'the Board') which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), and in pursuance of SEBI (Disclosure and Investor Protection) Guidelines - 2000, as amended / modified from time to time (hereinafter referred to as SEBI Guidelines) on issue of Equity shares on preferential basis, consent and approval of the Company be and is hereby accorded to the Board, to create, offer, issue and allot and deliver on preferential allotment basis upto 20,00,000 equity shares of the Company of the face value of Rs.10/- each, fully paid up, to Western Developers Limited at a price not exceeding Rs.15/- per share (including premium), being a price which is higher than the minimum price specified as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI DIP Guidelines"), and that the shares so issued shall rank pari-passu in all respects with the existing equity shares of the company".

**RESOLVED FURTHER THAT** the Certificate issued by the Statutory Auditors of the Company in accordance with the SEBI Guidelines and laid before the meeting be and is hereby noted.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board or any Committee duly constituted in this behalf, be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit."

**7. 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 section 314(1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 and subject to the approval of the Central Government, the consent of the Company be and is hereby accorded to Mr.Rishikesh Agarwal a relative of Sri B.N.Agarwal, Chairman & Managing Director, Sri R.K.Agarwal, Joint Managing Director, Sri J.K.Agarwal, Executive Director and Sri D.K.Agarwal, Whole-time Director of the Company, to hold an office or place of profit as Vice President (Marketing) of the Company for a period of five years commencing from 1-10-2009 on the following terms & conditions:

I. SALARY: Rs.40,000/- per month

**II. PERQUISITES**

In addition to the salary as stated above Mr.Rishikesh Agarwal shall be entitled to the following perquisites.

- 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) Contribution to Provident Fund, Super annuation Fund or Annuity Fund as per the Rules of the Company, if any.
- iii) Medical Reimbursement: Reimbursement of medical expenses for self and family subject to a ceiling of one month's salary in a year.
- iv) Leave Travel Concession for self and family once in a year in accordance with the Rules of the Company.
- v) Fees of clubs: Subject to a maximum of two clubs provided that no life membership or admission fee is paid.
- vi) Personal Accident Insurance: Premium not to exceed Rs.4000/- (Rupees Four thousand) per annum.
- vii) Payment of gratuity subject to an amount equal to half a month's salary for each completed year of service.

**RESOLVED FURTHER THAT** the Company shall provide a Car with Driver and Telephone and Cell for discharging the duties, which shall not be considered as perquisites for the above said purposes".

**"RESOLVED FURTHER THAT** Mr.Rishikesh Agarwal shall also be entitled for the reimbursement of actual traveling, boarding and loading expenses and other amenities as may be incurred by him, from time to time, in connection with the Company's business and any other allowances, benefits and perquisites as applicable to such grade or grades as the Board may deem fit and proper.

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

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

Place : Secunderabad

Date : 31st August, 2009



## NOTES:

**1. A MEMBER ENTITLED TO ATTEND THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

**2. PROXIES IN ORDER TO BE EFFECTIVE 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 will be closed from Tuesday, 22nd September, 2009 to Wednesday, 30th September, 2009 (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 dividends of the following years will be transferred to the Investor Education & Protection Fund set up by the Central Government on the dates mentioned against them. Members who have not encashed their dividend warrants pertaining to the above years may have their warrants revalidated by sending them to the Registered Office of the Company.

For the Financial	Date of declaration	Due date for transfer
2005-2006	30.09.2006	06.11.2013
2006-2007	09.08.2007	15.09.2014

6. The Companies Act, 1956 provides for the facility of nomination to the holders of Shares/Debentures/Fixed Deposits in a Company. Accordingly members can avail the facility of nomination in respect of their shares held either singly or jointly. Members desiring to avail this facility are requested to fill up the prescribed nomination form and send the same to the Registered Office of the Company.

7. The shares of the Company continue to be listed on the Stock Exchanges at Mumbai and the Company has paid upto date all the listing fees to the Stock Exchange.

8. 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.

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.**

ITEM NOS.2 &3

### **REAPPOINTMENT OF RETIRING DIRECTORS**

As required by Clause 49 of the Listing Agreement on Corporate Governance particulars of the Directors being reappointed are provided hereunder.

#### **ITEM NO.2**

#### **DR. AKKINENI NAGESWARA RAO**

Dr.Akkineni Nageswara Rao, is a Cine Artist by profession and has been on the Board since 18th January, 1992. Dr.Akkineni Nageswara Rao is one of the most well known Cine Artistes in the State having acted in more than 250 films and has been recipient of several prestigious National Awards including Dada Saheb Phalke Award. A well known Philanthropist, he is associated with several cultural and educational institutions in the State. He does not hold any shares in the Company. The Directorships of other public limited companies as on date are as follows:

1. Suryalakshmi Cotton Mills Ltd - Director
2. Suryajyoti Spinning Mills Limited - Director
3. Prasad Media Corporation Ltd - Additional Director

#### **ITEM NO. 3**

#### **SRI D.K.AGARWAL**

Sri D.K.Agarwal, promoter Executive Director, graduated in Commerce and he was first appointed on the Board on 6th September, 1994. He has wide experience in

Marketing Operations and he is associated with the Company for the last 15 years. Sri D.K.Agarwal holds 2,82,638 equity shares in the Company as of March 31st, 2009. Sri D.K. Agarwal is also Director of Suryavanshi Industries Limited.

Though Sri D.K.Agarwal was appointed as Whole-time Director for a period of five years w.e.f. 1.10.2007 by the members at the Annual General Meeting held on 26.09.2008, to comply with the statutory requirement of retirement of Directors by rotation, pursuant to Sections 255 and 256 of the Companies Act, 1956, the appointment of Sri D.K.Agarwal is subject to retirement by rotation. Accordingly, Sri D.K.Agarwal is retiring by rotation on his reappointment, by the Members at the ensuing Annual General Meeting, the other terms and conditions of appointment of Sri D.K.Agarwal as Whole-time Director shall remain unaltered.

#### **ITEM NO.5**

Sri B.N.Agarwal was appointed as the Chairman and Managing Director for a period of 5 years with effect from 01/02/2004. In the 26th Annual General Meeting held on 26/02/2005, his remuneration was revised from Rs.70,000/- p.m. to Rs.90,000/- p.m., the perquisites remaining same. His term expired on 31/01/2009.

In its meeting held on 30/01/2009, the Board has reappointed him as Chairman and Managing Director for a further period of five years with effect from 01/02/2009 with the existing remuneration mentioned in the resolution plus perquisites subject the approval of Financial Institutions and of members in the General Meeting.

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

Sri B.N.Agarwal himself, Sri Rajender Kumar Agarwal, Sri J.K.Agarwal, Sri D.K.Agarwal, being his relatives are interested in this resolution. None of the other Directors is interested / concerned in this resolution.

#### **ITEM NO.6**

Your company is proposing to offer and issue up to 20,00,000 equity shares to non-promoters.

As per the regulation 13.1A of SEBI (Disclosure and Investor Protection) Guidelines the required details are furnished below:

##### **1. Objects of the issue**

To augment the long term resources of the company for financing cash losses and support the repayment obligations of institutions and banks including long term working capital requirements, your Board proposes to issue equity shares to Non-Promoters, at a price not less than the average price calculated as per the SEBI Guidelines.

##### **2. Pricing**

The issue of equity shares on preferential basis shall be at a price not exceeding Rs.15/- (Rupees Fifteen only) to Non-Promoters, subject to the SEBI Guidelines (as may be applicable) in this behalf. The price is in compliance with SEBI Pricing Norms.

##### **3. Payment Terms**

Entire amount on the equity shares issued on preferential basis shall be paid together with applications by non-promoter(s).

##### **4. Intention of Promoters / Directors / key Management Persons to subscribe to the offer**

The shares are being issued to Non-Promoters only. Promoters / Directors / and key Management Persons do not intend to subscribe to the offer.

##### **5. Relevant Date**

"Relevant Date" for this purpose is the date 30 days prior to the date of meeting of the members of the company i.e. 31st August, 2009.

## 6. Shareholding Pattern of the Company before and after the issue

Category	No.of shares	% of holding	No.of shares	% of holding
Promoters Group	7054063	62.31	7054063	52.95
NRIs/OCBs	22368	0.20	22368	0.17
Central / State Governments	200	0.00	200	0.00
Financial Institutions/Banks	1011897	8.94	1011897	7.60
Private Bodies Corporate	653525	5.77	2653525	19.92
Mutual Funds / UTI	700	0.01	700	0.01
General Public	2578170	22.77	2578170	19.35
<b>Total</b>	<b>11320923</b>	<b>100.00</b>	<b>13320923</b>	<b>100.00</b>

After the allotment of Equity Shares under preferential issue, the promoters holding will be decreased from 62.31% to 52.95%.

## 7. Proposed time within which the allotment shall be completed.

Allotment shall be completed within a period of fifteen days from the date of receipt of all the necessary regulatory approvals as per the SEBI Guidelines.

## 8. Identity of the proposed allottees and the percentage of the post preferential issue capital may be held by them.

Name of the party	Category	Pre-issue	% to Holding	Post issue Equity	% to Holding
Western Developers Limited	Non -Promoter	--	--	2000000	15.01

## 9. The proposed allottees will not be deemed to be and / or considered as "Persons acting in concert" as defined by Regulation 2(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. There are no other persons who would be deemed to be or considered as "persons acting in concert" with the acquirers in connection with the acquisition of the Company's shares pursuant to the above resolution.

## 10. Lock in

The equity shares to be allotted on preferential basis shall be subject to lock-in as per applicable SEBI guidelines.

## 11. Change in Management

The issue of equity shares as aforesaid will not result in any change in the management or control of the company.

The company is taking necessary steps to obtain the requisite approvals from regulatory agencies, as may be applicable, for the proposed investment.

As per the Listing Agreement entered into by the Company with Stock Exchanges where the Company's Equity Shares are listed and pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956, provided inter-alia that whenever the Company proposes the allotment of further shares, such shares shall be first offered to the existing shareholders of the company for subscription in proportion to their shareholding, unless shareholder decide otherwise in a general meeting by a Special Resolution. As it is proposed to issue the shares to other than the existing shareholders, the above resolutions are required to be passed. Hence, these resolutions are placed before you for approval by way of special resolution.

None of the directors is concerned or interested in the said resolutions.



#### ITEM NO.7

Sri Rishikesh Agarwal, Graduate in BS., Business Administration (Marketing) in the University of Charleston in United States of America and also completed Master of Business Administration in Cardiff University in United Kingdom. The Board at their meeting held on 31.8.09 appointed, subject to the approval of Members and the Central Government, Mr.Rishikesh Agarwal as Vice President (Marketing) for a period of five years commencing from 01.10.2009 at a remuneration mentioned in the Item No.7 of the Notice.

Since Sri Rishikesh Agarwal being the relative of Sarva Sri B.N.Agarwal, Chairman & Managing Director, Sri R.K.Agarwal, Joint Managing Director, Sri J.K.Agarwal, Executive Director and Sri D.K.Agarwal, Whole time Director and his remuneration is exceeding the limits prescribed under Section-314 (1B) of the Company's Act, 1956 prior approval of the Members by way of special Resolution and approval of the Central Government's are required.

Sri Rishikesh Agarwal is looking after the entire marketing operations of the company. The Board is of the opinion that the availing of the services of Mr.Rishikesh Agarwal will be in the best interest of the company and his experience and academic qualification will be immensely useful for the development of Marketing operations of the company.

The Board recommends the resolution for the approval of Members by way of special resolution.

Except Sarva Sri B.N.Agarwal, Chairman & Managing Director, Sri R.K.Agarwal, Joint Managing Director, Sri J.K.Agarwal, Executive Director and Sri D.K.Agarwal, Whole time Director being the relatives of the proposed appointee, none of the other directors of the company is concerned or interested in the above said resolution.

#### Inspection of Documents:

**The documents pertaining to Special Business are available for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day prior to the meeting.**

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

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

Place : Secunderabad  
Date : 31st August, 2009

## DIRECTORS' REPORT

To  
The Members

Your Directors are pleased to present their 30th Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2009.

	(Rs. in Lakhs)	
	2008-09	2007-08
<b>Financial Results</b>		
Net Turnover including other income	16,194	17,645
Gross profit before financial charges & Depreciation	321	1,212
Less: Depreciation	735	675
Finance charges	974	719
Profit /(Loss) Before Taxation	(1,388)	(182)
Provision for Income Tax		
– Deferred Tax	–	378
– Fringe Benefit Tax	6	6
Profit /(Loss) after taxation	(1,394)	190
Profit/(Loss) Brought Forwarded from last year	533	967
Amount available for appropriation	(861)	533
Balance carried to Balance Sheet	(861)	533

## OPERATIONS

The impact of the global recession on the Indian Economy and more particularly on textile industry is reflected by the results of the Company under review during the year ended 31/03/2009. The company achieved a turnover of Rs.161.94 Crores as against the turnover of Rs.176.45 Crores in the previous year. The operations have resulted in a loss of Rs.13.88 Crores during the year as against the loss of Rs.1.82 Crores in the previous year.

The Turnover and profitability of the company have been affected due to high cotton prices, adverse market conditions and also due to severe power cuts imposed by the Government.

Cotton rates have gone-up substantially due to Government decision to hike minimum support price during the year 2008-09 by nearly 40 per cent, there is no corresponding increase in the selling prices of the finished products.

On account of current recession and liquidity problems in US and Europe, the textile exports (especially cotton yarn and garments) from India have suffered drastically due to reduction in consumption expenditure resulting in lack of demand. The liquidity crisis in US and Europe has also affected the working capital of the domestic exporters on account of delayed payments resulting elongated working capital cycle.

In addition to these problems, the delay in reimbursing subsidies/concessions by the Govt. of India caused undue hardship to the mills. All these have forced the industry to temporarily put on hold its upgradation and expansion plans supported by the Technology Upgradation Fund Scheme.

## YARN

The production of Yarn in Bhongir and Aliabad units in Andhra Pradesh and Rajna in Madhya Pradesh was 119.21 lakhs Kgs as against the production of 137 lakhs kgs during the previous year. The realization in Yarn has been adversely affected. The Yarn Division has suffered more on account of decline in exports both in volume and realisation.

## READYMADE GARMENTS

The Production of Readymade Garments has substantially improved. During the year 2008-09 the Company produced 10.72 lakh pieces of Readymade Garments as against 6.17 lakh pieces in the previous year, registering a growth of about 74%.

Due to financial meltdown in the US, the loss of buyer confidence effecting purchases and the reluctance of both major and minor US banks to extend further credit until the advances given by them in the past were redeemed, export orders for garments from US buyers have all but dried up. Renegotiation of contracts in several cases has led to a sharp decline in margins. Asian competitors of India, whose economies were largely dependent on their exports to the US, had the benefit of large assistance from their respective Governments to help maintaining the tempo of exports.