



Spinning A World of Endless Opportunities



Annual Report 2009 - 2010

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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 G.Ganesh</b>	Nominee of IDBI
<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](http://www.suryavanshi.com)

### **Registrar and Share Transfer Agents**

M/s.Sathguru Management Consultants Pvt. Ltd.,  
Plot No.15, Hindi Nagar, Behind Saibaba Temple,  
Punjagutta, 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 31st Annual General Meeting of the Members of **Suryavanshi Spinning Mills Limited** will be held on Wednesday, the 29th September, 2010, at 10.00 AM. 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, 2010 and Balance Sheet as on that date and the reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of **Sri B.N.Rathi**, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of **Sri R.Surender Reddy**, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint M/s. Brahmayya & Co., Chartered Accountants, as statutory auditors 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, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), subject to such approvals as may be required Shri R.K.Agarwal be and is hereby reappointed as Joint Managing Director of the Company for a further period of five years with effect from 21st May, 2010, on the terms and conditions mentioned below:

- a) Basic Salary: Rs.80,000/- 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 R.K.Agarwal shall be entitled to the following perquisites.

### PART - A:

- i) Rent free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water etc. or HRA to the extent of 40% of the salary.
- ii) Medical Reimbursement: Reimbursement of medical expenses for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii) Leave Travel Concession for self and family once in a year in accordance with the Rules of the Company.
- iv) Fees of clubs, subject to a maximum of two clubs provided that no life membership or admission 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, Group Insurance Scheme as per the Rules of the Company
- ii) Gratuity payable shall not exceed half a month's salary for each completed year of service.

### PART - C:

- i) Provision of car for use of company's business and telephone at residence

**"FURTHER RESOLVED THAT** where in any financial year during the currency of the tenure of Sri. R.K.Agarwal Joint Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above as a minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956".

**6. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTIONS 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) Sultan Bazar, Hyderabad of its Term Loan of Rs.4.42 Crores.

State Bank of Hyderabad, Commercial Branch, Secunderabad of its Term Loan of Rs. 1.78 Crores.

ICICI Bank Limited, Begumpet, Hyderabad of its Term Loan of Rs. 1.00 Crore.

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 Andhra Bank, State Bank of Hyderabad and ICICI Bank under their letter of sanctions/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/SBH/ICICI Bank 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 Bank Limited, 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/State Bank of Hyderabad/ICICI 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".

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

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

Place : Secunderabad

Date : 20th May, 2010

## 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 Friday, 24th September, 2010 to Wednesday, 29th September, 2010 (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 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 Exchange 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 elsewhere in the Annual Report.

### **ITEM NO 5.**

Present term of appointment of Sri R.K.Agarwal, Joint Managing Director of the Company will be expiring on 30th October, 2010.

Sri R.K.Agarwal, B.Tech (Mechanical) has vast experience in the textile industry. He has been associated with the Company for the last 25 years in various capacities. With a view to avail his services, the Board has re-appointed Sri R.K. Agarwal, as Joint Managing Director subject the approval of Financial Institutions and members, for a further period of 5 years with effect from 21st May, 2010 on the terms and conditions mentioned in the item No.5 of the Notice. The remuneration Committee has already approved the remuneration payable to Sri R.K. Agarwal.

Sri R.K. Agarwal is the Promoter Directors of the company and holds 183544 shares in his name as on 31.03.2010

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

Sri R.K.Agarwal himself, Sri B.N.Agarwal, Sri J.K.Agarwal, Sri D.K.Agarwal, being related to each other are deemed to be interested in this resolution.

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

### **ITEM NO.6**

Andhra Bank, Sultan Bazar, Hyderabad vide its letter No.205/1/44/863(a) dated 29.09.09 has sanctioned a Term Loan of Rs.4.42 Crores

State Bank of Hyderabad, Commercial Branch, Secunderabad vide its letter No.F/ADV/662 dated 15.02.2010 has sanctioned a Term Loan of Rs.1.78 Crores

ICICI Bank Limited, Begumpeet, Hyderabad vide its letter No.SSG/2009/CMOG No.90/W48HYD/22914 dated 31.12.2009 has sanctioned a Term Loan of Rs.1.00 crore. The Andhra Bank, State Bank of Hyderabad and ICICI Bank have sanctioned the above referred term loans by converting part of their irregular portion of existing working capital limits already sanctioned to the Company.

The above term loans are to be secured by way of first pari-passu charge/mortgage of all the company's immovable properties

Now, the company has to create mortgage on its immovable properties in favour of Andhra Bank /State Bank of Hyderabad/ICICI Bank to secure the term loans referred above 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 banks 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

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

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

Place : Secunderabad  
Date : 20th May, 2010

## DIRECTORS' REPORT

To  
The Members

Your Directors are pleased to present their 31st Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2010.

	(Rs. in Lakhs)	
	2009-10	2008-09
<b>Financial Results</b>		
Net Turnover including other income	<b>18,865</b>	16,194
Gross profit before financial charges & Depreciation	<b>1,920</b>	321
Less: Depreciation	<b>740</b>	735
Finance charges	<b>875</b>	974
Profit/(Loss) Before Taxation	<b>305</b>	(1,388)
Provision for Income Tax	—	—
- Deferred Tax	—	—
- Fringe Benefit Tax	—	6
Profit/(Loss) after taxation	<b>305</b>	(1394)
Profit/(Loss) Brought Forwarded from last year	<b>(861)</b>	533
Amount available for appropriation	<b>305</b>	(861)
Balance carried to Balance Sheet	<b>(556)</b>	(861)

## OPERATIONS

After a long recessionary phase, the Textile Industry started witnessing turnaround. Factors which helped the industry was good cotton crop, increased demand in domestic as well as international market. This trend is expected to continue in the current year also.

The Company, during the year 2009-10, achieved a turnover of Rs. 188.65 Crores as against the turnover of Rs. 161.94 Crores and earned Profit After Tax of

Rs. 3.05 Crores as against the loss of Rs. 13.94 Crores respectively in the previous year.

## YARN

The aggregate production of Yarn, during the year 2009-10, in Bhongir and Aliabad units in Andhra Pradesh and Rajna in Madhya Pradesh was 123.20 lakhs Kgs as against the production of 119.21 lakhs kgs during the previous year.

## READYMADE GARMENTS

Improved international market scenario since end 2009 onwards coupled with increased realization, enabled the company to achieve Readymade garment's production during the year 2009-10 of 16.04 lakh pieces as against 10.72 lakh pieces in the previous year, thus registering robust growth of about 50%.

## DIVIDEND

In view of the insufficient profits earned by the Company, the Directors regret their inability to recommend Dividend.

## 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.332.22 lakhs for up-gradation of machinery and balancing equipments at its units as against Capital Expenditure of Rs.695.53 lakhs in the previous year.

## EXPORTS

The exports during the year were Rs.35.01 crores including merchant exports of Rs.1.37 Crores as against the export turnover of Rs.22.58 Crores including merchant exports of Rs.51 Lakhs during the previous year.

International markets have picked-up after the recessionary trends have eased. The company is confident of capitalizing on the favourable market conditions prevailing both within the country and abroad.



## **INCREASE IN THE PAID-UP EQUITY CAPITAL**

Your company has allotted 19,50,000 Equity Shares of Rs.10/- each to non-promoters at a premium of Rs.5/- per share, Consequent upon the allotment of Equity Shares, the paid-up capital of the Company stands increased to Rs. 13,27,09,230/- The said funds were utilized for augmenting the longterm resources of the company.

## **FUTURE OUTLOOK**

Textile Industry recovered faster than other sectors from the global recession.

The textile industry outlook is definitely positive with increased cotton production, though prices have touched highest ever. The garment industry needs support by way of flexible labour laws to enable the industry to remain competitive in the current international market scenario.

## **Technology Upgradation Fund Scheme (TUFS)**

Of all the schemes introduced by the Government of India, TUFS has contributed the maximum to the modernisation and enhancement of the capacities of all facets of Textile Industry. The interest subsidy has facilitated investments by the Industry.

## **DIRECTORS**

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

The terms of appointment of Sri R.K.Agarwal, Joint Managing Director will be expiring on 30th October, 2010. The necessary resolutions seeking approval of the members for the appointment and the remuneration payable to Sri R.K.Agarwal has 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 public companies in which they hold directorships as stipulated under clause 49 of the listing agreement with the Stock Exchange are given on Corporate Governance elsewhere in the Annual Report.

## **CORPORATE GOVERNANCE**

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**

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, 2010 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 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 qualification made by the Auditors in their report on the accounts of the company for the year ended 31st March, 2010 have been dealt with in the Notes on Accounts, which are self-explanatory.

**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 Annexure - I.

**DEPOSITS**

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

**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 are pleased to place on record their appreciation of 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 : 20th May, 2010