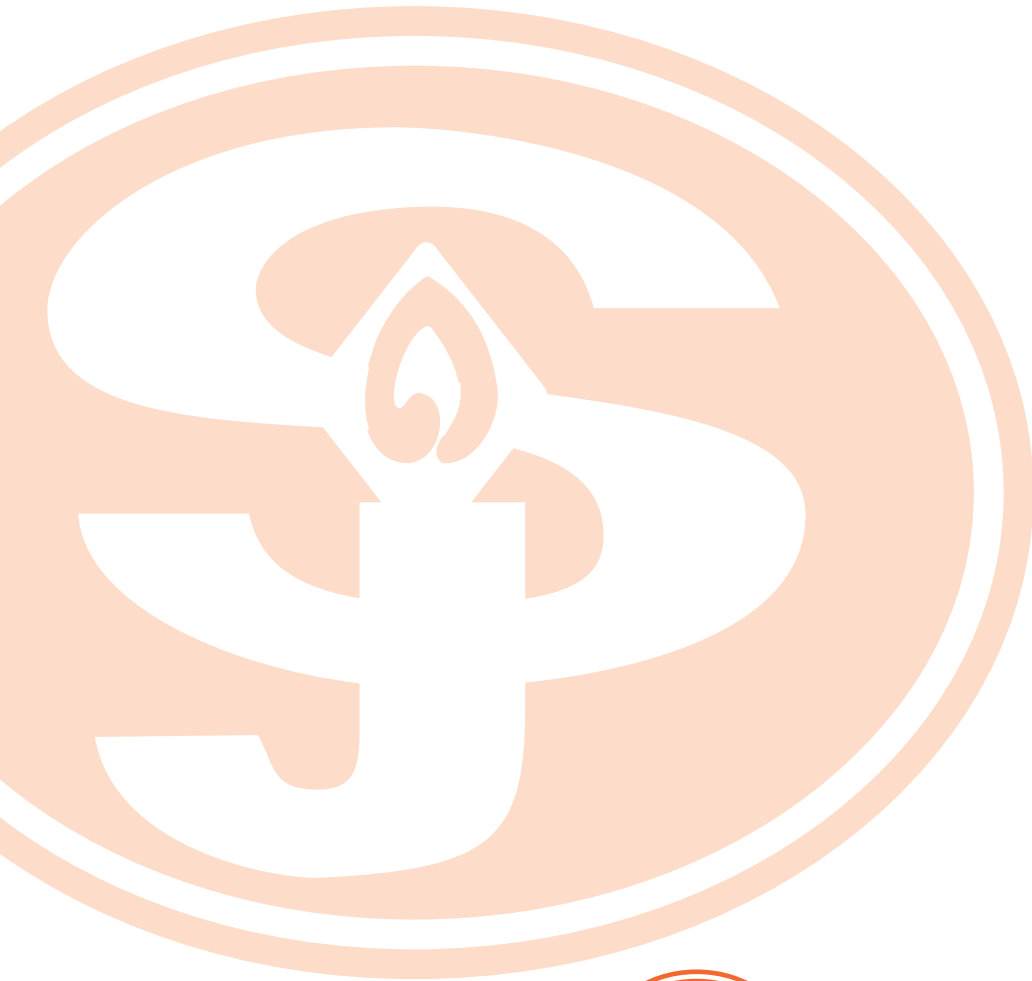


ANNUAL REPORT  
2011 - 2012



**SURYAJYOTI SPINNING MILLS LIMITED**

*Weaving a new path, to progress...*





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## **Important Communication to Members**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses in respect of electronic holdings with the Depository through their concerned Depository Participants.



## BOARD OF DIRECTORS

Dr. Akkineni Nageswara Rao	Director
Sri. K. Harishchandra Prasad	Director
Sri. Sanjeev Mitla	Director
Sri. Ankit Jain	Director
Sri. Ravinder Kumar Agarwal	Managing Director
Sri. Arun Kumar Agarwal	Executive Director

### Vice President (Finance)

Sri. M. Bala Guravaiah

### Company Secretary

Sri Y. Srinivasulu Raju

### Registered Office

Burgul Village,  
Farooqnagar Mandal,  
Mahabubnagar District - 509 202,  
Andhra Pradesh.

### Corporate Office

7th Floor, Surya Towers,  
105, Sardar Patel Road,  
Secunderabad - 500 003,  
Andhra Pradesh.

### Factories

#### Makthal Village

Makthal - Narayanpet Road,  
Mahabubnagar District-509 208,  
Andhra Pradesh.

#### Burgul Village

Farooqnagar Mandal,  
Mahabubnagar District-509 202,  
Andhra Pradesh.

#### Rajapur Village

Balanagar Mandal,  
Mahabubnagar District-509 202,  
Andhra Pradesh.

#### Kucherkal Village

Balanagar Mandal,  
Mahabubnagar District-509 202,  
Andhra Pradesh.

### Auditors

M/s. Brahmayya & Co.,  
Flat No. 403 & 404,  
Golden Green Apartments,  
Irrum Manzil Colony,  
Hyderabad - 500 082,  
Andhra Pradesh.

### Registrar & Transfer Agent

M/s. Karvy Computershare Pvt. Ltd.  
Plot No. 17 to 24, Vithal Rao Nagar,  
Madhapur, Hyderabad - 500 081,  
Andhra Pradesh.

### Bankers

#### State Bank of India

Industrial Finance Branch,  
Hyderabad.

#### IDBI Bank Ltd.,

Chapel Road,  
Hyderabad.

#### Indian Overseas Bank

Parklane,  
Secunderabad.

#### State Bank of Hyderabad

Commercial Branch, Secunderabad.



## NOTICE

Notice is hereby given that the 29th Annual General Meeting of the Members of SURYAJYOTI SPINNING MILLS LIMITED will be held at the Registered Office of the Company at Burgul Village, Farooqnagar Mandal, Mahabubnagar District - 509 202, Andhra Pradesh, at 11.30 a.m. on Friday, the 28th day of September, 2012 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 2012 and the Balance Sheet as on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri. Sanjeev Mitla, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri K. Harishchandra Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS:

5. **Increase of Authorised Share Capital of the Company and subsequent amendment of Memorandum of Association of the Company.**

To consider and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 16, 94 and all other applicable provisions, if any of the Companies Act, 1956, the Authorized Share Capital of the Company be and is hereby increased from Rs. 35,00,00,000 (Thirty Five Crores only) divided into 2,50,00,000 (Two Crore and Fifty Lakhs) Equity shares of Rs.10/- each and 10,00,000 Preference Shares of Rs. 100/- each to Rs. 45,00,00,000 (Forty Five Crores only) divided into 2,50,00,000 (Two Crore and Fifty Lakhs) Equity shares of Rs.10/- each aggregating to Rs. 25,00,00,000 (Twenty five Crores only) and 20,00,000 (Twenty Lakhs) Preference Shares

Rs.100/- each aggregating to Rs.20,00,00,000 (Twenty Crores only).

**RESOLVED FURTHER THAT** the existing Clause V of Memorandum of Association of the Company be and is hereby altered to read as follows:

- V. The Authorised Share Capital of the Company is Rs. 45,00,00,000/- (Rupees Forty Five Crores only) divided into 2,50,00,000 (Two Crore and Fifty Lakhs) Equity Shares of Rs. 10/- each aggregating to Rs. 25,00,00,000 (Rupees Twenty Five Crores only) and 20,00,000 (Twenty Lakhs) Preference Shares of Rs.100/- each aggregating to Rs. 20,00,00,000 (Rupees Twenty Crores only), whether Cumulative Redeemable or Non-Cumulative Redeemable, with the power to increase, reduce, divide, subdivide, consolidate, convert into equity shares in accordance with the provisions of the law from time to time.
6. **Issue of Preference Shares on Preferential basis.**

To consider and if thought fit to pass with or without modifications the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 80, 81, 81(IA) and other applicable provisions, if any, of the Companies Act, 1956, and the enabling provisions of the Memorandum and Articles of the Association of the Company and the Listing agreement entered into by the Company with the Stock Exchange(s) where the Securities of the Company are listed and subject, wherever required, to any other approval of Financial Institutions, appropriate authorities, consent of the members be and is hereby accorded to the Board of Directors of the Company to issue Redeemable Preference Shares of Rs. 100/- each, Cumulative or Non-cumulative either at par or at premium and in such numbers as the Board may decide from time to time for a sum not exceeding Rs. 10 Crores (Rupees Ten Crores only), in one or more tranches, and to offer such shares on a private placement basis to Financial Institutions, Banks, Mutual Funds, Bodies Corporate, Individuals, Promoter(s) or to any other person(s) as the Board may deem fit whether

# SURYAJYOTI SPINNING MILLS LIMITED



they are holders of Equity / Preference Shares of the Company or not and on such terms and conditions including the rate of dividend, period of redemption, as the Board may in its absolute discretion decide in the best interest of the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to agree and to make such modification(s) and alteration(s) from time to time as it deems fit and to take all such steps as it may deem necessary, desirable or expedient and to resolve all questions of doubts and to do all acts, deeds

and things in connection therewith and incidental thereto as the Board in its absolute discretion shall deem fit without being required to seek any fresh approval of the members of the Company and the decision of the Board shall be final and conclusive."

**For and on behalf of the Board  
SURYAJYOTI SPINNING MILLS LIMITED**

**R.K. AGARWAL**  
Managing Director

Place : Secunderabad  
Date : 30.05.2012

## NOTES

1. The Register of Members and Share Transfer books of the Company will remain closed from 25th September 2012 to 28th September 2012 (both days inclusive) for the purpose of Annual General Meeting.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. THE INSTRUMENT APPOINTING A PROXY MUST BE DEPOSITED WITH THE COMPANY AT ITS REGISTERED OFFICE / CORPORATE OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
4. The Members are requested to notify change, if any, in their address to Registrar and Transfer Agent viz., M/s. Karvy Computershare Private Limited, Plot No.17 to 24, Vithal Rao Nagar, Madhapur, Hyderabad-500081 immediately, quoting their Folio No.
5. All communications regarding shares are to be addressed to the Registrars and Transfer Agents at the address mentioned above.
6. A Member desirous of getting any information on the accounts or operations of the Company

is requested to forward his/her queries to the Company at least seven days prior to the date of the meeting for consideration of the management to deal at the meeting.

7. Unclaimed Dividends will be transferred to the Investor Education and Protection Fund set up by the Central Government on the dates mentioned below:

Financial Year	Date of Declaration	Due for transfer on
2004-05	30.09.2005	05.11.2012
2005-06	29.09.2006	04.11.2013
2006-07	28.09.2007	03.11.2014
2007-08	20.09.2008	25.10.2015

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek revalidation/issue of duplicate warrants/Demand drafts by writing to the Registrars/Company.

Also note that no claim shall be made against said fund or Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date they became first due for payment and no payment shall be made in respect of such claims.

8. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business items is annexed hereto.



## EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

### Item No. 5

The present Authorised Share Capital of the Company is Rs. 35 Crores consisting of 2,50,00,000 Equity Shares of Rs.10/- each and 10,00,000 Preference Shares of Rs. 100/- each. The Company, in order to meet its growth plan in the form of expansion and modernization and to meet other business requirements such as working capital, repayment of debt, is required to generate long term resources by issuing securities. The Board of Directors have considered it necessary and desirable to increase the Authorised Share Capital of the Company by increasing the Preference Share Capital as provided in the proposed resolution so that the funds can be raised by issue of Preference Shares. Consequently, the Capital clause(s) of Memorandum of Association be altered.

Increase of Authorised Share Capital requires the approval of members pursuant to Section 16 read with Section 94 of the Companies Act, 1956.

The Board of Directors recommends the resolution for your approval.

None of the Directors are in any way concerned or interested in the said resolution(s).

### Item No. 6

To augment funds requirement to finance the Company's proposed expansion plans it is proposed to issue further capital of the Company to Financial Institutions, Banks, Mutual Funds, Bodies Corporate, Individuals, Promoters and their Associates from time to time for a sum not exceeding Rs. 10 Crores (Rupees Ten Crores only) by issue of Redeemable Preference Shares through Private Placement basis. In terms of Section 81 of the Companies Act, 1956, when the Company proposes to increase the issued capital of the Company by allotment of further securities, such further securities shall be first offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in a General Meeting decide otherwise. As the Preference Shares are proposed to be offered and issued on a preferential / private placement basis, approval of members in General Meeting by way of Special Resolution is required.

The proposed Preferential Allotment to the Promoters / Institutions / Banks as aforesaid will not result in any change in the control of the Company.

The Board of Directors recommends the resolution for your approval in the best interest of the Company.

None of the Directors are in any way concerned or interested in the said resolution except to the extent of shares that may be allotted to them.

**For and on behalf of the Board  
SURYAJYOTI SPINNING MILLS LIMITED**

**R.K. AGARWAL**  
Managing Director

Place : Secunderabad

Date : 30.05.2012

# SURYAJYOTI SPINNING MILLS LIMITED



## INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT REGARDING THE DIRECTORS SEEKING RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING

### **SRI SANJEEV MITLA**

**Sri Sanjeev Mitla** aged about 46 years is a Chartered Accountant and is in practice for more than 16 years. He is a senior partner in Sharma Goel & Co., Chartered Accountants, New Delhi. He had handled various assignments of Income Tax, Sales Tax, Company Law Matters, Internal Audits, Concurrent Audits, Statutory Audits and Systems Audit. He had also handled Management Consultancy, Project Consultancy, Feasibility studies, Accounts and Systems manual preparations and Financial Consultancy Services. A well-known Philanthropist, he is associated with several cultural and educational institutions in the state.

#### ***Names of the Companies in which he is a Director:***

1. Intellect Support Services Private Limited - Director
2. Intellect IT Services Private Limited - Director
3. Orange Services India Private Limited - Director
4. Proserve HR Solutions Private Limited - Director
5. Intellect e-Services Private Limited - Director
6. India Outsourcing Partners Private Limited - Director
7. Accurate Computer Technologies Pvt. Ltd., - Director
8. SM IT Services Private Limited - Director
9. Suryajyoti Spinning Mills Ltd., - Director

#### **Memberships / Chairmanships of Committees of Public Companies:**

1. Suryajyoti Spinning Mills Ltd., - Chairman of Audit Committee
2. Suryajyoti Spinning Mills Ltd., - Member of Remuneration Committee

Sri Sanjeev Mitla was holding 2500 shares in the Company as on March 31, 2012.

### **SRI K. HARISHCHANDRA PRASAD**

Sri K. Harishchandra Prasad aged about 59 years is MS (Chemical Technology) from Washington University, St. Louis, USA and M.B.A. from Central University USA., and having more than 30 years of experience in various capacities. Presently he is Managing Director of Lakshmi Finance & Industrial Corporation Ltd., Hyderabad.

#### ***Names of the Companies in which he is a Director:***

1. Andhra Printers Limited - Director
2. B.N. Rathi Securities Limited - Director
3. Greenpark Hotels & Resorts Limited - Director
4. Healthy Investments Limited - Director
5. K.L.N. Holding Private Limited - Director



# SURYAJYOTI SPINNING MILLS LIMITED

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- |   |                     |
|---|---------------------|
| 6. Kapil Motors Private Limited                     | - Director          |
| 7. Keerthi Industries Limited                       | - Director          |
| 8. Lakshmi Finance & Industrial Corporation Limited | - Managing Director |
| 9. Techtran Ophthalmics Private Limited             | - Director          |
| 10. Techtran Polylenses Limited                     | - Director          |
| 11. Unijolly Investments Company Limited            | - Director          |
| 12. Suryajyoti Spinning Mills Limited               | - Director          |

## **Memberships / Chairmanships of Committees of Public Companies:**

- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| 1. Techtran Polylenses Limited        | - Chairman of Audit Committee         |
| 2. Techtran Polylenses Limited        | - Member of Remuneration Committee    |
| 3. Techtran Polylenses Limited        | - Member of Share Allotment Committee |
| 4. Keerthi Industries Limited         | - Member of Audit Committee           |
| 5. Greenpark Hotels & Resorts Limited | - Member of Audit Committee           |
| 6. Suryajyoti Spinning Mills Limited  | - Member of Audit Committee           |

Sri K. Harishchandra Prasad was holding 2200 shares in the Company as on March 31, 2012.



## DIRECTORS' REPORT

To  
The Members,

Your Directors have pleasure in presenting the 29th Annual Report together with the audited accounts for the financial year ended 31st March 2012.

### FINANCIAL RESULTS

Particulars	(Rs.in Lacs)	
	As at 31-03-2012	As at 31-03-2011
a) Gross Sales	<b>40034.01</b>	39428.41
b) Net Sales	<b>40029.35</b>	39425.60
c) Profit before Depreciation and taxes	<b>621.56</b>	4117.57
d) Less: Depreciation	<b>1918.08</b>	1884.26
e) Profit (Loss) before tax	<b>(1296.52)</b>	2233.31
f) Provision for Tax	-	475.00
g) Deferred Tax Liability (Asset)	<b>(253.72)</b>	175.32
h) Profit (Loss) after taxes	<b>(1042.80)</b>	1582.99
i) Add: Balance brought forward from last year	<b>5093.77</b>	2971.91
j) Add: MAT Credit Entitlement	-	538.86
k) Balance carried to Balance Sheet	<b>4050.97</b>	5093.77

### OPERATIONS

#### Production:

Your Company had produced during the year 15,906 MTs of yarn as against 16,795 MTs in 2010-11. During the year, the Company produced 85.73 lakh meters of Fabric as against 82 lakhs meters in 2010-11.

#### Sales:

Your Company achieved Net sales of Rs. 40,029 lakhs compared to Rs. 39,426 lakhs for the year 2010-11. Company had earned a net loss of Rs. 1,042.80 lakhs during the year 2011-12, when compared with a net profit after tax of Rs.1,583 lakhs during the year

2010-11. The main reasons for incurring net loss are closing stock of cotton purchased at higher prices during the previous year, increase in interest costs by around 3% and steep power cuts of 3 days in a week imposed by APCPDCL during fourth quarter and purchase of power from Indian Energy Exchange at an average rate of Rs. 10/- per unit which is three times per unit rate of Rs.3.25 being charged by APCPDCL.

#### Changes in Share Capital:

During the year, the Company has allotted 11,70,000 Equity shares of Rs.10/- each at a premium of Rs.21 per share to the Promoters on conversion of equal number of warrants.

#### Dividend:

In view of the loss incurred by the company during the financial year 2011-12, no dividend is recommended by your Board of Directors.

#### Capital Expenditure:

During the year under review your Company had incurred capital expenditure of Rs. 1,965 lakhs.

#### Exports:

Your Company has achieved exports amounting to Rs. 17,942 lakhs, produced within its own plant. Including yarn procured from outside, your company has achieved export turnover of Rs. 17,968 lakhs when compared with the turnover of Rs. 17,863 lakhs in the previous year.

Your Company has its product presence in Latin America, Europe and Far East.

#### Directors:

In terms of the provisions of Section 255 and 256 of the Companies Act, 1956, Sri.Sanjeev Mitla and Sri. K.Harishchandra Prasad would retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your Board of Directors recommends their re-appointment.

Brief profiles of Sri.Sanjeev Mitla and Sri. K.Harishchandra Prasad, the nature of their expertise in specific functional areas and the number of Companies in which they hold Directorships and memberships/Chairmanships of Committees of the



Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, have been provided elsewhere in this Annual Report.

## **Directors' Responsibility Statement:**

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March 2012, the applicable accounting standards have been followed and there were no material departures;
- (ii) That the directors have selected such accounting policies and applied them consistently and made judgements and estimates which are 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) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the directors have prepared the accounts for the financial year ended 31st March 2012 on a 'going concern' basis.

## **Corporate Governance:**

Pursuant to Clause 49 of the Listing Agreement on Corporate Governance: (a) Management Discussion and Analysis, (b) Report on the Corporate Governance and (c) Certificate from the Auditors' of the Company regarding compliance of the Corporate Governance also form part of this Annual Report.

## **Auditors:**

M/s Brahmaya & Co., Chartered Accountants, who are the statutory auditors of the Company hold office upto the conclusion of the ensuing Annual General

Meeting and have confirmed their eligibility and willingness for re-appointment.

## **Cost Auditors:**

Mr. S.G. Ramakrishna, Cost Accountant, was appointed as Cost Auditor of the Company subject to the consent of the Government of India to conduct cost audit of all the divisions of the Company for 2012-13.

## **Fixed Deposits:**

The Company has not invited / accepted deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

## **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:**

The particulars as prescribed under 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 set out in Annexure I to this report.

## **Particulars of Employees:**

There are no employees in the Company, particulars of whom are required to be furnished under Section 217 (2A) of the Companies Act, 1956. The industrial relations were cordial at all units of the Company.

## **Acknowledgements:**

Your Directors wish to place on record their appreciation for the valuable support and co-operation extended by State Bank of India, IDBI Bank, State Bank of Hyderabad, Indian Overseas Bank and State and Central Government Agencies.

Your Directors also wish to place on record their sincere appreciation of the contribution made by the employees of the Company and are thankful to the Shareholders for their continued patronage and support.

For and on behalf of the Board of Directors

**R.K. AGARWAL**  
Managing Director

Place: Secunderabad  
Date: 30th May, 2012

**A.K. AGARWAL**  
Executive Director



## ANNEXURE - I TO THE DIRECTORS' REPORT

Details as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, read with clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956.

### Conservation of Energy

The Company is making necessary efforts for conservation of energy. To reduce the energy cost, energy efficient equipments were used and the effect of the same has been felt.

#### FORM - A

#### Form for disclosure of particulars with respect to conservation of energy

PARTICULARS	2011-2012	2010-2011
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. Electricity		
a. Purchased Unit (Nos.)	<b>6,52,79,256</b>	6,66,78,209
Total amount (Rs.)	<b>23,74,09,737</b>	21,90,03,344
Rate / Unit (Rs.)	<b>3.64</b>	3.28
b. Own Generation		
i) Through Diesel Generator		
Unit (Nos.)	<b>48,980</b>	99,967
Unit per Ltr. Of Oil	<b>3.02</b>	2.95
Cost / Unit (Rs.)	<b>13.66</b>	21.43
ii) Through Steam Turbine / Generators	<b>- NIL -</b>	- NIL -
2. Coal	<b>- NIL -</b>	- NIL -
3. Furnace Oil	<b>- NIL -</b>	- NIL -
4. Other / Internal Generation	<b>- NIL -</b>	- NIL -

### B. CONSUMPTION PER UNIT OF PRODUCTION (Kg.)

Consumption per Kg. of Production	Current Year	Previous Year
Electricity (No. of Units)		
Yarn (kgs)	<b>3.40</b>	3.30
Fabric (Mtrs)	<b>1.29</b>	1.35
Furnace Oil	<b>Nil</b>	Nil
Coal	<b>Nil</b>	Nil
Others	<b>Nil</b>	Nil



## FORM - B

### Form for disclosure of particulars with respect to Technology absorption Research and Development (R&D)

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

### B. Technology absorption, adaptation and innovation

- |    |   |   |  |
|----|---|---|--|
| 1. | Efforts, in brief, made towards technology  | : | The company had adopted Absorption, adaptation and innovation indigenous technology and innovated upon the same. |
| 2. | Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, substitution etc.   | : | Product improvement, increase in yield and quality resulted increase in Turnover.                                |
| 3. | In case of imported technology (imported during the 5 years reckoned from the beginning of the financial year) following information may be furnished | : | No technology has been imported during the last 5 years.   |
|    | (a) Technology imported   | : | Nil  |
|    | (b) Year of import  | : | N.A.   |
|    | (c) Has technology been fully absorbed  | : | N.A.   |
|    | (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action   | : | N.A.   |

### C. Foreign Exchange Earnings and Outgo :

- |     |  |   |  |
|-----|--|---|--|
| (a) | Activities relating to exports, initiatives taken to increase Exports, development of new export markets for production and service, and export plans. | : | The information on Foreign Exchange Earnings and out-go is furnished in Note 28 to Notes forming part of the financial statements. |
|-----|--|---|--|

For and on behalf of the Board of Directors

**R.K. AGARWAL**  
Managing Director

**A.K. AGARWAL**  
Executive Director

Place : Secunderabad  
Date : 30th May, 2012



## MANAGEMENT DISCUSSION AND ANALYSIS

### A. INDUSTRY REVIEW

Financial year 2011-12 was an exceedingly challenging year, especially for textile mills in Andhra Pradesh. Previous year's government decision to ban cotton firstly and then yarn had destroyed demand due to huge price increase that happened while the export ban was in force in the International markets. The ban ensured that Indian mills did not benefit from the high prices but were severely impacted when prices crashed to 50% post lifting of the ban. In Andhra Pradesh there were severe power problems and the mills were badly impacted with upto 3 days power holidays per week besides peak hour restrictions. As a result of adverse trading conditions during the first half and severe power constraints later on forced the Company to incur loss.

The year under review was quite challenging for Textile Industry. Sharp rise in the price of Cotton and Yarn in the beginning of the year and sudden and steep fall in the price of cotton within a few weeks in April 2011 coupled with ban on Export of Yarn during the previous Financial Year impacted the yarn market and there was virtual standstill during the next few months. The spinning sector was overburdened with high cost raw material carried in stock as at the end of the previous year and the inability of the market to absorb that cost resulted in huge loss to almost all companies in the Spinning Industry. Even though Cotton price started stabilizing in the second half of 2011-12, Yarn market did not recover throughout the year.

Bank interest rates were increased by almost 3% during the year as per the Reserve Bank

of India's monetary tightening measures, which resulted in abnormal increase in Financial Cost during the year.

It is hoped that Textile industry may perform better after arrival of new cotton crop in Oct - Nov 2012 since it is expected that cotton crop is likely to be higher and prices are forecasted to be relatively lower than the current levels. In addition, the Govt. has proposed to restructure the repayment of loans, continuation of TUF Scheme till 31.03.2013. These are favourable indicators for the reasonable growth of textile industry in the Country.

### B. COTTON AND YARN

The global cotton price which is largely a function of global demand and supply of cotton has been influenced by factors other than actual user demand and overall supply of cotton in 2011-12. The Chinese policy of accumulating cotton for strategic reserves and occasional policy decisions of Indian Government in relation to export of cotton has caused much volatility in cotton prices. The Cotlook Index -A for the year 2011- 12 was 102 US cents / lbs in comparison to 164 US cents/lbs in 2010-11. The global cotton production is estimated at 27.16 million tons in 2011-12, which is expected to decline to 24.9 million tons in 2012-13 due to lower area under cotton cultivation in sync with moderation in global cotton prices to an extent. The global mill consumption of cotton is estimated at 22.7 million tons in 2011-12 and is projected to grow moderately in 2012-13.

Financial year 2011-12 was a year rampant with apprehension and capriciousness, which was not a conducive environment for business. The



ban on the exports of cotton yarn in January, 2011 seriously impacted the industry and there was accumulation of inventory till end of March, 2011. The Government announced its new policy on export of Cotton Yarn in first week of April, 2011 and yarn export was brought under Open General Licence. As a result, the yarn prices moved in a wide range for the first half of the year. Most of the textile mills, particularly which are predominantly spinning, suffered losses.

All India yarn production was lower by an estimated 15% due to (i) Power crisis in the South (ii) Huge inventory losses as referred above resulting in severe shortage of working capital availability to some Companies (iii) Acute labour shortage across India (iv) Sharp fall in yarn prices as compared to last year propelling voluntary cut in production.

However, this year production is expected to increase even though margins are expected to be on the lower side only. There is also a noticeable trend of increasing value addition in products. Overall the year is expected to be more stable due to expectation that cotton will be much less volatile than last year. Growth of the industry will axis on recovery in the global economy although Indian demand is expected to increase at a relatively moderate rate.

## **C. RISKS AND CONCERNS**

One of the key challenges to the textile industry is related to raw material prices mainly cotton prices which has seen very steep fall in 2011-12 after rising very sharply in the buying season and the same is still volatile creating uncertainties for textile manufacturers. The second important challenge is rising power prices which could adversely impact the profitability of textile mills. The third main issue

for the textile industry is the non -availability of manpower coupled with high labour cost prevailing in the country. The Company is making all efforts to cope up with the challenges through continuous cost reduction, process improvements, imparting training to the workforce on a continued basis, process improvements and improved customer services to mitigate the growing cost pressure.

## **D. MARKETING**

India is a large supplier of cotton yarn in world market. Your Company is mainly in export of medium and fine combed cotton yarn, synthetic yarn, speciality fabric and it has been constantly focusing its efforts to cater to high end users. To meet the competition, the Company always tries to improve its quality of yarn. The Company's exports are mainly spread over in Latin America, Europe and Far East. The Company maintains good relations with all its overseas customers, which have been dealing with the Company over the years, by adhering to quality standards, delivery schedules and competitive prices. In addition, the Company is also exploring new customers in domestic as well as international markets.

## **E. OPERATIONAL AND FINANCIAL PERFORMANCE**

The Company is producing a wide range of yarns in Cotton, Polyester, Viscose, Polyester-viscose blends and value-added bottom weight fabric.

The Company has three yarn manufacturing facilities at Makthal, Burgul, and Rajapur, and a Weaving and Processing Unit at Kucherkal, all in the Mahabubnagar District of Andhra Pradesh. Each of the units is at a distance of less than 100 kilometers from one another, and also accessible from the Corporate Office in Hyderabad.



The Company's manufacturing capacities comprise 86,560 spindles and 20 million meters of speciality / value added bottom weight fabrics. Each of the production facilities is specialized in specific aspects of the Company's product portfolio. Makthal unit largely manufactures cotton yarn of medium to coarser counts and synthetic yarn, Burgul unit is completely dedicated to the production of synthetic and blended yarns, and Rajapur unit produces only cotton yarn of higher counts. For financial performance, the stakeholders are requested to refer to the Directors' Report.

## **F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has proper and adequate internal control system commensurate with the size and complexity of the Organization. The internal control is supplemented by an extensive programme of internal audits, reviewed by management. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data.

## **G. OUTLOOK**

Demand for your Company's product is quite appreciable in domestic as well as international market. Since the cotton price has almost stabilized, the industry expects to improve its margin during the year. In spite of depreciating rupee, the export market is not performing well due to present crisis in the European and US Markets and much improvement in the export market is not foreseen. However, it is hoped the Government of India will intervene with some relief packages to improve the exports. Baring the above situation, the Company's performance will be good in the coming years.

## **H. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED**

Suryajyoti's HR policy has been based on the underlying values of fairness, merit, equal opportunity and social responsibility. The spinning industry is highly labour oriented and the Company follows best practices to attract, train and retain the resource pool. With utmost respect to human values, the Company served its human resources with integrity, through a variety of services by using appropriate training, motivation techniques and employee welfare activities. As a result, industrial relations are cordial and satisfactory.

80% of the workers employed by the Company reside in accommodation provided by the Company close to production units. By providing fair employment conditions and an environment conducive to social development, the Company has created strong relationships with its workforce to manage the attrition rate successfully. As on 31st March 2012, the Company has about 1800 permanent employees in its offices and units.

## **CAUTIONARY STATEMENT**

*Readers are advised to kindly note that the above discussion contains statements about risks, concerns, opportunities, etc., which are valid only at the time of making the statements. A variety of factors known/ unknown, expected or otherwise may influence the financial results. These statements are not expected to be updated or revised to take care of any changes in the underlying presumptions.*

*Readers may therefore appreciate the context in which these statements are made before making use of the same.*





## REPORT ON CORPORATE GOVERNANCE

### I. Brief Statement on Company's Philosophy on Code of Corporate Governance.

The Company believes that good corporate governance practices should be enshrined in all activities of the Company. This would ensure efficient conduct of the affairs of the Company and help the Company to achieve its goal of maximizing value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision, while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the Company.

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company's corporate governance philosophy has been further strengthened through the Code of conduct and the Code of Conduct for Prevention of Insider Trading.

The Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under clause 49 of the Listing Agreement with the Stock Exchanges.

### 2. BOARD OF DIRECTORS:

#### A. Composition of the Board:

As on 31st March 2012, the Board consists of Six Directors. There are two whole-time Directors. The remaining four are non-executive and independent directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Name of the Director	Category
Sri R. K. Agarwal	Managing Director / Promoter
Dr. Akkineni Nageswara Rao	Non-Executive and Independent Director
Sri Sanjeev Mitla	Non-Executive and Independent Director
Sri K. Harishchandra Prasad	Non-Executive and Independent Director
Sri. Ankit Jain	Non-Executive and Independent Director
Sri A. K. Agarwal	Executive Director / Promoter

#### B. Number and date of Board Meetings:

Seven Board Meetings were held during the year ended 31st March 2012. These were on 30th May 2011, 12th August 2011, 24th September 2011, 14th November 2011, 5th January 2012, 13th February 2012 and 17th February 2012. The maximum time gap between any two Board meetings during the year was less than four months.

#### C. Directors' attendance record and Directorships held:

The Attendance of Directors at the Board Meetings and at the previous Annual General Meeting and Directorships held was as under.

# SURYAJYOTI SPINNING MILLS LIMITED



Name of the Director	Number of Board Meetings attended during the year 2011-2012	Whether attended the last AGM	Number of other Directorships in Public Limited Companies incorporated in India	No. of Committee positions held in public Companies	
				Chairman	Member
Sri R. K. Agarwal	6	YES	1	-	1
Dr. Akkineni Nageswara Rao	7	NO	3	1	1
Sri A. K. Agarwal	7	YES	1	-	1
Sri Sanjeev Mitla	3	YES	-	1	-
Sri. Ankit Jain	1	NO	2	-	1
Sri. K. Harishchandra Prasad	7	NO	8	2	1

None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in clause 49, across all the Companies in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other Public Limited Companies as at March 31, 2012.

The details of shares held by Directors as on 31-03-2012 are given below:

Name of the Director	Number of Shares
Sri R. K. Agarwal	2231086
Dr. Akkineni Nageswara Rao	1000
Sri Sanjeev Mitla	2500
Sri K. Harishchandra Prasad	2200
Sri. Ankit Jain	100
Sri A. K. Agarwal	2125600

### 3. AUDIT COMMITTEE

#### a) Brief description of terms of reference:

- i) Oversight of Company's financial reporting process and disclosure of financial information.
- ii) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- iii) Review of financial statements before submission to Board.
- iv) Review of adequacy of internal control systems and internal audit functions.
- v) Review of Company's financial and risk management policies.

#### b) Composition, name of members and Chairperson:

1. Sri Sanjeev Mitla - Chairman, Non-Executive & Independent
2. Dr. A. Nageswara Rao - Member, Non-Executive & Independent
3. Sri. Ankit Jain - Member, Non-Executive & Independent
4. Sri K. Harishchandra Prasad - Member, Non-Executive & Independent

# SURYAJYOTI SPINNING MILLS LIMITED



**c) Meetings and attendance during the year:**

During the financial year 2011 - 12, four Audit Committee Meetings were held - 30th May 2011, 12th August 2011, 14th November 2011 and 13th February 2012.

SI.No.	Name	No. of Meetings attended
1.	Sri Sanjeev Mitla	3
2.	Dr. A. Nageswara Rao	4
3.	Sri. Ankit Jain	1
4.	Sri K. Harishchandra Prasad	4

**4. REMUNERATION COMMITTEE**

**a) Brief description of terms of reference:**

To formulate a remuneration policy and approve the remuneration or revision in the remuneration payable to the whole-time Directors.

**b) Composition, Names of Members:**

- i) Dr. Akkineni Nageswara Rao
- ii) Sri. K. Harishchandra Prasad
- iii) Sri. Sanjeev Mitla

**c) Meetings and attendance during the year**

During the financial year 2011-12, one Remuneration Committee Meeting was held on 12th August 2011. All the members were present at the meeting.

**d) Remuneration Policy**

To recommend/review the remuneration package, periodically to the Managing and Whole-time Directors. The remuneration policy is in consonance with the existing Industry Practice and also with the provisions of the Companies Act, 1956.

**e) Details of remuneration paid during the year ended 31st March 2012 to the Directors are furnished hereunder:**

Name	Designation	Salary & Commission (Rs.)	Perquisites (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Sri. R. K. Agarwal	Managing Director	24,00,000	15,06,965	–	39,06,965
Sri A. K. Agarwal	Executive Director	22,43,691	13,56,852	–	36,00,543
Dr. A. Nageswara Rao	Non-Executive Director	–	–	26,500	26,500
Sri Sanjeev Mitla	Non-Executive Director	–	–	13,500	13,500
Sri. Ankit Jain	Non- Executive Director	–	–	–	–
Sri. K. Harishchandra Prasad	Non-Executive Director	–	–	26,500	26,500



The Company does not have any stock option plan or performance linked incentive for the Whole-time Directors. The appointments are made for a period of five years on the terms and conditions in the respective resolutions passed by the Members in the General Meetings, which do not provide for severance fees.

## 5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

- a) The Committee oversees the performance of the Registrar and Share Transfer Agents of the Company and recommends measures to improve the level of investor related services. Though the powers to approve share transfer/transmission are delegated to the Executive Director & Company Secretary, all the share transfer/transmission cases approved by the said officials are reported to the Committee which also keeps a close watch on disposal status of all complaints/grievances of shareholders.
- b) During the year 2011-12, 4 meetings were held.
- c) The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 14. No request for transfer is pending as on 31.03.2012.
- d) The composition of the Committee and the details of meetings attended by its members are given below:

Name	Category	No. of meetings during the year 2011-12	
		Held	Attended
Dr. Akkineni Nageswara Rao, Chairman	Independent, Non- Executive	4	4
Sri. R. K. Agarwal, Member	Non- Independent, Executive	4	4
Sri. A. K. Agarwal, Member	Non- Independent, Executive	4	4

- e) Mrs. N. Madhavi, Company Secretary is the Compliance Officer of the Company.

## 6. GENERAL BODY MEETINGS:

Particulars of last three Annual General Meetings:

AGM	Year	Location	Date	Time	No. of special resolutions passed
28th	2010-2011	Burgul Village, Farooqnagar Mandal, Mahabubnagar District.	27.09.2011	11.30 A.M.	Two
27th	2009-2010	Burgul Village, Farooqnagar Mandal, Mahabubnagar District.	31.08.2010	11.30 A.M.	One
26th	2008-2009	Burgul Village, Farooqnagar Mandal, Mahabubnagar District.	26.09.2009	11.30 A.M.	Nil

For the year ended 31st March 2012, there have been no resolutions passed through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.



## 7. DISCLOSURES

- a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large:

There are no materially significant related party transactions, which have potential conflict with the interests of the Company at large.

- b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years - Nil.
- c) Whistle Blower Policy: The Company has not established a whistle blower policy. We further affirm that during the year 2011-12, no person has been denied access to the audit committee.
- d) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to clause 49 of the Listing Agreement with the Stock Exchanges:
- i) The Company has set up a Remuneration Committee. Please see the para on Remuneration Committee for details.
  - ii) Training of Board Members: The Company evolves a plan to train the Board members.
- e) Secretarial Audit

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total Paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## 8. MEANS OF COMMUNICATION

The Quarterly and Yearly Results are intimated to the shareholders through press. Quarterly results are normally published in Business Standard and Prajasakti.

There were no presentations made to the Institutional Investors or Analysts during the year 2011-2012. The Management Discussion and Analysis Report forms part of this Annual Report.

## 9. GENERAL SHAREHOLDER INFORMATION

### a) Annual General Meeting:

Date : 28th September, 2012

Time : 11.30 a.m.

Venue : Registered Office, Burgul Village, Farooqnagar Mandal,  
Mahabubnagar District, Pin - 509 202, A.P.

### b) Financial Calendar (tentative) for F.Y. 2012-13:

1st Quarterly Results	-	On or before 14th August, 2012
2nd Quarterly Results	-	On or before 14th November, 2012
3rd Quarterly Results	-	On or before 14th February, 2013
Annual Audited Results	-	On or before 30th May, 2013

# SURYAJYOTI SPINNING MILLS LIMITED



**c) Dates of Book Closure**

25th September 2012 to 28th September, 2012 (both days inclusive)

**d) Dividend Payment Date**

No dividend was recommended by the Board for the Year 2011-12.

**e) Listing on Stock Exchanges**

The Company's Shares are listed on the following Stock Exchanges and the Listing fees for the year 2012-13 has been paid:

Name of the Stock Exchange	Address	Code
The National Stock Exchange of India Limited	Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051	SURYAJYOTI
The Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400001	521022

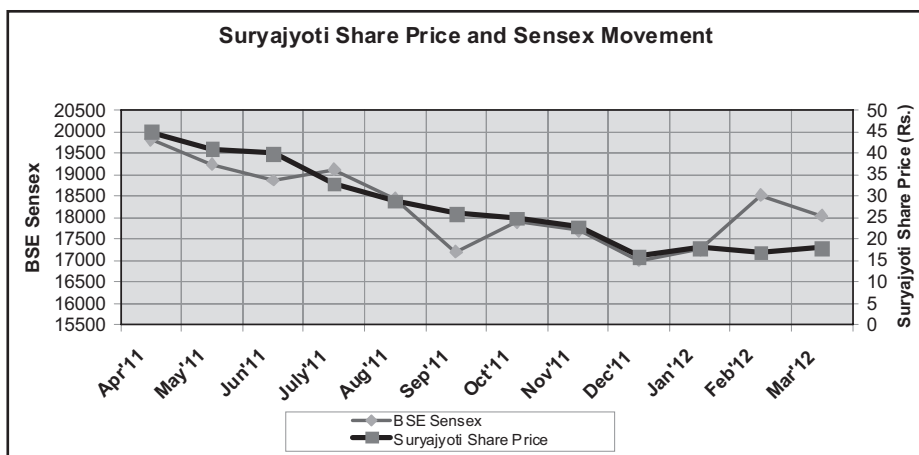
**f) Stock Data:**

Monthly High and Low prices of Suryajyoti Spinning Mills Limited at National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) for the year ended 31st March 2012 are furnished hereunder:

Month	BSE		NSE	
	HIGH (Rs.)	LOW (Rs.)	HIGH (Rs.)	LOW (Rs.)
April, 2011	44.40	38.50	44.60	33.30
May, 2011	40.50	33.05	40.15	33.60
June, 2011	39.80	28.05	39.70	28.05
July, 2011	32.25	26.20	32.20	27.35
August, 2011	29.00	20.75	28.90	20.20
September, 2011	25.85	21.00	26.00	21.00
October, 2011	24.60	21.30	24.70	21.05
November, 2011	23.60	12.75	22.90	12.50
December, 2011	15.80	11.19	15.50	11.25
January, 2012	17.95	12.01	17.50	12.00
February, 2012	17.00	13.20	16.90	13.30
March, 2012	18.07	13.00	17.25	13.20



Performance of share price of the Company in comparison to the BSE Sensex:



**g) Registrar & Transfer Agents:**

M/s. Karvy Computershare Private Limited,  
 Plot No.17 to 24, Vithal Rao Nagar,  
 Madhapur, Hyderabad-500081.  
 Tel. No. 040-23420815 to 24; Fax No. 040-23420814;  
 Toll Free No.18003454001  
 Email: einward.ris@karvy.com Website: www.karvycomputershare.com.

**h) Share Transfer System:**

The share transfers are processed and the share certificates are returned to the shareholders within 30 days, subject to the documents being complete in all respects.

**i) Distribution of shareholding as on 31st March 2012:**

Shareholding of Nominal value	31st March 2012			
	Shareholders		Shares	
	Number	%	Amount in Rs.	%
1 - 5000	17537	91.72	25608420	13.03
5001 - 10000	814	4.26	6720650	3.42
10001 - 20000	364	1.90	5563900	2.83
20001 - 30000	131	0.69	3367940	1.71
30001 - 40000	60	0.31	2146070	1.09
40001 - 50000	43	0.22	2045210	1.04
50001 - 100000	83	0.43	5898050	3.00
100001 and above	89	0.47	145211400	73.88
<b>TOTAL</b>	<b>19121</b>	<b>100.00</b>	<b>196561640</b>	<b>100.00</b>



j) **Shareholding Pattern as on 31st March 2012:**

Category	No. of shares held	Percentage of shareholding
Promoters Holdings	8111397	41.27
Foreign Institutional Investors	1036608	5.27
Corporate Bodies	1123192	5.71
Insurance Companies	637500	3.24
Indian Public	7404446	37.68
NRIs & Foreign National	1343021	6.83
<b>TOTAL</b>	<b>19656164</b>	<b>100.00</b>

k) **Dematerialisation of shares and liquidity:**

The Company's shares are available for dematerialisation on both the Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Equity shares of the Company representing 80.25% of the Company's share capital have been dematerialized as on 31.03.2012

The Company's shares are regularly traded on The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, in electronic form.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE411C01017.

- (i) Address of Registrars for Dematerialisation of Shares/transfer, change of address of members:

**M/s. Karvy Computershare Private Limited,**

Plot No.17 to 24, Vithal Rao Nagar,

Madhapur, Hyderabad-500081.

Tel. No. 040-23420815 to 24; Fax No. 040-23420814;

- (ii) Any queries relating to Dividends, Annual Reports etc.

The Company Secretary,

Suryajyoti Spinning Mills Ltd.

Surya Towers, 7th Floor,

105, Sardar Patel Road,

Secunderabad - 500 003.

Ph: 040 - 27810086/27814265

E-mail: shares@suryajyoti.com





**l) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:**

The Company had issued 10,000 Foreign Currency Convertible Bonds (FCCBs) of US\$ 1,000 each in 2006-07, maturity date being February 17, 2012. Out of these, during the year 2010-11 (i.e., on 29th June 2010) 7,000 FCCBs of worth US\$ 7,000,000 were bought back by the Company with the approval of Reserve Bank of India and 500 FCCBs were converted into 5,23,509 Equity shares of Rs.10/- each at a premium of Rs. 32.11 per share. The said shares were listed on Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd. 2,500 FCCBs were outstanding as on 31/03/2012.

**m) Plant Locations**

**Makthal**

Narayanpet Road,  
Makthal  
Mahabubnagar District  
Andhra Pradesh

**Rajapur Village**

Balanagar Mandal  
Mahabubnagar District  
Andhra Pradesh

**Burgul Village,**

Farooqnagar Mandal,  
Mahabubnagar District.  
Andhra Pradesh

**Kucherkal Village**

Balanagar Mandal  
Mahabubnagar District  
Andhra Pradesh

**n) Address for correspondence:**

The Company Secretary  
Suryajyoti Spinning Mills Ltd.  
Surya Towers, 7th Floor,  
105, Sardar Patel Road,  
Secunderabad - 500 003.  
Ph: 040 - 27810086/27814265  
Fax: 040-27846837  
E-mail: [shares@suryajyoti.com](mailto:shares@suryajyoti.com)

# SURYAJYOTI SPINNING MILLS LIMITED



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## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for the Board of Directors and senior management personnel of the Company. The code is available on the company's website.

I hereby declare that all the board members and senior management personnel have affirmed compliance with the code of conduct adopted by the company and have submitted declarations in this behalf for the year ended 31st March 2012.

Place : Secunderabad  
Date : 30th May, 2012

**R. K. Agarwal**  
Managing Director

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## AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE

To the members of  
SURYAJYOTI SPINNING MILLS LIMITED,  
SECUNDERABAD. A.P.

We have examined the compliance of conditions of Corporate Governance by SURYAJYOTI SPINNING MILLS LIMITED, SECUNDERABAD, A.P. for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **Brahmayya & Co.,**  
Chartered Accountants  
Firm Regn.000513S

Place : Hyderabad  
Date : 30th May 2012

**K. S. Rao**  
Partner  
Membership No.15850



## AUDITORS' REPORT

To  
The Members of  
SURYAJYOTI SPINNING MILLS LIMITED  
SECUNDERABAD.

We have audited the attached Balance Sheet of SURYAJYOTI SPINNING MILLS LIMITED, SECUNDERABAD. (A.P) as at 31st March, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows :

1. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

- iii. The Balance Sheet, Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2012;
  - b) in the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
  - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **Brahmayya & Co.,**  
Chartered Accountants  
Firm Regn. No. 000513S

**K.S. Rao**  
Partner

Place : Hyderabad  
Date : 30th May, 2012      Membership No.15850



## RE: SURYAJYOTI SPINNING MILLS LIMITED, SECUNDERABAD.

Annexure referred to in paragraph 1 of our report of even date,

- 1 a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, the management has physically verified the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
- c) The Company has not disposed off plant and machinery hence; it has not affected the going concern status of the Company.
2. a) The Inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a) During the year the Company has neither granted nor taken any loans, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In view of our comment in paragraph 3(a) above, (III) (b), (c), (d), (e), (f) and (g) of paragraph 4 of the aforesaid order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services.
- 5 a) In our opinion and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public. Hence the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of textiles and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- 9 a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise

# SURYAJYOTI SPINNING MILLS LIMITED



duty, cess and other material statutory dues applicable to it.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2012

for a period of more than six months from the date they became payable.

- c) According to the records of the Company and the information and explanations given to us, the dues of sales tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute are as follows :

S. No.	Nature of the Statute	Nature of the Dues	Amount (Rs)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
1	Andhra Pradesh General Sales Tax (APGST) Act, 1957 (Case filed by Bharat Petroleum Corporation Limited)	Sales Tax dues	12,70,773	1997-1998	I Addl.Chief Judge, City Civil Court, Secunderabad
2	Andhra Pradesh Value Added Tax, 2005	VAT refund	10,11,307	2008-09	AP Sales Tax Appellate Tribunal

10. The Company has no accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi/mutual benefit fund/society and therefore the requirements relating to such companies are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion, and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were obtained.

17. In our opinion, and according to the information and explanations given to us the funds raised on short-term basis have not been used for long-term investment.
18. During the year, the Company has converted 11,70,000 share warrants allotted to promoters in 2011-12 into 11,70,000 Equity Shares @ Rs.10/- each at a premium of Rs.21/- per share.
19. During the year, the Company has not issued any debentures and therefore the question of creating security in respect thereof does not arise.
20. During the year, the Company has not raised any money by public issue.
21. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For **Brahmayya & Co.,**  
Chartered Accountants  
Firm Regn. No. 0005135

**K.S. Rao**  
Partner

Place : Hyderabad  
Date : May 30, 2012

Membership No.15850

# SURYAJYOTI SPINNING MILLS LIMITED



## BALANCE SHEET AS AT 31st MARCH, 2012

(Figures in Rs. Lakhs)

PARTICULARS	Note No.	AS AT 31.03.2012		AS AT 31.03.2011	
		Rs.	Rs.	Rs.	Rs.
<b>I. EQUITY AND LIABILITIES</b>					
<b>1 Shareholders' funds</b>					
(a) Share capital	1	2,531.47		2,414.47	
(b) Reserves and surplus	2	7,098.10		8,149.60	
(c) Money received against share warrants		-	9,629.57	346.47	10,910.54
<b>2 Share Application Money Pending Allotment</b>	3		1,305.00		-
<b>3 Non-current liabilities</b>					
(a) Long-term borrowings	4	12,813.45		13,994.68	
(b) Deferred tax liabilities (Net)		798.99		1,052.70	
(c) Long-term provisions	5	90.29	13,702.73	66.79	15,114.17
<b>4 Current liabilities</b>					
(a) Short-term borrowings	6	11,350.87		11,242.47	
(b) Trade payables	7	3,571.60		2,555.98	
(c) Other current liabilities	8	5,522.56		5,041.38	
(d) Short-term provisions	9	212.67	20,657.70	199.10	19,038.93
<b>TOTAL</b>			<b>45,295.00</b>		<b>45,063.64</b>
<b>II. ASSETS</b>					
<b>1 Non-current assets</b>					
(a) Fixed assets	10				
(i) Tangible assets		25,370.78		25,953.04	
(ii) Capital work-in-progress		617.62		-	
(b) Non-current investments	11	20.76		20.76	
(c) Long-term loans and advances	12	447.08	26,456.24	343.83	26,317.63
<b>2 Current assets</b>					
(a) Current investments	13	-		500.00	
(b) Inventories	14	8,702.52		8,862.10	
(c) Trade receivables	15	4,287.04		4,972.56	
(d) Cash and cash equivalents	16	946.23		890.76	
(e) Short-term loans and advances	17	2,546.80		1,509.27	
(f) Other current assets	18	2,356.17	18,838.76	2,011.32	18,746.01
<b>TOTAL</b>			<b>45,295.00</b>		<b>45,063.64</b>
Notes on Accounts	28				
Accounting Policies	29				

The Notes referred to above, forms an integral part of these financial statements

As per our report of even Date

For and on behalf of the Board

for **Brahmayya & Co.,**  
Chartered Accountants  
Firm Registration No.000513S

**K S Rao**  
Partner  
Membership No.15850

Place : Hyderabad  
Date : 30.05.2012

**R K Agarwal**  
Managing Director

**M Bala Guravaiah**  
Vice President (Finance)

**A K Agarwal**  
Executive Director

**N Madhavi**  
Company Secretary

# SURYAJYOTI SPINNING MILLS LIMITED



## STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2012

(Figures in Rs. Lakhs)

PARTICULARS	Note No.	Current Year 31.03.2012 Rs.	Previous Year 31.03.2011 Rs.
I. Revenue from operations	19	40,029.35	39,425.60
II. Other income	20	216.96	580.47
<b>III. Total Revenue (I + II)</b>		<b>40,246.31</b>	<b>40,006.07</b>
<b>IV. Expenses:</b>			
Cost of materials consumed	21	25,424.11	23,331.61
Purchases of Stock-in-Trade		2,244.57	2,237.43
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	22	(1,526.27)	(1,826.94)
Employee benefits expense	23	2,278.42	2,069.57
Finance costs	24	3,353.21	2,371.96
Depreciation and amortization expense	25	1,918.08	1,884.26
Other expenses	26	7,850.71	7,704.87
<b>Total expenses</b>		<b>41,542.83</b>	<b>37,772.76</b>
<b>V. Profit / (Loss) before tax</b>		<b>(1,296.52)</b>	<b>2,233.31</b>
<b>VI Tax expense:</b>			
(1) Current tax		0.00	475.00
(2) Deferred tax (Asset) / Liability		(253.72)	175.32
(3) MAT Credit		-	(538.87)
<b>Sub-Total - Tax expense</b>		<b>(253.72)</b>	<b>111.45</b>
<b>VII Profit (Loss) for the Year</b>		<b>(1,042.80)</b>	<b>2,121.86</b>
<b>VIII Earnings per equity share (Amount in Rs.)</b>			
(1) Basic & Diluted	27	(5.61)	13.15
Notes on Accounts	28		
Accounting Policies	29		

The Notes referred to above form an integral part of these financial statements

As per our report of even Date

For and on behalf of the Board

for **Brahmayya & Co.,**

Chartered Accountants

Firm Registration No.000513S

**K S Rao**

Partner

Membership No.15850

Place : Hyderabad

Date : 30.05.2012

**R K Agarwal**  
Managing Director

**M Bala Guravaiah**  
Vice President (Finance)

**A K Agarwal**  
Executive Director

**N Madhavi**  
Company Secretary

# SURYAJYOTI SPINNING MILLS LIMITED



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Figures in Rs. Lakhs)

PARTICULARS	Year ended 31.03.2012 Rs.	Year ended 31.03.2011 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit Before Taxation and Extraordinary Items</b>	<b>(1,296.50)</b>	2,233
Adjustment for:		
Depreciation	<b>1,918.08</b>	1,884.26
Finance Charges	<b>3,353.21</b>	2,371.97
Interest Income	<b>(39.60)</b>	(28.59)
(Profit) / Loss on sale of Fixed Assets (Net)	<b>4.67</b>	0.00
<b>Operating Profit Before Working Capital Changes</b>	<b>3,939.86</b>	6,460.95
Adjusted for :		
Inventories	<b>159.58</b>	(3,941.33)
Trade and Other Receivables	<b>685.48</b>	(2,262.10)
Loans and Advances	<b>(1,881.54)</b>	(322.65)
Trade and Other Payables	<b>936.77</b>	(1,093.61)
<b>Cash Generated From Operations</b>	<b>3,840.15</b>	(1,158.74)
Direct taxes paid (net of refunds)	<b>492.59</b>	(541.58)
<b>Net Cash inflow / (Outflow) in the Course of Operating Activities (A)</b>	<b>4,332.74</b>	(1,700.32)
<b>B. CASH FLOW ARISING FROM INVESTING ACTIVITIES</b>		
Acquisition of Fixed Assets	<b>(2,076.08)</b>	63.36
Sales of Fixed Assets	<b>7.31</b>	0.00
Interest received	<b>28.29</b>	24.04
(Purchase) / Sale of Investments (NET)	<b>500.00</b>	(500.00)
<b>Net Cash inflow / (Outflow) in the Course of Investing Activities (B)</b>	<b>(1,540.48)</b>	(412.60)



# SURYAJYOTI SPINNING MILLS LIMITED



## CASH FLOW STATEMENT (CONTD.)

(Figures in Rs. Lakhs)

PARTICULARS	Year ended 31.03.2012 Rs.	Year ended 31.03.2011 Rs.
<b>C. CASH FLOW ARISING FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Share Capital & Premium	<b>108.30</b>	1,352.00
Share Application Money	<b>958.53</b>	346.47
Proceeds from Long Term Borrowings	<b>2,050.73</b>	3,509.24
Proceeds from Bank Borrowings	<b>1,217.15</b>	3,070.11
Repayment of Long Term Borrowings	<b>(2,731.97)</b>	(2,191.02)
Hire purchase Loans taken	<b>5.40</b>	29.68
Commodity Funding from Banks	<b>(1,093.52)</b>	2,131.78
Hire purchase Loans paid	<b>(27.91)</b>	(29.77)
Increase / (Decrease) in unsecured loans	<b>115.50</b>	(3,062.89)
Finance Charges	<b>(3,338.99)</b>	(2,345.57)
Equity Dividends paid (including Tax on Dividend)	<b>(0.01)</b>	(0.07)
<b>Net Cash inflow / (Outflow) in the Course of Financing Activities</b>	<b>(C)</b> <b>(2,736.79)</b>	<b>2,809.96</b>
<b>D. NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>		
	<b>55.47</b>	697.04
Opening Balance of Cash and Cash Equivalents	<b>890.76</b>	193.72
Closing Balance of Cash and Cash Equivalents	<b>946.23</b>	890.76

**Note:** The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard, AS - 3 : Cash Flow Statements issued by the Institute of Chartered Accountants of India.

As per our report of even Date  
for **Brahmayya & Co.,**  
Chartered Accountants  
Firm Registration No.000513S

For and on behalf of the Board

**K S Rao**  
Partner  
Membership No.15850  
Place : Hyderabad  
Date : 30.05.2012

**R K Agarwal**  
Managing Director  
  
**M Bala Guravaiah**  
Vice President (Finance)

**A K Agarwal**  
Executive Director  
  
**N Madhavi**  
Company Secretary

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	AS AT 31.03.2012		AS AT 31.03.2011	
	Number	Rs.	Number	Rs.
<b>Note I SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity Shares of Rs.10 each	25,000,000	2,500.00	25,000,000	2,500.00
10% Cumulative Redeemable Preference shares of Rs.100 each	1,000,000	1,000.00	1,000,000	1,000.00
	<b>26,000,000</b>	<b>3,500.00</b>	<b>26,000,000</b>	<b>3,500.00</b>
<b>Issued</b>				
Equity Shares of Rs.10 each	19,926,209	1,992.62	18,756,209	1,875.62
10% Cumulative Redeemable Preference shares of Rs.100 each	564,250	564.25	564,250	564.25
	<b>20,490,459</b>	<b>2,556.87</b>	<b>19,320,459</b>	<b>2,439.87</b>
<b>Subscribed &amp; Paid up</b>				
Equity Shares of Rs.10 each	19,656,164	1,965.62	18,486,164	1,848.62
10% Cumulative Redeemable Preference shares of Rs.100 each	564,250	564.25	564,250	564.25
	<b>20,220,414</b>	<b>2,529.87</b>	<b>19,050,414</b>	<b>2,412.87</b>
<b>Forfeited Shares :</b>		<b>1.60</b>		<b>1.60</b>
<b>Total</b>	<b>20,220,414</b>	<b>2,531.47</b>	<b>19,050,414</b>	<b>2,414.47</b>

"Disclosure pursuant to Note no. 6(A)(d) of Part I of Schedule VI to the Companies Act, 1956

PARTICULARS	Equity Shares		Preference Shares	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Shares outstanding at the beginning of the year	18,486,164	16,132,655	564,250	-
Shares Issued during the year	1,170,000	2,353,509	-	564,250
Shares redeemed /bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<b>19,656,164</b>	<b>18,486,164</b>	<b>564,250</b>	<b>564,250</b>

**Details of Shareholders holding more than 5% Shares in the Company**

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Ravinder Kumar Agarwal	2231086	11.35	1231086	6.66
Arun Kumar Agarwal	2125600	10.81	1955600	10.58
Neha Agarwal	1365500	6.95	1365500	7.39
Pietro Valenti	1300200	6.61	1300200	7.03
Vijaylatha Jain	1248900	6.35	1248900	6.76
Mavi Investment Fund Limited	1036608	5.27	1036608	5.61



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

Details of Non Convertible Cumulative Redeemable Preference Shares are as under:

Nature	Amount (Rs)	Date of Issue	Date of Redemption
10% Cumulative Redeemable Preference Shares of Rs 100/- each	56.425	30-Mar-2011	29-Mar-2021

PARTICULARS	AS AT	AS AT
	31.03.2012	31.03.2011
	Rs.	Rs.
<b>Note 2 RESERVES &amp; SURPLUS :</b>		
<b>A. State Subsidy</b>		
At the commencement of the year	15.00	15.00
Closing Balance	15.00	15.00
<b>B. Securities Premium Account</b>		
At the commencement of the year	2,269.19	1,716.79
Add : On issue of Equity Shares	245.70	552.40
Less : Redemption Premium on FCCB's	254.40	0.00
Closing Balance	2,260.49	2,269.19
<b>C. Capital Reserve</b>		
At the commencement of the year	17.50	17.50
Closing Balance	17.50	17.50
<b>D. General Reserve</b>		
At the commencement of the year	754.14	754.14
(+) Current Year Transfer	0.00	0.00
Closing Balance	754.14	754.14
<b>E. Surplus</b>		
At the commencement of the year	5,093.77	2,971.91
Add : For the current year	(1,042.80)	2,121.86
Closing Balance	4,050.97	5,093.77
<b>Total</b>	<b>7,098.10</b>	<b>8,149.60</b>

### Note 3 SHARE APPLICATION MONEY PENDING ALLOTMENT

Preference Share Application money of Rs.1305.00 Lakhs is pending for allotment subject to Increase of Authorised Capital, approval of share holders and completion of formalities with Securities and Exchange Board of India and Stock Exchanges.

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	AS AT 31.03.2012 Rs.	AS AT 31.03.2011 Rs.
<b>Note 4 LONG TERM BORROWINGS:</b>		
<b>(a) Secured</b>		
<b>(i) Rupee Term loans</b>		
<b>From Banks</b>		
<b>State Bank of India</b>		
(a) Term Loan - 1 TUF Scheme - I	-	224.00
(b) Term Loan - 2 TUF Scheme - I	<b>1,918.00</b>	2,472.00
(c) Term Loan - 3 TUF Scheme - I	<b>2,264.50</b>	2,804.50
<b>State Bank of Hyderabad</b>		
(d) Term Loan - 1 TUF Scheme - I	<b>2,168.72</b>	2,650.06
<b>IDBI Bank Ltd.,</b>		
(e) Term Loan - 1 TUF Scheme - I	<b>333.28</b>	499.96
(f) Term Loan - 2 TUF Scheme - I	<b>640.00</b>	800.00
(g) Term Loan - 3	<b>1,200.00</b>	-
<b>Indian Overseas Bank Ltd.,</b>		
(h) Term Loan - 1	<b>525.00</b>	825.00
(i) Term Loan - 2 TUF Scheme - II	<b>337.81</b>	-
<b>(ii) Foreign Currency Loans :</b>		
(a) Indian Overseas Bank - ECB	<b>2,042.96</b>	2,226.43
<b>Total</b>	<b>11,430.27</b>	12,501.95

### Appendix:

- The Loans referred at (a), (b), (e) to (h) above are secured by mortgage of (present & future) movable and immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the Company in their personal capacities.
- The Loan referred at (c) & (d) above is secured by mortgage of the fixed assets created by virtue of proposed term loan for the present movable and immovable properties of the Company on first charge pari passu basis and Pledge of 5,00,000 shares from the Promoters on Pari passu basis.
- The Loan referred to in (i) above is secured by hypothecation of specified plant and machinery as per the scheme and guaranteed by two Directors of the Company.
- The Loan referred to in (ii)-(a) are secured by Second charge on block assets of the company on pari passu basis with other banks holding second charge.

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

### Terms of Repayment :

PARTICULARS	Sanction Date	Rate of Interest	Quarterly Instalments
<b>State Bank of India</b>			
Term Loan - 1	22.02.2005	17.25%	20
Term Loan - 2	11.03.2006	15.75%	32
Term Loan - 3	27.03.2007	14.75%	27
<b>State Bank of Hyderabad</b>			
Term Loan - 1	20.01.2007	14.75%	36
<b>IDBI Bank Ltd.,</b>			
Term Loan - 1	22.08.2007	14.25%	24
Term Loan - 2	21.01.2009	15.25%	30
Term Loan - 3	15.02.2012	15.75%	20
<b>Indian Overseas Bank Ltd.,</b>			
Term Loan - 1	07.09.2009	15.00%	20
Term Loan - 2	18.07.2011	13.25%	20
<b>Indian Overseas Bank Ltd., - (ECB)</b>	30.12.2009	6 MONTHS LIBOR + 300 BASIS POINTS	20

PARTICULARS	AS AT 31.03.2012 Rs.	AS AT 31.03.2011 Rs.
<b>(b) Other loans and advances</b>		
<b>Vehicle Hire Purchase Loan</b>	<b>11.67</b>	18.94
(Hire Purchase Loan above are secured by hypothecation of the respective asset and guaranteed by one of the Directors of the Company)		
Terms of Repayment : Monthly instalments		
<b>Total</b>	<b>11.67</b>	18.94
<b>(c) Unsecured</b>		
<b>Other Long Term Borrowings</b>		
Unsecured Loan from Corporate Bodies	400.00	400.00
Deferred Sales Tax Liability*	971.51	1,073.79
<b>Total</b>	<b>1,371.51</b>	1,473.79
<b>Grand Total</b>	<b>12,813.45</b>	13,994.68

\* The company had availed interest free Sales Tax Deferment Loan from Government of Andhra Pradesh on Burgul unit Original and availing on Burgul unit Expansion Scheme. The Sales Tax Deferment loan shown under Unsecured Loans under Schedule 4 indicates sales tax collected under deferral scheme and is payable at the end of 10th year in respect of Burgul unit original and is payable at the end of 14th year in respect of Burgul unit expansion.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

Interest free Sales tax loan from Andhra Pradesh State Government amounting to Rs.971.51 Lakhs is repayable as under :

Year of Payment	TOTAL (Rs.)
2013-2014	10.83
2014-2015	63.87
2015-2016	69.59
2016-2017	120.52
2017-2018	115.66
2018-2019	137.10
2019-2020	160.44
2020-2021	199.14
2021-2022	74.87
2022-2023	11.78
2023-2024	7.71
<b>T O T A L</b>	<b>971.51</b>

PARTICULARS	AS AT 31.03.2012 Rs.	AS AT 31.03.2011 Rs.
<b>Note 5 LONG TERM PROVISIONS :</b>		
Provision for employee benefits		
Gratuity (unfunded)	<b>90.29</b>	66.79
<b>Total</b>	<b>90.29</b>	66.79
<b>Note 6 SHORT TERM BORROWINGS :</b>		
<b>I. Secured</b>		
<b>(a) Loans repayable on demand from banks</b>		
<b>(i) State Bank of India</b>		
Cash Credit	<b>7,070.77</b>	7,160.62
<b>(ii) State Bank of Hyderabad</b>		
Cash Credit	<b>1,247.06</b>	-
<b>(iii) IDBI Bank Ltd.</b>		
Cash Credit	<b>1,977.66</b>	1,917.71
<b>(b) Commodity Funding</b>		
(i) IDBI Bank Ltd.	<b>830.22</b>	837.49
(ii) Axis Bank	<b>208.03</b>	1,294.28
<b>Total</b>	<b>11,333.74</b>	11,210.10
Working Capital loans from Banks referred to in (a) above are secured by hypothecation of stocks of raw materials, yarn, fabric, stock-in-process, stores and spares and book debts and by a second mortgage over the (present and future) movable & immovable properties of the Company on pari-passu basis and further guaranteed by two Directors of the Company in their personal capacities.		
<b>2. Other loans and advances</b>		
Vehicle Hire Purchase Loan	<b>17.13</b>	32.37
<b>Total</b>	<b>17.13</b>	32.37
<b>Grand Total</b>	<b>11,350.87</b>	11,242.47

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	AS AT	AS AT
	31.03.2012	31.03.2011
	Rs.	Rs.
<b>Note 7 TRADE PAYABLES</b>		
Micro, Small and Medium Enterprises	9.23	4.09
Others	3,562.37	2,551.89
<b>Total</b>	<b>3,571.60</b>	<b>2,555.98</b>
<b>Note 8 OTHER CURRENT LIABILITIES :</b>		
(a) Current maturities of long-term debt		
(i) <b>Rupee Term loans</b>		
<b>From Banks</b>		
<b>State Bank of India</b>		
Term Loan - 1 TUF Scheme-I	228.03	457.28
Term Loan - 2 TUF Scheme -I	586.62	416.62
Term Loan - 3 TUF Scheme -I	576.19	453.60
<b>State Bank of Hyderabad</b>		
Term Loan - 1 TUF Scheme -I	549.18	471.22
<b>IDBI Bank Ltd.,</b>		
Term Loan - 1 TUF Scheme - I	166.68	166.68
Term Loan - 2 TUF Scheme - I	170.39	160.00
Term Loan - 3	13.46	-
<b>Indian Overseas Bank Ltd.,</b>		
Term Loan - I	310.57	313.10
Term Loan - 2 TUF Scheme - II	-	-
(ii) <b>Foreign Currency Loans</b>		
Indian Overseas Bank - ECB	521.29	293.47
Foreign Currency convertible Bonds (FCCBs)	1,322.70	1,102.25
(FCCBs amounting to Rs.1102.25 Lakhs due and payable on or before Dt.17.02.2012. The Company agreed to pay 20% of Redemption Premium i.e., Rs.220.45 Lakhs to the Bond holders)		
<b>Total</b>	<b>4,445.11</b>	<b>3,834.22</b>
(b) Interest accrued but not due on borrowings	58.15	43.93
(c) Unpaid dividends	25.40	25.41
(d) Creditors for Capital Purchases	96.48	71.16
(e) Other payables	448.82	401.20
(f) Other payables - Statutory dues	14.72	7.77
(g) Advances received against sales	331.60	552.74
(h) Sales tax deferment payable	102.28	104.95
<b>Total</b>	<b>1,077.45</b>	<b>1,207.16</b>
<b>Grand Total</b>	<b>5,522.56</b>	<b>5,041.38</b>
<b>Note 9 SHORT TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
Salary & Reimbursements	148.09	142.25
Contribution to PF & ESI	16.16	12.23
Bonus Payable	48.42	44.62
<b>Total</b>	<b>212.67</b>	<b>199.10</b>



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 10 FIXED ASSETS :**

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Up to 01.04.2011	Depreciation charge for the year	On disposals	Up to 31.03.2012	As at 31.03.2012	As at 01.04.2011
<b>a Tangible Assets</b>										
Land	365.10	29.02	-	394.12	-	-	-	-	394.12	365.10
<b>Buildings :</b>										
Factory Buildings	3,350.72	12.20	-	3,362.92	505.31	112.13	-	617.44	2,745.48	2,845.41
Non-Factory Buildings	2,516.72	515.77	-	3,032.49	187.99	43.27	-	231.26	2,801.23	2,328.73
<b>Plant and Equipment :</b>										
Workshop Equipment	58.85	14.60	-	73.45	19.40	3.33	-	22.73	50.72	39.45
Plant and Machinery	25,083.26	617.46	-	25,700.72	6,658.44	1,607.16	-	8,265.60	17,435.12	18,424.82
Diesel Generator Sets	245.63	1.16	-	246.79	237.76	1.07	-	238.83	7.96	7.87
Caustic Recovery Plant	141.62	2.34	-	143.96	10.08	6.75	-	16.83	127.13	131.54
Testing Equipment	233.36	0.66	-	234.02	50.13	11.10	-	61.23	172.79	183.23
Electrical Installations	1,253.19	79.90	-	1,333.09	318.45	61.28	-	379.73	953.36	934.74
Weighing Machines	19.53	0.28	-	19.81	5.76	0.94	-	6.70	13.11	13.77
Water Works	45.29	1.56	-	46.85	9.78	2.16	-	11.94	34.91	35.51
Effluent Treatment Plant	379.50	52.46	-	431.96	25.34	19.14	-	44.48	387.48	354.16
Furniture and Fixtures	127.95	4.04	-	131.99	63.76	8.38	-	72.14	59.85	64.19
Vehicles	296.22	7.80	32.12	271.90	106.85	26.14	20.13	112.86	159.04	189.37
Data Processing Equipment	89.60	8.55	-	98.15	54.45	15.22	-	69.67	28.48	35.15
<b>Total - a</b>	34,206.54	1,347.80	32.12	35,522.22	8,253.50	1,918.07	20.13	10,151.44	25,370.78	25,953.04
<b>b Capital Work In Progress</b>										
	-	1,965.42	1,347.80	617.62	-	-	-	-	617.62	-
<b>Total - b</b>	-	1,965.42	1,347.80	617.62	-	-	-	-	617.62	-
<b>Total (a+b)</b>	34,206.54	3,313.22	1,379.92	36,139.84	8,253.50	1,918.07	20.13	10,151.44	25,988.40	25,953.04
<b>Less: Internal Transfer</b>										
	34,206.54	1,965.42	32.12	36,139.84	8,253.50	1,918.07	20.13	10,151.44	25,988.40	25,953.04
<b>Total</b>	33,676.17	530.37	-	34,206.54	6,369.26	1,884.26	-	8,253.52	25,953.02	27,306.91
Previous Year										



# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	AS AT 31.03.2012 Rs.	AS AT 31.03.2011 Rs.
<b>Note 11 NON-CURRENT INVESTMENTS :</b>		
<b>(At Cost - Non-Trade - Unquoted)</b>		
Investment in Equity instruments		
2600 Equity shares @ Rs.10 each in Regent Clothing (P) Ltd.,	0.26	0.26
205000 Equity shares @ Rs.10 each in Pangea Fabrics (P) Ltd.,	20.50	20.50
<b>Total</b>	<b>20.76</b>	<b>20.76</b>
(Aggregate amount of unquoted investments - Rs.20.76 Lakhs)		
<b>Note 12 LONG TERM LOANS AND ADVANCES :</b>		
<b>a. Deposits Recoverable</b>		
(Unsecured considered good)		
(Telephone, APSEB Electricity, Coal Deposit & other deposits)	446.96	343.71
<b>b. Security Deposit</b>		
(Secured, considered good)	0.12	0.12
(NSC pledged as security for Rs.5500/- with Sales Tax Dept.)		
<b>Total</b>	<b>447.08</b>	<b>343.83</b>
<b>Note 13 CURRENT INVESTMENTS :</b>		
<b>(At Cost - Traded - Quoted)</b>		
(a) Investments in Mutual Funds		
SBI Mutual Fund	-	500.00
<b>Total</b>	<b>-</b>	<b>500.00</b>
(Aggregate value of quoted investments - Rs. NIL /-)		
<b>Note 14 INVENTORIES :</b>		
(Valued and certified by the Management)		
a. Raw Materials*	2,920.37	4,902.33
(Valued at cost on weighted average basis)		
b. Stores and spares	679.03	382.93
(Valued at cost on FIFO Basis)		
c. Finished goods	2,453.66	2,032.30
(Valued at lower of cost or net realisable value basis)		
b. Work-in-progress	2,641.72	1,536.06
(Valued at lower of cost or net realisable value basis)		
e. Others - Cotton & PV Waste (at realisable value)	7.74	8.48
<b>Total</b>	<b>8,702.52</b>	<b>8,862.10</b>
*Details of Raw Material :		
Cotton	1,921.69	2,622.20
Polyster Staple Fibre	269.54	648.63
Viscose Staple Fibre	46.02	176.81
Yarn	364.58	724.02
Grey Fabric	318.54	730.67
<b>Total</b>	<b>2,920.37</b>	<b>4,902.33</b>

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	AS AT 31.03.2012 Rs.	AS AT 31.03.2011 Rs.
<b>Note 15 TRADE RECEIVABLES :</b>		
Receivables for a period exceeding six months		
Unsecured, considered good	205.54	135.03
<b>Total</b>	<u>205.54</u>	<u>135.03</u>
Receivables for a period less than six months		
Unsecured, considered good	4,081.50	4,837.53
<b>Total</b>	<u>4,081.50</u>	<u>4,837.53</u>
<b>Grand Total</b>	<u>4,287.04</u>	<u>4,972.56</u>
<b>Note 16 CASH AND CASH EQUIVALENTS :</b>		
a. Cash on hand	14.29	15.86
b. Balances with Banks		
With Scheduled Banks	690.29	758.48
c. Balance with Banks against Dividends payments	25.41	25.42
d. Balance with Banks against Margin Money / Guarantees	216.24	91.00
<b>Total</b>	<u>946.23</u>	<u>890.76</u>
<b>Note 17 SHORT-TERM LOANS AND ADVANCES :</b>		
<b>(Unsecured considered good)</b>		
a. Advances for Capital purchases	308.10	222.76
b. Advances for purchases of Raw Material & Stores	1,909.68	1,047.79
c. Advances to Staff *	43.75	29.91
d. Other Advances	285.27	198.81
e. Loans to Bodies Corporate	-	10.00
<b>Total</b>	<u>2,546.80</u>	<u>1,509.27</u>
<b>Disclosure pursuant to Note no.R (iv) of Part I of Schedule VI to the Companies Act, 1956</b>		
Other officers of the Company *	43.75	29.91
<b>Total</b>	<u>43.75</u>	<u>29.91</u>
<b>Note 18 OTHER CURRENT ASSETS :</b>		
TED Refund receivable	54.79	96.15
Interest subsidy receivable	226.77	435.10
Power Rebate Receivable	487.71	323.09
Export Benefit Entitlement Receivable	477.05	595.04
Pre-paid expenses	95.63	48.61
Excise Duty Refund Receivable	170.19	136.42
Balance With Central Excise Department	99.24	136.01
Accrued interest	40.79	29.48
Advance Tax (Net of Provision for Tax)	704.00	211.42
<b>Total</b>	<u>2,356.17</u>	<u>2,011.32</u>

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	Current Year 31.03.2012 Rs.	Previous Year 31.03.2011 Rs.		
<b>Note 19 SALE OF PRODUCTS :</b>				
Yarn	27,489.99	29,458.60		
Fabric	10,570.63	8,582.58		
Waste	954.05	721.53		
Export benefit Entitlement	1,019.34	665.70		
<b>Total Gross Sales</b>	<b>40,034.01</b>	<b>39,428.41</b>		
Less: Excise duty	4.66	2.81		
<b>Total Net Sales</b>	<b>40,029.35</b>	<b>39,425.60</b>		
<b>Note 20 OTHER INCOME :</b>				
Interest Income	39.60	28.59		
Dividend Income	0.65	0.05		
Excess provisions written back	3.61	15.18		
Scrap Sales	-	0.19		
Profit on sale of Vehicle	0.87	-		
Profit on sale of Raw Material	-	37.16		
Exchange Variance	-	161.77		
Discount on Buyback of FCCB's	-	336.54		
Commission Received	169.73	-		
Miscellaneous Receipts	2.50	0.99		
<b>Total</b>	<b>216.96</b>	<b>580.47</b>		
<b>Note 21 COST OF MATERIALS CONSUMED :</b>				
Opening Stocks	4,902.33	2,733.17		
Add : Purchases	23,634.98	25,682.59		
	<b>28,537.31</b>	<b>28,415.76</b>		
Less : Cost of Raw materials sold	192.83	181.82		
Less : Closing Stocks	2,920.37	4,902.33		
<b>Total Cost of materials consumed :</b>	<b>25,424.11</b>	<b>23,331.61</b>		
<b>Details of Raw Material Consumed :</b>				
Cotton	7,375.40	7,284.89		
Polyster Staple Fibre	11,084.66	10,049.32		
Viscose Staple Fibre	754.12	920.74		
Yarn	1,530.27	1,580.79		
Grey Fabric	4,679.66	3,495.87		
<b>Total</b>	<b>25,424.11</b>	<b>23,331.61</b>		
<b>Percentage of Imported and Indigeneous Raw Materials consumed :</b>				
Indigeneous	97.78%	24,859.10	100.00%	23,331.47
Imported	2.22%	565.01	0.00%	0.14
<b>Total</b>	<b>100.00%</b>	<b>25,424.11</b>	<b>100.00%</b>	<b>23,331.61</b>

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	Current Year 31.03.2012 Rs.	Previous Year 31.03.2011 Rs.
<b>Note 22 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (INCREASE)/DECREASE IN STOCKS</b>		
<b>OPENING STOCKS:</b>		
Yarn	702.79	364.94
Fabric	1,329.52	657.70
Work-in-process	1,536.06	724.04
Waste	8.48	3.23
<b>Total</b>	<b>3,576.85</b>	<b>1,749.91</b>
<b>CLOSING STOCKS:</b>		
Yarn	615.73	702.79
Fabric	1,837.93	1,329.52
Work-in-process	2,641.72	1,536.06
Waste	7.74	8.48
<b>Total</b>	<b>5,103.12</b>	<b>3,576.85</b>
	<b>(1,526.27)</b>	<b>(1,826.94)</b>
<b>Note 23 EMPLOYEE BENEFITS EXPENSE :</b>		
(a) Salaries,Wages and Bonus.	1,996.77	1,851.76
(b) Contributions to Funds	95.16	69.08
(c) Gratuity fund contributions	29.95	21.06
(d) Staff welfare expenses	156.54	127.67
<b>Total</b>	<b>2,278.42</b>	<b>2,069.57</b>
<b>Note 24 FINANCE COST:</b>		
Interest expense	2,851.03	2,026.42
Other borrowing costs	502.18	345.54
<b>Total</b>	<b>3,353.21</b>	<b>2,371.96</b>
<b>Note 25 DEPRECIATION EXPENSE :</b>		
Depreciation	1,918.08	1,884.26
<b>Total</b>	<b>1,918.08</b>	<b>1,884.26</b>

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	Current Year 31.03.2012 Rs.	Previous Year 31.03.2011 Rs.
<b>Note 26 OTHER EXPENSES :</b>		
Stores Consumed *	2,924.80	2,913.53
Power & Fuel	2,402.54	2,221.24
Processing & Conversion Charges	236.40	317.30
Repairs to :		
Buildings	15.36	3.51
Machinery	37.35	33.11
Other Assets	26.13	21.21
Rent	6.05	8.98
Security Charges	41.19	29.66
Rates & Taxes	284.15	302.71
Printing & Stationery	31.59	30.04
Postage, Telegrams & Telephones	42.93	40.48
Travelling & Conveyance	175.04	162.89
Commission on Sales	206.64	333.71
Expenses on Sales	1,011.09	910.27
Managerial remuneration	75.08	89.74
Directors' Sitting fees	0.67	0.65
Insurance	24.40	31.17
Advertisements	2.80	7.35
Payment to Auditors		
As Auditor	1.12	1.11
For Taxation Matters	0.34	0.33
For Certification	0.67	0.66
Cost Audit Fee	0.19	0.20
Legal & Professional Charges	36.33	83.94
Vehicle Maintenance	47.26	43.25
Miscellaneous Expenses	144.52	116.87
Donations	1.47	0.96
Loss on sale of Vehicles	4.67	-
Loss on sale of Raw Material	24.69	-
Exchange Variance (Net)	45.24	-
<b>Total</b>	<b>7,850.71</b>	<b>7,704.87</b>
<b>*Details of Stores Consumed</b>		
<b>Stores &amp; Spare parts consumption :</b>		
Consumable Stores	761.86	824.13
Dyes and Chemicals	1,223.84	1,205.33
Coating and Pigments	113.64	94.97
Paddy & Groundnut Husk	330.35	368.28
Packing Material Consumed	495.11	420.82
<b>Total</b>	<b>2,924.80</b>	<b>2,913.53</b>
<b>Percentage of Imported and Indigeneous Stores &amp; spare parts consumption :</b>		
Indigeneous	94.12%	82.32%
Imported	5.88%	3.24%
<b>Total</b>	<b>00.00%</b>	<b>85.56%</b>
	<b>2,752.73</b>	<b>2,398.43</b>
	<b>172.07</b>	<b>94.29</b>
	<b>2,924.80</b>	<b>2,913.53</b>

# SURYAJYOTI SPINNING MILLS LIMITED



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

PARTICULARS	Current Year 31.03.2012 Rs.	Previous Year 31.03.2011 Rs.
<b>Note 27 EARNING PER SHARE (EPS) :</b>		
Net Profit after tax as per statement of Profit & Loss attributable to equity shareholders	(1,042.78)	2,121.86
Weighted average Number of Equity Shares used as Denominator for Calculating <b>EPS</b>	18,572,071	16,268,898
Basic & Diluted Earning Per Share (Rs.)	(5.61)	13.15
Face Value per Equity Share (Rs.)	10.00	10.00

### Notes forming part of Balance Sheet as at 31st March, 2012 and Profit and Loss Statement for the year ended on that date

#### Note 28

PARTICULARS	AS AT 31.03.2012 Rs.	AS AT 31.03.2011 Rs.
<b>1. Contingent Liabilities not provided for</b>		
a. Contracts to be executed on capital accounts.	712.81	227.81
b. Against Foreign & Inland Letters of Credit	0.00	275.15
c. Against Bank Gaurantees	5.58	5.58
d. Fuel Surcharge Adjustment under dispute with APCPDCL	260.13	260.13
e. APSEB Liability under dispute	12.78	12.78
f. APGST under dispute with BPCL	12.21	12.21
g. Preference Share Dividend	56.43	0.00
<b>2. Value of Imports (CIF BASIS) in respect of</b>		
a. Rawmaterials	565.01	0.14
b. Stores & Spares	172.07	192.48
c. Plant & Machinery	281.18	0.00
<b>3. Expenditure in Foreign Currency during the year on Account of</b>		
a. Commission on Exports	121.92	183.53
b. Foreign Travel	153.27	80.65
c. Interest Payments	104.17	89.35
d. Repayment of Loans	293.47	0.00
<b>4. Earnings in Foreign Exchange</b>		
FOB Value of Exports	16970.71	16864.86



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

### 5 Trade Payables - Micro , Small and Medium Enterprises :

- A. Trade Payables includes (i) Rs. Nil (Previous Year Rs. Nil) due to Micro and small enterprises for a period Exceeding 30 Days registered under the Micro, Small and Medium Enterprises development Act, 2006 (MSME)
- B. No Interest is paid / Payable during the year to any enterprise registered under the MSMIE.
- C. The Above information has been determined to the extent such parties could be identified on the basis of the information available with the Company regarding the status of suppliers under the MSIME.

### 6 Related Party Disclosure

Related party disclosure as required by AS-18 "Related party disclosure" are given under:

Name of the Party	Relationship	Nature of Transaction	Current Year (Rs.)	Previous Year (Rs.)
R.K. Agarwal	Managing Director	Remuneration	39.07	50.94
A.K. Agarwal	Executive Director	Remuneration	36.01	38.80
Smt Neha Agarwal	Spouse of E.D	Salary	8.47	5.38
Smt Umabhai Agarwal	Spouse of M.D	Rent	6.00	6.00

### 7 Composition of Net Deferred Tax Liability

Particulars	Current Year (Rs.)	Previous Year (Rs.)
<b>DEFERRED TAX LIABILITIES</b>		
Depreciation	1081.81	1111.01
Deferred Revenue Expenses	0.00	0.00
	<u>1081.81</u>	<u>1111.01</u>
<b>DEFERRED TAX ASSETS</b>		
Unabsorbed Depreciation	262.06	38.45
Benefits fo Employees	20.76	19.52
Others	0.00	0.34
	<u>282.82</u>	<u>58.31</u>
<b>Deferred Tax Liability (Net)</b>	<u><u>798.99</u></u>	<u><u>1052.70</u></u>

- 8 In the opinion of the Board, the current assets and loans & advances have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Figures in Rs. Lakhs)

9 Vide Notification No.30/09.07.2004 of the Central Excise Department we can opt for zero rate of duty by not taking Cenvat credit on Inputs and vide Tariff rate (Previous year under Notification No.29/09.07.2004) of Central Excise Department option can be exercised for payment of duty on Final products by taking credit on inputs and capital items. Accordingly in case of Cotton yarn the Company has opted for Zero rate of duty and not availed Cenvat credit on the purchase of inputs and capital items, where as in case of Polyester yarn we have taken cenvat credit on part of the rawmaterial which are used for production of polyester yarn meant for export, and cleared the material for export on payment of duty.

### 10 Employees Benefits : Gratuity

Consequent to the adoption of Accounting Standard on employees Benefits (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made as required by the Standard for Actuarial valuation of Gratuity.

PARTICULARS	As on 31-Mar-2012 Rs.	As on 31-Mar-2011 Rs.
<b>Profit &amp; Loss Account</b>		
Current Service Cost	9.77	7.69
Interest Cost on benefit obligation	5.34	4.03
Expected return on plan assets	NIL	NIL
Net Actuarial (gain) Loss recognized in the year	8.39	9.21
Past services cost	NIL	NIL
Net Benefit Expenses	23.50	20.94
<b>Actual return on plan assets</b>		
<b>Balance Sheet</b>		
<b>Details of Provision for Gratuity</b>		
Change in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	66.79	50.39
Interest cost	5.34	4.03
Current services cost	9.77	7.69
Benefits paid	0.00	(4.54)
Actuarial (gains) / Losses on obligation	8.39	9.21
Closing defined benefit obligation	90.29	66.79
<b>Assumptions</b>		
Salary Rise	4%	4%
Attrition rate	6%	6%
Discount rate	8%	8%

11 Consequent to the Notification under the Companies Act, 1956, the financial statements for the year ended 31st March,2012 are prepared under Revised Schedule VI. Accordingly, the Previous year's figures also have been reclassified to confirm to this year's classification.





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## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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### Note 29

#### SIGNIFICANT ACCOUNTING POLICIES

**1. Accounting Convention:**

The Financial statements are prepared based on historical cost convention and in accordance with generally accepted accounting principles.

**2. Fixed Assets:**

Fixed Assets are stated at cost net of depreciation provided in the statements. Costs of acquisition of fixed assets is inclusive of all direct and indirect expenditure upto the date of commercial use.

Depreciation is provided on straight line method in accordance with the rates prescribed under Schedule XIV to the Companies Act, 1956

**3. Inventories:**

Inventories are valued at the lower of cost and net realisable value. The cost of Rawmaterials are computed by using weighted average method. Stores & Spares are computed by using FIFO method.

**4. Derivative Transactions :**

The company uses derivative financial instruments such principal only swaps for the purpose of cost reduction. In case of loss the transactions having protection are taken as contingent liability and where protection is knocked out has been written off to profit & loss a/c

**5. Investments:**

Investments are stated at cost and diminution in the value, which is permanent in nature, is provided for. Investments are stated at cost or Net realisable value, which ever is lower.

**6. Contingent Liabilities:**

Liability in respect of contingent nature are mentioned by way of note to accounts and will be paid / provided on crystallisation.

**7. Employee Benefits :**

As per AS 15 Employee benefits - the disclosure of employee benefits as defined in the Accounting Standard are given Below :

Company's contribution to PF determined under relevant statute and charged to Revenue. The gratuity contribution has been made on the basis of actuarial valuation determined under projected unit credit method. Liability for Leave encashment is provided for on the basis of the Accrued leaves at the close of the year.

**8. Sales:**

Sales Includes the amount receivable for goods sold including excise duty, sales tax and export incentives, which are recognised on accrual basis thereon and net of discounts.

**9. Foreign Exchange Transactions:**

Foreign currency transactions are recorded at the rates prevailing on the date of the transactions. The monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Balance Sheet date or at the rates of exchange fixed under contractual arrangements. Foreign currency

# SURYAJYOTI SPINNING MILLS LIMITED



assets and liabilities are stated at the rate of exchange prevailing at the year end and resultant gains / losses are recognised in the Profit & Loss account.

## 10. Accounting for Income Tax:

The Provision for taxation for the year, comprising of current tax and deferred tax is based on tax liability computed in accordance with relevant tax rates and tax laws as at the balance sheet date. Provision for deferred tax is made for all timing differences arising between taxable income and accounting income at rates that have been enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognised only if there is a reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective Carrying value at each balance sheet date.

## 11. Earnings Per Share:

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity share holders by weighted average number of equity shares outstanding during the year.

As per our report of even Date

For and on behalf of the Board

for **Brahmayya & Co.,**  
Chartered Accountants  
Firm Registration No.000513S

**K S Rao**  
Partner  
Membership No.15850

**R K Agarwal**  
Managing Director

**A K Agarwal**  
Executive Director

Place : Hyderabad  
Date : 30.05.2012

**M Bala Guravaiah**  
Vice President (Finance)

**N Madhavi**  
Company Secretary



## SURYAJYOTI SPINNING MILLS LIMITED

Registered Office: Burgul Village, Farooqnagar Mandal, Mahabubnagar District. A.P.  
Corporate Office: 7th Floor, Surya Towers, 105, Sardar Patel Road, Secunderabad - 500 003.

### ATTENDANCE SLIP

**29th Annual General Meeting, 28th September, 2012 at 11.30 A.M.**

Regd. Folio No.	
No. of Shares held	

* DP ID:	
* Client ID:	

Name of the Shareholder	
Name of Proxy	
Signature of Member / Proxy	

I hereby record my presence at **29th Annual General Meeting** of the Company at Registered Office: Burgul Village, Farooqnagar Mandal, Mahabubnagar District, A.P.

#### SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

\_\_\_\_\_  
**If Member, Please sign here**

\_\_\_\_\_  
**If Proxy, Please sign here**

Note: This form should be signed and handed over at the Meeting Venue. No duplicate Attendance Slip will be issued at the Meeting Hall. You are requested to bring copy of the Annual Report to the Meeting.

\* Applicable for investors holding shares in electronic form.



## SURYAJYOTI SPINNING MILLS LIMITED

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### PROXY FORM

Regd. Folio No. \_\_\_\_\_

* DP ID:	
* Client ID:	

I/We ..... Resident of ..... being a member/ members of SURYAJYOTI SPINNING MILLS LIMITED hereby appoint Sri/Smt. .... of ..... or failing him/her Sri/Smt. .... of ..... as my/our proxy to attend and vote for me/us on my/our behalf at the 29th Annual General Meeting of the Company to be held at Registered Office: Burgul Village, Farooqnagar Mandal, Mahabubnagar District, A.P, on Friday, the 28th September, 2012 at 11.30 A.M. and at any adjournment thereof.

As witness my/our hand(s) this ..... day of ..... 2012.

Signed by the said .....



NOTE: The Proxy Form must be deposited at the Registered Office/Corporate Office of the Company, not less than 48 hours before the time for holding the meeting.

\* Applicable for investors holding shares in Electronic Form.

**BOOK - POST**  
**PRINTED MATTER**

If undelivered, please return to:

**SURYAJYOTI SPINING MILLS LIMITED**

**Corp. Office :**

Surya Towers, 7th Floor, 105, Sardar Patel Road,  
Secunderabad - 500 003.

Ph : +91- 40-27810086 / 27898842 / 27814265

Fax : +91-40-27846837

e-mail : [info@suryajyoti.com](mailto:info@suryajyoti.com)

website : [www.suryajyoti.com](http://www.suryajyoti.com)