



Responding to *Rejuvenate*



Shri Lakshmi Cotsyn Limited



25th Annual Report 2012-13




Forward looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected, readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether because of new information, future events or otherwise.

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A *challenge* only becomes an obstacle when you bow to it.

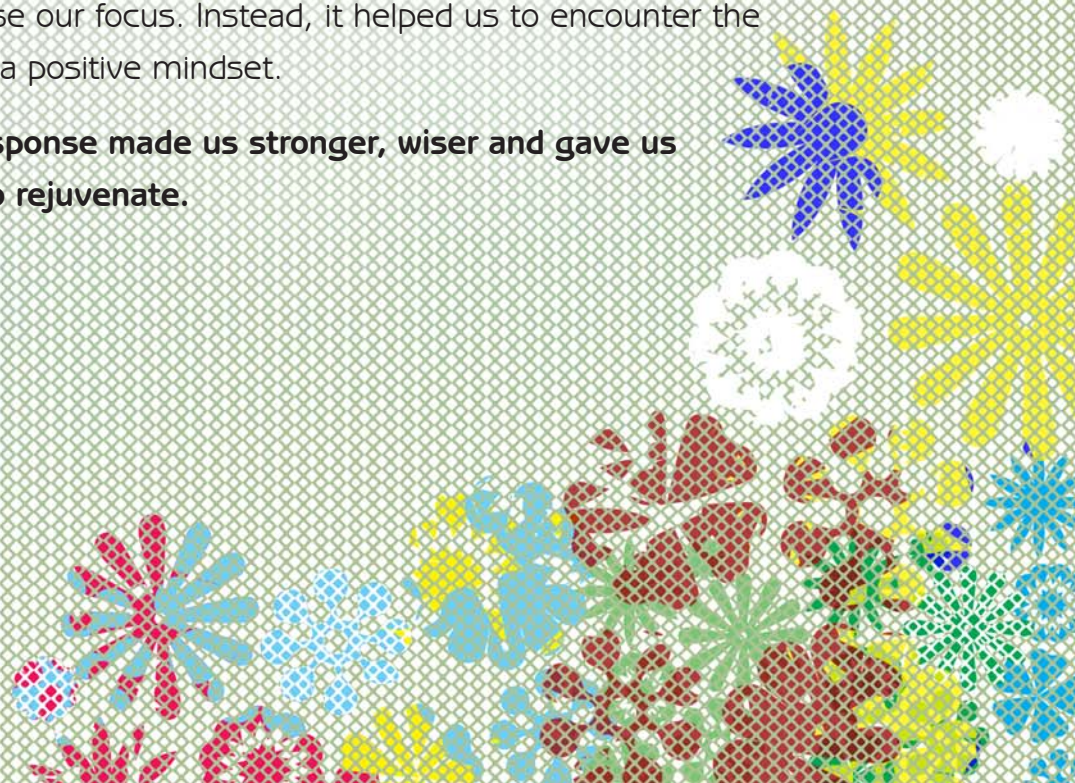
At Shri Lakshmi Cotsyn, the year 2012-13 will be marked as the toughest phase in the 25 years of our operations.

While on one hand we integrated, embraced technological innovations, developed unique products and built sufficient capacities to meet customer aspirations, there were certain unfortunate uncertainties that greeted us as an unpleasant guest.

Stabilization of commercial production from the new capacities could not be streamlined due to non-release of TUF subsidy and unanticipated delay in the release of project funding. The liquidity position of the Company was impacted to such an extent that the Company had to request for restructuring of its debt under the Corporate Debt Restructuring (CDR) mechanism

However, our strong pillars of success and determination did not allow us to lose our focus. Instead, it helped us to encounter the obstacle with a positive mindset.

Our every response made us stronger, wiser and gave us confidence to rejuvenate.





Information



BOARD OF DIRECTORS

Dr. M. P. AGARWAL - Chairman cum Managing Director

Mr. PAWAN KUMAR AGARWAL - Joint Managing Director

Mr. DEVESH GUPTA - Dy. Managing Director

Mr. DILEEP BAJAJ - Executive Director

Mrs. SHARDA AGARWAL - Executive Director

Mr. R. K. GARG - Independent Director

Dr. G. N. MATHUR - Independent Director

Mr. PRAMOD KUMAR SINGH - Independent Director

COMPANY SECRETARY & FINANCE CONTROLLER

Mr. RAKESH KUMAR SRIVASTAVA

PRESIDENT WORKS

MR. B. R. GARG

STATUTORY AUDITORS

M/s PRADEEP & ASSOCIATES

Chartered Accountants

27/78 A, Gagan Deep Complex

Birhana Road, Kanpur-208001

Ph. No. (0512) 2313665

INTERNAL AUDITORS

M/s AJAI SHANKER & COMPANY

Chartered Accountants

112 / 206-A, Swaroop Nagar, Kanpur - 208002

Ph. No. (0512) 2551249

COST AUDITOR

Mr. A. K. SRIVASTAVA

96 Harjender Nagar, Kanpur - 208007

Ph. No. 09839116989

LEGAL ADVISOR

MR. RAM GOPAL PANDEY - Advocate

Chamber No. - 17, First Floor

Pt. M.L. Nehru Adhivakta Bhawan, Civil Court, Kanpur

Ph. No. (0512) 2665598

MR. SHARAD KUMAR BIRLA - Advocate

7/17-A, II Floor, Parwati Bangla Road

Kanpur - 208002

Ph. No. (0512) 2531307

P. R. ADVISOR

S. K. ADVERTISERS

MIG F- 4, Gujaini, Kanpur.-208022

Ph. No. (0512) 2282265

BANKERS (CDR MEMBERS)

1. Central Bank of India
2. Syndicate Bank
3. Union Bank of India
4. Canara Bank
5. Bank of Baroda
6. Punjab National Bank
7. Indian Bank
8. State Bank of Travancore
9. State Bank of Patiala
10. State Bank of Mysore
11. Exim Bank
12. Oriental Bank of Commerce
13. Allahabad Bank
14. IDBI Bank
15. Vijaya Bank
16. Corporation Bank
17. State Bank of Bikaner & Jaipur
18. Axis Bank
19. Saraswat Bank
20. Andhra Bank

MONITORING INSTITUTION FOR LENDERS

Central Bank of India

CFB, Jeevantara Building, Parliament Street,

New Delhi - 110001

SECURITY TRUSTEE FOR LENDERS

Centbank Financial Services Limited

1st Floor, Link House, Bahadurshah Zafar Marg

New Delhi - 110002



REGISTERED OFFICE

19/X-1 Krishnapuram
G.T Road, Kanpur, U.P. 208007
Ph. No. (0512) 2402893, 2402733

CORPORATE OFFICE

C-40, Sector-57, Noida. U.P.
Ph. No. (0120) 4544780

SUBSIDIARY COMPANIES

- 1. SLCL Overseas (FZC)**
SAIF Zone P.O.8000,
Sharjah, U.A.E.
- 2. Shri Lakshmi Defence Solutions Ltd.**
Rahsoopur Gate No. 133, Tehsil Bindki,
Industrial Area, G.T.Road, Dist. Fatehpur
- 3. Synergy Global Home Inc.**
160 Green Tree Drive, Suite 101, Dover
Kent – 19904, USA

REGISTRAR & TRANSFER AGENTS

M/s Abhipra Capital Ltd.
GF-58-59 World Trade Centre,
Barakhamba Lane, New Delhi
Ph. No. (011) 23414629, 23413893
Mail ID: rta@abhipra.com

UNITS

- (a) MALWAN UNIT**
UPSIDC Industrial Area
P.O. Malwan Dist. Fatehpur, U.P.
Ph. No. (05181) 248669
- (b) AUNG UNIT**
P.O.Aung, GT Road, Dist. Fatehpur, U.P.
Ph. No. (05181) 251184 / 48
- (c) ABHAYPUR UNIT**
P.O.Aung, GT Road, Dist. Fatehpur, U.P.
- (d) REWARI BUJURG UNIT**
Village & Post - Rewari Bujurg
Pargana & Tehsil - Bindki, Dist. Fatehpur, U.P.
- (e) NOIDA UNIT**
C-40, Sector-57, Noida
Ph. No. (0120) 4722700

(f) ROORKEE UNIT

Dev Bhoomi Industrial Estate,
Village Banta Kheri, Tehsil Roorkee,
District Haridwar, Uttaranchal
Ph. No. (01332) 231961

(g) SONEPAT UNIT

Village-Libaspur, District- Sonapat, Haryana
Ph. No. (0130) 2381579

(h) SPINNING UNIT

UPSIDC Industrial Area,
P.O. Malwan Dist. Fatehpur, U.P

WEBSITE

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CORPORATE IDENTITY NUMBER (CIN)

L17122UP1988PLC009985

DEMAT ISIN NSDL & CDSL

INE851B01016

LISTING

Bombay Stock Exchange

Floor 25, P.J. Towers,
Dalal Street, Mumbai 400001
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Bandra (E), Mumbai 400051
Ph. No. (022) 26598100

UTTAR PRADESH STOCK EXCHANGE

"Padam Tower", Civil Lines,
Kanpur - 208002
Ph. No. (0512) 2338220

SCRIP CODE

BSE: 526049

NSE: SHLAKSHMI

BLOOMBERG CODE

SLCL IN

REUTERS CODE

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Management Discussion and Analysis

COMPANY OVERVIEW

Shri Lakshmi Cotsyn Limited (SLCL) is one of the largest textile players in northern India. It has established itself as a manufacturer of cotton and blended fabrics, readymade garments, technical textiles, embroidered fabric, quilts, fusible interlining, denim, terry towels, bottom weights, home furnishing etc. Besides, the Company also manufactures high margin technical and safety textiles (Water Repellent Bed Linen, Vitamin E bed Linen, Fire Retardant Fabrics, Organic Bedspread, Breathable Fabrics, NBC (Nuclear, Bio-Chemical) Fabrics, MSCN (Multispectral Camouflage Nets) Fabric, Flex Fabric, Black out & ECW (Extreme Cold Weather) Fabric. The Company has SLCL state-of-the-art manufacturing facilities located across India. The DSIR approved R&D capabilities and its talented design team, allows the Company to focus on delivering innovative textile products.

GLOBAL TEXTILE INDUSTRY

The global textiles and apparel industry has evolved over the years. Countries like US, European Union, China, Japan

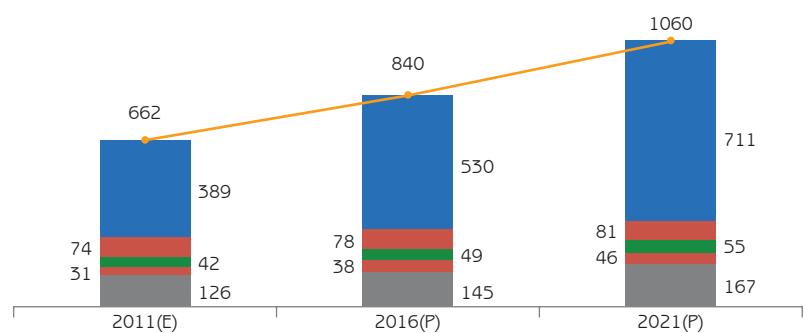
and India are amongst the largest consumption hubs for textiles. While production is highly concentrated in China, India, Bangladesh, Vietnam and Turkey. Capacity-wise, China, India, Pakistan, Bangladesh, Thailand and Indonesia are amongst the global leaders, with China alone having a lion's share of around 45% of the global installed spinning and weaving capacity.

Over the past 15 years, the Global Textile industry has consistently witnessed a modest compound annual growth rate (CAGR) of 5%. According to US Comtrade, Technopak analysis estimates, global fibre demand is expected to witness 2% CAGR and reach USD 123 bn by 2021. Yarn demand, on the other hand, is expected to witness 3% CAGR and reach USD 303 bn. Volume-wise, global fibre demand is estimated to reach 63 mn tonnes while yarn demand is expected to reach 89 mn tonnes over the same period. Global fabric demand, on the other hand, is projected to increase at a 3% CAGR to reach 477 bn sq. m and at an estimated value of USD 477 bn by 2021.

GLOBAL TEXTILE AND APPAREL TRADE

CAGR 2011-12 (%)

Apparel	6
Fabric	1
Yarn	3
Fiber	4
Others	3
Total	5



(Source: Textile & Apparel Compendium 2012)

SLCL's extensive marketing and distribution network spans across India and abroad. It has some of the globally recognised clientele like IKEA, Wal-Mart, Macy's, Bed Bath & Beyond, Loblaws, JC Penney, Shopco, Meijer's, Lacoste, Frette, Westport, HBC, El-Corte Ingles and Sheet Street, among others. The Company is exploring further possibilities of adding more clients in the US and Europe.

INDIAN TEXTILE INDUSTRY

Overview

The Indian textile industry enjoys contributes 4% to the gross domestic product, approximately 14% to industrial production, 12% of the country's total exports, 27% of total foreign exchange earnings and is the second largest employment provider.

India is one of the world's most competitive manufacturers of yarn, fabric and garments owing to abundant raw material

1.60 lac crore+

Indian commercial banks' exposure to the country's textile sector.

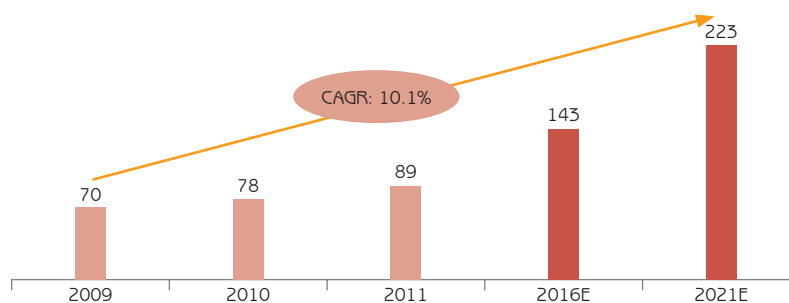
availability (cotton, wool, silk, jute) and relatively cost-effective workforce. The presence of a number of small-scale players makes the industry very competitive despite large and growing market. Thus, encouraging manufacturers to produce smartly and innovatively.

After a challenging 2011-12, the Indian textiles sector recovered significantly. There was around 7.5% rebound in sales and realisation owing to increase in demand. Productivity on the other hand, also witnessed a growth. Both yarn and fabric production increased by approximately 6.8% and 7.1%, respectively. On the export front, the sector witnessed a mild recovery and grew by around 8% in rupee terms. With declining rupee and revival of demand from countries like US and UK, the sector is expected to witness good times ahead.

Opportunities

The Indian textiles and apparel market has a strong potential to expand at a CAGR of 10.1%. India has been increasingly favoured for textile and apparel production among the Asian nations owing to deteriorating export-competitiveness of China. Besides, increasing domestic and international demand shall further boost the sector. The sector is expected to be worth USD 223 bn by the end of 2021.

MARKET SIZE OF INDIAN TEXTILE INDUSTRY – DOMESTIC AND EXPORT (USD bn)



(Source: Technopak, Ministry of Textiles)

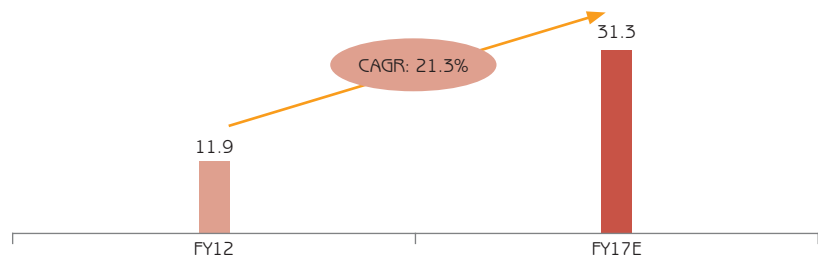


Technical textiles

The technical textile segment is expected to expand at a CAGR of 21.3% between FY12–17 to USD 31.3 bn. This growth shall be driven by the healthcare and infrastructure sectors.

The government has made an allocation of USD 1 bn for SMEs and has also provided an exemption in custom duty for raw materials used by the sector. Government further plans to launch a USD 44.2 mn mission for the promotion of technical textiles, and cleared plans to set up a new research centre for the industry.

Technical textiles industry (USD bn)

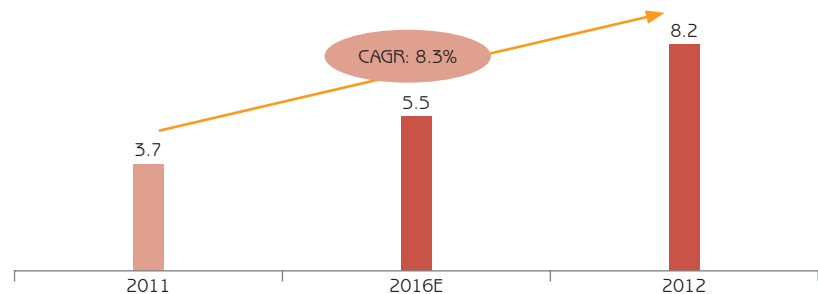


(Source: Ministry of Textiles, Techtextil, IBEF)

There has been a significant increase in the sale of home textiles products like rugs, carpets, curtains, upholsteries, bed linens and towels owing to growth of housing, office, hospitality and healthcare. Today India accounts for 7% of global home textiles trade. Superior quality makes companies

in India a leader in the US and the UK, contributing two-third to their exports. Going ahead, the industry is expected to expand at a CAGR of 8.3% and is expected to be valued at USD 8.2 bn by 2021.

Home textiles industry (USD bn)



(Source: Ministry of Textiles, Techtextil, IBEF)

Ready-made garments

Men's wear dominated readymade garments sector, is now witnessing a growing contribution from women's as well as kid's wear. The growth from this sector is largely driven from tier I cities. However, various players in this segment now consider tier II and tier III cities as part of the business expansion. Further, new concepts such as plus size clothing, customised clothing, etc. are contributing to the growth of this segment. India's readymade garment industry aims to achieve Rs 80,000 crore exports in 2013-14, an 8-10% growth over previous year.

Denim

Rising number of working women, lifestyle changes and evolving culture has driven the demand for western wear, specifically jeans amongst women. Growing brand awareness and consciousness has given push to the organized denim market. According to RNCOS research, the Indian denim market is projected to expand at a CAGR of over 18% between 2012-2015.

CHALLENGES

Despite growth opportunities, the textile industry is exposed to several hurdles with respect to production, marketing, exports and support infrastructure. **These include:**

- ✿ Lower value-addition
- ✿ Lower economies of scale
- ✿ Slow modernisation process
- ✿ Volatile raw material prices
- ✿ Weak supply chain linkages
- ✿ Lack of efficient R&D infrastructure
- ✿ Threat from competitors
- ✿ Weak brand promotion
- ✿ Higher interest rates
- ✿ Relatively large market segment still unorganised
- ✿ Volatile fuel costs
- ✿ Unanticipated exchange rate fluctuations

GOVERNMENT INITIATIVES

Government's support with favourable policies has been a key ingredient for the growth of this industry. Here are some of the initiatives:

Technology Upgradation Fund Scheme

The scheme ensures a 5% interest rate reimbursement charged by the banks and financial institutions to ensure credit availability for technology upgradation. The scheme also proposes 5% reimbursement of interest charged by the financial institutions, provides safeguard against exchange

rate fluctuations (not exceeding 5% per annum) and 5% interest reimbursement and 10% capital subsidy for specified finishing machinery, garmenting machinery and technical textiles machinery.

Scheme for Integrated Textile Parks

The Ministry of Textiles plans to emphasise the weaving sector through the Technology Upgradation Fund Scheme (TUF5). The scheme encourages the establishment of Greenfield textile infrastructure where the State Government will provide technical advisory and fund 40% of the project. Central Government will provide the balance finance along with land acquisition and infrastructure support.

Integrated Skill Development Scheme

This scheme was launched in October 2010 to address the training needs of the textiles workers to meet manpower requirement. It planned to train over 2.7 Mn persons over 5 years with an estimated cost of Rs 19.5 Bn.

Technology Mission of Technical Textiles

The mission aims to address infrastructure improvement in terms of testing facilities, market development support, skilled manpower, R&D and defining specifications and standards for technical textiles, among others. Besides, it also focuses on supporting other activities like business start-ups, workshops, social compliances, market development for institutional and export business and promoting contract research and development through IITs / TRAs / Textile Institutes.

BUDGET HIGHLIGHTS, 2013-14

Focus area: Mechanisation

- ✿ Extension of TUF5 to the 12th Five Year Plan, with an investment target of USD2.9 bn
- ✿ Allocation of USD0.5 bn over 2013–14 for modernisation of the power loom sector

Focus area: Tax Sops and Financial Package

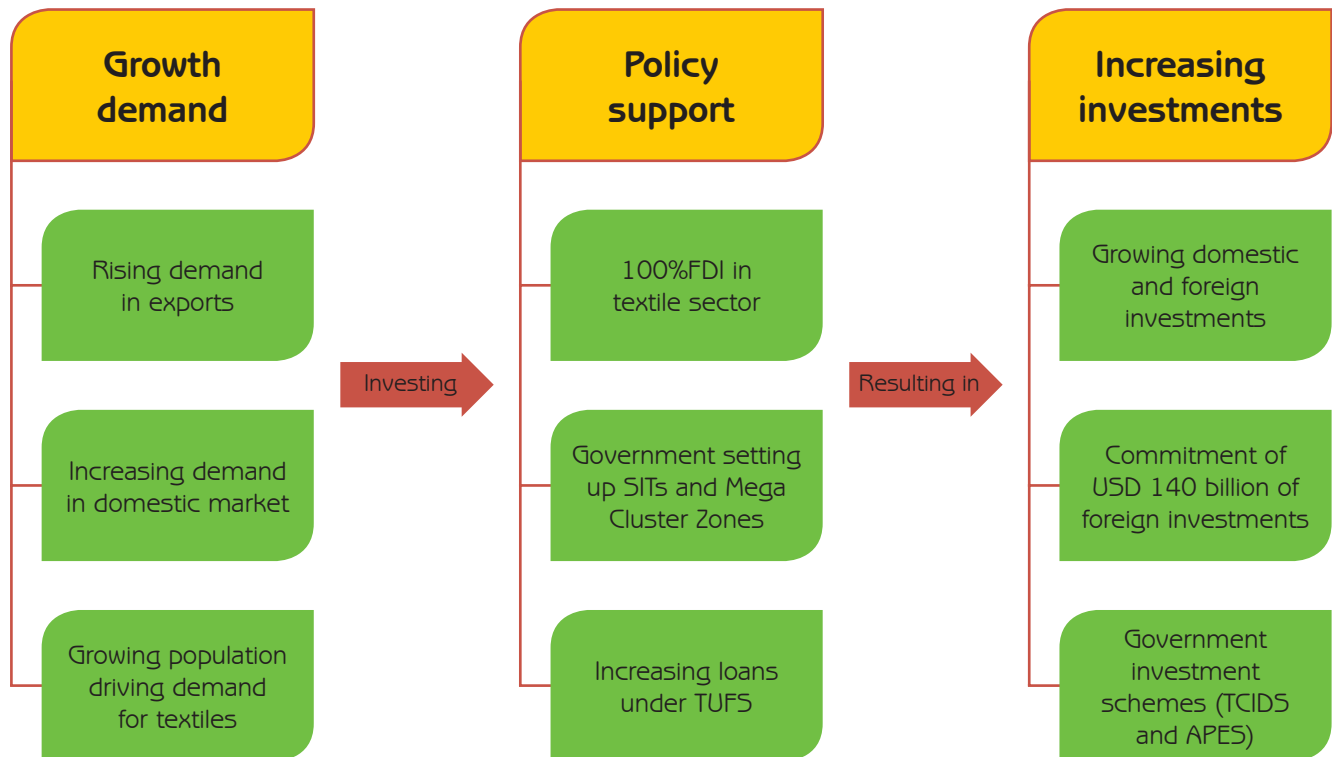
- ✿ Exemption of excise duty for the cotton and man-made sector at yarn, fabric and garment stages
- ✿ Reduction in duty for imported textile machinery and parts from 7.5% to 5.0%
- ✿ Exemption on excise duty for hand-made carpets and textile floor

Focus area: Infrastructure support

- ✿ Allocation of USD10.4 mn for apparel parks under SITP
- ✿ Proposal for a new Integrated Processing Development Scheme in the 12th Plan with an outlay of USD1041.5 mn to address environmental concerns of the industry



STRONG FUNDAMENTALS COMBINED WITH POLICY SUPPORT AUGURS WELL FOR THE TEXTILE INDUSTRY GROWTH



(Source: Ministry of Textiles & IBEF)

INDIAN DEFENCE SECTOR

India is in a position to build a vibrant local defense-industry ecosystem that can support both domestic and export requirements. The sector, currently valued at an estimated \$12bn, is expected to continue on its growth trajectory, largely driven by capital-equipment spending. Other factors responsible for driving domestic demand include:

- ✿ Changing geo-political scenario on India's borders may augment need for defence equipments
- ✿ Replacement of obsolete inventory with latest equipments to combat emergencies
- ✿ Internal security requirements for town/city surveillance

According to the Deloitte Aerospace and Defence Outlook 2013, India is poised to become a favourite destination for

global defence sector players with the total offset opportunity for the commercial segment in the country set to cross the \$10-bn mark in 2013. With the Government expected to raise the foreign investment limit in the defence sector to 49% from 26% this year, the country is likely to witness a rush of investments. Increasing private sector participation, will further aid the industry transformation.

SWOT ANALYSIS OF SLCL

Strengths

- ✿ Promoters have rich experience in the textile industry and they are familiar with the change in demand pattern
- ✿ Established a good reputation in the market as reliable manufacturer and supplier of quality products
- ✿ Technically sound with ultra modern machineries