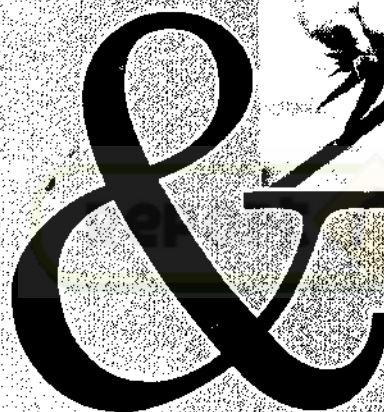



ANNUAL REPORT 2005-2006

Making the fabric of life



the life of fabric...

a synergistic whole

SURYALAKSHMI  COTTON MILLS LTD.



Advanced & fully Integrated Textile facility

Leading & rated among the top few manufacturers

Growing by leaps & bounds : Capacity tripled in last 3 years

Product sold in 25 countries & more around the globe

& An IS/ISO 9001 : 2000 certified Company



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As a fully integrated textile manufacturer setting world class standards, Suryalakshmi Cotton Mills is committed to weaving quality into life. Quality that results from winning strategies aimed at customer satisfaction. And the results are there for all to see. A global presence: in over 25 countries. A sought after range of textile products. Gross Income of the company poised at Rs. 241 crore for the year ended March 2006. Net profit risen to Rs. 30 crore. These are figures that are evocative of growth, progress and the on-going commitment to raise standards of excellence in the textile industry.

Our quality commitment is dedicated across the globe to our shareholders, our customers, our workers, our partners and every citizen who is so seamlessly woven in the fabric of our lives.

CHAIRMAN'S MESSAGE



Dear shareholders,

I am happy to share with you the financial results of Suryalakshmi and its plans for future.

The textile industry, as you are all aware is poised to make a quantum leap with the abolition of the quota regime. The Government is also positively disposed towards the industry, in view of the excellent potential it holds for the Country's growth. The textile industry will naturally play a major role in realizing the Indian ambitions of being a major global player.

In the first year of exciting developments for the textile industry in this post quota regime, Suryalakshmi has achieved a fairly satisfactory growth in all the performance parameters.

Last year I spoke to you about the expansion plans in the yarn and denim business of the Company and also its foray into Garment manufacturing. I am happy to be able to tell you that the expansions conceived earlier are nearing completion. The full effect of these expansions naturally will be felt in the current year. In the yarn division, the Company has entered into the manufacture of blended yarns, which will broad base the product range.

The Subsidiary Company's Garment Unit is also about to commence commercial production shortly. The maximum beneficial effect of the removal of quota restrictions is expected to be reaped by the garment industry. Naturally the state of the art garment facility that has been set up should yield good results.

In the emerging scenario for the textile industry, continuous growth while maintaining highest quality standards is the only way to take the competition head on. Therefore, we are working on further plans for growth in the Spinning and Weaving segments and exploring the entry into fabrics other than denim also.

I am also happy to share with you that the Company has been able to reward the shareholders well on the enhanced capital.

As in the past at Suryalakshmi we have been taking Human Resource Development and Employee Welfare in all seriousness in letter and spirit, especially with the growing needs of a trained and satisfied work force. Our responsibility as a corporate citizen cannot be complete without a commitment to maintain a pollution free environment.

In all these endeavours I am sure, you will all stand by the Company and take it to newer heights of excellence.

Thanking you for trusting us,

L N AGARWAL

LEADERSHIP

Board of Directors

Sri L N Agarwal

Chairman & Managing Director

Sri Paritosh K Agarwal

Managing Director

Sri R Surender Reddy

Dr. A Nageswara Rao

Sri Navrang Lal Tibrewal

Sri R S Agarwal

Sri M H Kulkarni

Sri Baratam Srinivas

Sri H L Ralhan

L N AGARWAL

Sri L.N.Agarwal has vast experience in all facets of cotton & synthetic textile industry spanning over five decades. He is the Chairman and Managing Director of the Company and floated the flagship Company Suryalakshmi Cotton Mills Limited in 1962. He was instrumental in floating the other Companies viz., Suryavanshi Spinning Mills Limited, Surya Jyothi Spinning Mills Limited and Suryalata Spinning Mills Limited.

PARITOSH K AGARWAL

Sri Paritosh K Agarwal, a graduate, is the Managing Director of the Company. He has adequate exposure in all the aspects of textile industry having acquired hands on experience in marketing, exports and production in the group Companies. He played a major role in setting up the Denim Division and building up the export business of the Company and has extensively travelled abroad and acquired deep knowledge of the International Markets.

R SURENDER REDDY

Sri R.Surender Reddy has wide experience in business and politics. He was a Member of Parliament for four terms and was also a Member of Legislative Assembly (Andhra Pradesh) for four terms. He was also on the Board of Andhra Bank and A.P. State Financial Corporation. He has been the Chairman of Hyderabad Race Club for several years and is very well known in Corporate circles.

LEADERSHIP

DR.AKKINENI NAGESWARA RAO

Dr.Akkineni Nageswara Rao is a Cine Artiste of international reputation who has been honoured with a Dada Saheb Phalke Award by the Government of India. He is a very well respected person in the Culture & Art Circles and also has wide experience in Industry and Commerce.

NAVRANG LAL TIBREWAL

Sri Navrang Lal Tibrewal is an Advocate by profession and was appointed as a Judge of the Rajasthan High Court in 1990. He was appointed as the acting Chief Justice of Rajasthan High Court in May, 1998 and was subsequently appointed as the Governor of Rajasthan and he retired as such in January, 1999.

R S AGARWAL

Sri R.S.Agarwal is a Chemical Engineer by profession and has been with Industrial Development Bank of India for nearly three decades and has retired as Executive Director in October, 2002. He has extensive experience and wide knowledge in the field of Project Finance.

M H KULKARNI

Sri M.H.Kulkarni is M.A. (Eco.), CAIIB and has been with IDBI for the past 28 years. He is now the General Manager of the IDBI Ltd., Hyderabad. He is the Nominee Director of IDBI Ltd.

BARATAM SRINIVAS

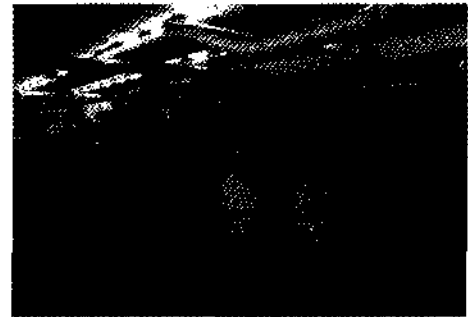
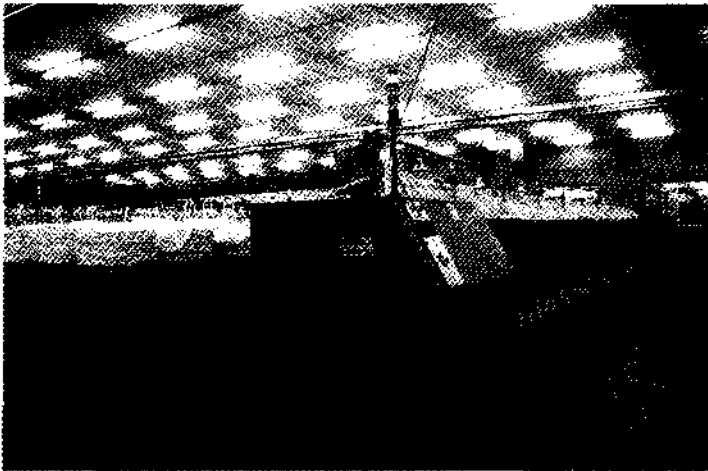
Sri Srinivas is an Engineer in Electronics and an MBA with wide and diversified experience in Capital Markets & Investments. He is the nominee of UTI venture Funds on the Company's Board.

H L RALHAN

Sri H.L. Ralhan is the Chief Executive of the Company's Denim Division and has been instrumental in its setting up and growth. He is a Textile Technologist by profession.

LIFE-BLOOD OF SUCCESS

Strategy



Behind the lively success of Suryalakshmi is a strategic mix of factors. This has evolved a formula that has engendered growth in every area and overall prosperity for the shareholders.

The magic of Vertical Integration

Equipped with a fully integrated denim division from yarn to finished fabric; completing the value chain with denim garmenting.

Innovative Raw Material Sourcing

Putting into use decades of rich experience in cotton selection and financial strength to buy at the best rates, required cotton of the coarse count range is sourced from the nearby Vidharbha region.

Eagle-eyed Customer Orientation

The customer comes first, the customer is at the core of our activities. It is for the customer that we make the widest range of products and constantly develop new varieties to meet the ever changing fashion needs. It is for the customer that we deploy exacting quality standards. It is for the customer that we meet demanding delivery schedules at highly competitive prices.

Evolving Technological Might

To be a world leader requires not just meeting standards but setting standards. This requires constant technological and product innovation, continual modernization and expansion and on-going ramping up. These are the reasons why the company's plants are ranked among the best in the world.