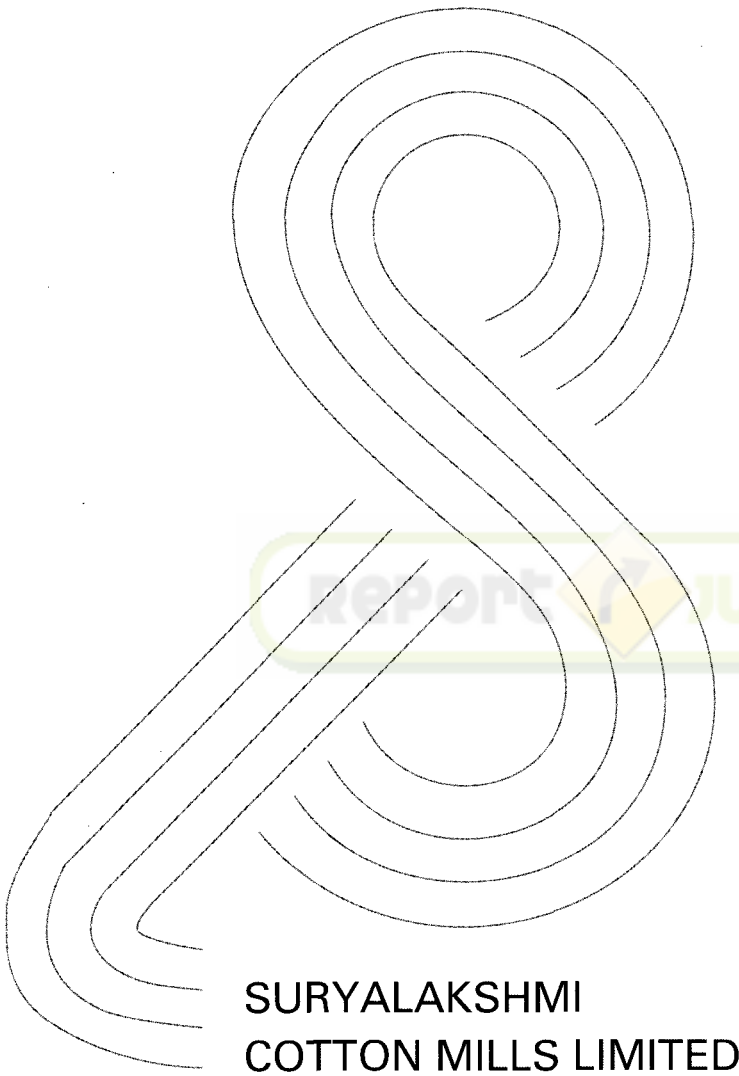


# ANNUAL REPORT 2006 - 2007



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## **Suryalakshmi Cotton Mills Limited**

### **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.



## **Suryalakshmi Cotton Mills Limited**

### **BOARD OF DIRECTORS**

#### **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.



## Suryalakshmi Cotton Mills Limited

### NOTICE

**NOTICE** is hereby given that the 44<sup>th</sup> Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on Friday, the 28<sup>th</sup> September 2007, at Rajdhani Hall, 1<sup>st</sup> Floor, Lions Bhavan, Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad – 500 003 at 11.00 A.M to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2007 and Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare Dividend on the Preference Shares of the Company for the year ended 31<sup>st</sup> March, 2007.
3. To appoint a Director in the place of **Sri Navrang Lal Tibrewal** who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of **Sri R.S. Agarwal** who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint auditors and fix their remuneration.

#### **SPECIAL BUSINESS:**

6. **TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION:**

**“RESOLVED THAT** the Company do hereby approve and ratify in terms of section 293(1)(a) and other applicable provisions if any, of the Companies Act,

1956 the mortgaging and/or charging by the Board of Directors of the Company (hereinafter referred to as Board) of immovable properties of the Company situated at Shop Nos. 9 & 10 and Flat at Block E in Surya Towers, Secunderabad in favour of State Bank of India (SBI) to secure the Rupee Term Loan of Rs.30 crores sanctioned by State Bank of India on **FIRST CHARGE BASIS** and on all the other immovable properties of the company on **SECOND CHARGE BASIS** with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, cost, charges, expenses and other monies, payable by the Company vide its loan agreement(s) entered into by the Company.

Provided that the above mortgage/charge on **FIRST CHARGE BASIS** in favour of SBI shall rank pari-passu with, the mortgages and/or charges already created or to be created by the Company to secure the term loans sanctioned/to be sanctioned by IDBI / IFCI Limited (IFCI) / SBI and the mortgage on **SECOND CHARGE BASIS** on other immovable properties of the company in favour of SBI shall rank with the charges created / to be created on pari-passu basis in favour of the Bankers for working capital facilities.

**“RESOLVED FURTHER THAT** the Company do hereby confirm and ratify the execution of the documents for creation of the aforesaid mortgage / charge.”

By order of the Board

SECUNDERABAD  
27<sup>th</sup> June, 2007

**E.V.S.V. SARMA**  
**COMPANY SECRETARY**

## Suryalakshmi Cotton Mills Limited

### NOTES :

1. The register of members and share transfer books will be closed from Friday, 21<sup>st</sup> September, 2007 to Friday, 28<sup>th</sup> September, 2007 (both days inclusive) for the purpose of Annual General Meeting.
2. A member entitled to attend the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
3. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
4. The shareholders desiring any further information as regards the accounts are requested to write to the Company so as to reach it at least one week prior to the date of the meeting for consideration of the management to deal at the meeting.
5. Unclaimed dividends of the following years will be transferred to the Investor Education & Protection Fund set up by the Central Government on the dates mentioned against them :
6. The Companies Act, 1956 provides for the facility of nomination to the holders of Shares/Debentures/ Fixed Deposits in a Company. Accordingly members can avail the facility of nomination in respect of their shares held either singly or jointly. Members desiring to avail this facility are requested to fill up the prescribed nomination form and send the same to the Registered Office of the Company.
7. The shares of the Company continue to be listed on the Stock Exchanges at Mumbai and on the National Stock Exchange and the Company has paid upto date all the listing fees to these Exchanges.
8. Members are requested to notify immediately any change in their addresses to the Company.
9. The Members are requested to bring their copy of the Annual Report with them at the time of attending Annual General Meeting.

<b>For the Financial Year</b>	<b>Date of declaration</b>	<b>Due for transfer on</b>
2003-2004	30.07.2004	05.09.2011
2004-2005	10.09.2005	17.10.2012
2005-2006	31.07.2006	06.09.2013

Members who have not encashed their dividend warrants pertaining to the above years may have their warrants revalidated by sending them to the Registered Office of the Company.



## Suryalakshmi Cotton Mills Limited

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### ITEM NOS.3 &4

##### **REAPPOINTMENT OF RETIRING DIRECTORS**

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

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

##### **SRI 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.

Names of the other Companies in which he is a Director

Jaipur Stock Exchange Limited –Jaipur  
Macleods Pharmaceuticals Ltd., - Mumbai

#### **ITEM NO. 4**

##### **SRI R.S.AGARWAL**

Sri R.S.Agarwal is a Chemical Engineer by profession and has retired as Executive Director from Industrial Development Bank of India in October, 2002.

Names of the other Companies in which he is a Director

1. Madras Cement Limited.
2. Tamilnadu Newsprint and Papers Limited
3. Torrent Cables Limited.
4. Suryalata Spinning Mills Limited
5. Deccan Cements Limited.
6. Unimerse India Limited.
7. Elegant Marbles & Granite Ind. Limited.
8. GVK Jaipur Expressway (P) Limited

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

The Company has been sanctioned a Rupee Term Loan of Rs.3000 lakhs by SBI under the Technology Upgradation Fund Scheme (TUFS) to part-finance the second phase of expansion envisaging increase of spinning capacity by 25056 spindles at Amanagallu, Andhra Pradesh, expansion of denim fabric capacity from 30 mn. mtrs. to 40 mn. mtrs. and setting up captive ring spinning facilities of 25 metric tons at Ramtek, Maharashtra to cater to the denim operations. The loan is to be secured by an exclusive charge on the machinery acquired under the loan, a First Charge on pari-passu basis on the corporate office at 1<sup>st</sup> & 6<sup>th</sup> Floors in Surya Towers, Secunderabad and a Second Charge on other immovable properties of the Company pari-passu with the working capital Bankers.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia that the Board of Directors of a public Limited Company shall not, without consent of such Company in general meeting sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Since the mortgage by the Company over its immovable properties as aforesaid in favour of Financial Institutions / Banks may be regarded as disposal of the Company's properties / undertaking in certain events, it is necessary for the Members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956. In view of the urgency of the matter, the Company has already created the mortgage / charge by way of first charge in favour of SBI. The resolution seeks the members' approval and ratification of the mortgage already created by the Company. The Board recommends the resolution for the members' approval and ratification.

None of the Directors of the Company is interested in this resolution.

By order of the Board

SECUNDERABAD  
27<sup>th</sup> June, 2007

**E.V.S.V. SARMA**  
**COMPANY SECRETARY**

## Suryalakshmi Cotton Mills Limited

### DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their Forty Fourth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2007.

### FINANCIAL RESULTS

(Rs. in Lakhs)

	2006-2007		2005-2006	
Gross Profit before Interest & Depreciation	2597.19		6655.08	
Less : Interest	1098.20		872.43	
: Depreciation	1872.90	2971.10	1160.81	2033.24
Profit/(Loss) before prior year adjustment	(373.91)		4621.84	
Prior year adjustment (Net)	501.05		0.56	
Profit before tax for the year	127.14		4622.84	
<b>LESS : Provision for Income Tax</b>				
for the year	15.00		900.00	
Fringe Benefit tax	20.00	35.00	7.50	907.50
<b>LESS : Deferred tax liability</b>	89.98		738.57	
Profit / (Loss) after tax	<b>2.16</b>		<b>2976.33</b>	
<b>ADD : Profit brought forward from last year</b>	2312.35		817.69	
	<b><u>2314.51</u></b>		<b><u>3794.02</u></b>	
Dividend on Preference Share Capital	0.67		0.67	
Dividend on Equity Share Capital	—		334.05	
Corporate Dividend Tax	0.09		46.95	
Transferred to General Reserve	—		1000.00	
Preference Capital Redemption Reserve	—		100.00	
Profit transferred to Balance Sheet	<u>2313.75</u>		<u>2312.35</u>	
	<b><u>2314.51</u></b>		<b><u>3794.02</u></b>	





## Suryalakshmi Cotton Mills Limited

### OPERATIONS

During the year under review the Company has achieved a turnover of Rs.229.09 crores registering a marginal increase of 2% over the previous year.

The production in the Denim Division was lower by 10% compared to the previous year. In the very beginning of the Year the Denim Division was plagued by a month long illegal strike resorted to by the workers. The strike affected not only the production but also delayed the ongoing expansion in the Denim Division. Further the Denim industry has been adversely affected by a glut in the supplies leading to a steep fall in the realization. The average realization dipped by around 22% compared to the previous year. The turn over of the Denim Division at Rs.139.3 crores has therefore been lower by around 22% compared to the previous year. While the export market has not been encouraging; the strengthening of Rupee has only worsened the situation.

The Yarn Division has recorded a significant increase in production. The turnover in the Yarn Division has more than doubled compared to the previous year on account of completion of the expansion in the Synthetic Yarn Division. The expansion of Spinning Division by installation of 25000 Spindles in the Synthetic Yarn segment has been completed and started showing satisfactory results.

### DIVIDEND

In view of the inadequacy of profits the Directors regret their inability to recommend Dividend.

### CAPITAL EXPENDITURE

During the year under review the company has incurred Capital Expenditure of Rs.9263 lakhs.

### EXPORTS :

The exports during the year at Rs.44.80 crores is higher by about 25% over the previous year. This has been possible due to the aggressive efforts in Exports of Denim Fabric. The Denim exports increased by around 54%, though the average realization was lower by 8%. The Exports of Yarn increased by around 11% and the average

realization was marginally higher by about 4%. Understandably, this growth would have been higher but for the weak US \$.

### FUTURE OUTLOOK

The current supply glut in the Denim Industry is likely to last for few more months. The company has therefore, been aggressively pursuing a policy of increasing the realization from the export market by catering to the high end segment of the international markets. To this end the company has engaged the services of international designers and developed many new varieties to cater to the European and American markets. The Company has diverted a part of the Denim capacity for production of Bottom Weights and Grey Fabrics. The trial runs have been successful and the initial response from the market to the company's new products in these segments is very encouraging.

In the spinning division the outlook for the Cotton yarn and the Synthetic yarn from the new unit is good. The export realizations have been adversely affected by the current scenario in the foreign exchange market. However, the company is fairly confident of tiding over the current crisis with these new efforts in the Denim Division and also with the continuing efforts to explore new markets.

The outlook for the Garment Industry continues to be good. The company's subsidiary i.e. Suryakiran International Limited has commenced the commercial production of Denim garments. Its products have been approved by domestic and international buyers. In the first year itself The Company has successfully added buyers like NEXT, Carrefour, Steve & Berry and other international brands.

### DIRECTORS

Pursuant to the Articles of Association of the Company Sri Navrang Lal Tibrewal and Sri R.S. Agarwal will retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

### CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement on Corporate Governance, a Management Discussion and Analysis Report, and a separate report on the Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance of the Corporate Governance forms part of the Annual Report.

## Suryalakshmi Cotton Mills Limited

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms :

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure ;
2. that the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and of the profit of the Company for the year ended on that date.
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts have been prepared on a going concern basis.

### AUDITORS

The Auditors M/s. Brahmayya & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I.

### DEPOSITS

There are no overdue deposits as on March 31, 2007.

### EMPLOYEES

Periodic Training programmes for developing a skilled workforce, personality development programmes, yoga camps, etc., encouragement of employee participation in district / state level sports events are regularly undertaken. An integrated women focused program trains unskilled women to undertake skilled jobs at its units.

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure – II.

### ACKNOWLEDGEMENTS

The Board of Directors are pleased to place on record their appreciation of the cooperation and support extended by All India Financial Institutions, Banks and various State and Central Government Agencies.

The Board also wishes to place on record its appreciation of the valuable services rendered by the employees of the Company.

By Order of the Board

27<sup>th</sup> June, 2007.  
Secunderabad

**L N AGARWAL**  
Chairman & Managing Director