

ANNUAL REPORT



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2008

SURYALAKSHMI
COTTON MILLS LIMITED



Suryalakshmi Cotton Mills Limited

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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 B Rama Rao

Sri Navrang Lal Tibrewal

Sri R S Agarwal

Sri K Sunil Kumar

Sri H L Ralhan

Sri N D Auddy

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 Boards 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 was 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.

B RAMA RAO

Sri B. Rama Rao, M.Tech., PGDBA, is Deputy General Manager with IDBI Ltd., Hyderabad. He is the Nominee Director of IDBI Limited.

SUNIL KUMAR K

Sri Sunil Kumar K, is B.Tech., M.B.A., with wide experience in Capital Markets and Corporate Finance. He has been with UTI Ventures since 2003 and is their nominee 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.

N D AUDDY

Sri N.D. Auddy is General Manager, IFCI Limited, Hyderabad. A Chartered Accountant, he has been with IFCI Limited for the past 23 years. He is the Nominee Director of IFCI Limited.



Suryalakshmi Cotton Mills Limited

NOTICE

NOTICE is hereby given that the 45th Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on Monday, the 29th September 2008, at Rajdhani Hall, 1st 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 31st March, 2008 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 31st March, 2008.
3. To appoint a Director in the place of **Dr. A. Nageswara Rao** who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of **Sri R. Surender Reddy** 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 pursuant to the provisions of Section 257 of the Companies Act, 1956, Sri Sunil Kumar K. be and is hereby appointed as a Director of the

Company, whose period of office shall be liable to retire by rotation.”

7. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION (S) AS A SPECIAL RESOLUTION:

“RESOLVED THAT in supersession of the Resolution passed by the Members in the General Meeting held on 31.07.2006 and subject to the provision of sections 198, 269, 309, 314 and other applicable provisions if any of the Companies Act, 1956 read with schedule XIII thereof as amended upto date, and the consent of the Term Lenders, the consent of the Company be and is hereby accorded to revision in the remuneration payable to Sri H.L.Ralhan as Director and Chief Executive –Denim Division for the remaining period of the term of his employment i.e. from 28.06.2008 to 29.01.2011 as under:

- a) Basic Pay and Allowances at Rs.1,29,220/- per month.
- b) Medical reimbursement and Leave Travel Allowance as per Company's rules.

In addition to the above Sri H.L.Ralhan shall be entitled to the following perquisites.

CATEGORY – A

- i) contributions by the Company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
- ii) Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.

CATEGORY – B

- i) the company shall provide a Car with driver and a telephone at the residence.



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Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any year Sri H.L. Ralhan be paid the above remuneration as minimum remuneration subject to provisions of Paragraph 1(A) of Section II, Part II of Schedule XIII of the Companies Act, 1956."

8. 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 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 of all the movable and immovable properties of the Company wheresoever situate, present and future, of the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events to or in favour of State Bank of India (SBI) to secure the Corporate Loan of Rs. 25 crores on FIRST CHARGE BASIS and on.

SECOND CHARGE BASIS TO :

- a) State Bank of India (SBI) of its additional working capital facilities aggregating Rs.84.75 crores;
- b) State Bank of Hyderabad (SBH) of its additional working capital facilities aggregating Rs.20.72 crores;

- c) State Bank of Mysore (SBM) of its additional working capital facilities aggregating Rs.14.50 crores;
- d) State Bank of Indore (State Bank of Indore) of its working capital facilities aggregating Rs.21.78 crores ;

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 in favour of SBI shall rank paripassu with the mortgages and or charges already created/ to be created by the company to secure the term loans sanctioned/ to be sanctioned by IDBI Ltd/IFCI/SBI/SBM and provided further that the above mortgage in favour of SBI/SBH/SBM /State Bank of Indore shall rank second and subservient to the charges created/to be created by the Company in favour of IDBI/IFCI/SBI/SBM to secure the term loans sanctioned/to be sanctioned by them.

"RESOLVED FURTHER THAT the Company do hereby authorise the Board to take all necessary steps for the execution of the documents for creation of the aforesaid mortgage/charge."

By order of the Board

SECUNDERABAD
28th June, 2008

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 22nd September, 2008 to 29th September, 2008 (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.

For the Financial Year	Date of declaration	Due for transfer on
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:

DR. AKKINENI NAGESWARARAO

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.

Names of the Companies in which he is a Director

1. Suryavanshi Spinning Mills Ltd.
2. Heart Entertainment Ltd.
3. Suryajyothi Spinning Mills Ltd.
4. Prasad Media Corporation Ltd.
5. Annapurna Apex Chemicals Pvt. Ltd.
6. Akkineni Agros Pvt. Ltd.
7. Heart Animation Academy Pvt. Ltd.
8. Annapurna Studios Pvt. Ltd.

ITEM NO.4

SRIR. SURENDER REDDY

Sri R.Surender Reddy has wide experience in business and politics. He was a member of Parliament for four terms and was a member of Andhra Pradesh Legislative Assembly also for four terms. He has also been on the Boards of Andhra Bank and A.P. State Financial Corporation.

Names of the Companies in which he is a Director

1. Suryalata Spinning Mills Limited

2. Hyderabad Race Club.
3. Suryavanshi Spinning Mills Ltd.
4. Suryakiran International Ltd.
5. Suryaamba Spinning Mills Ltd.
6. Novopan Industries Ltd.
7. Surana Telecom Ltd.
8. Bhagyanagar India Ltd.
9. Lakshmi Finance & Industries Corpn. Ltd.
10. L Pack Polymers Ltd.

ITEM NO.6

Sri Sunil Kumar K. was appointed as Additional Director of the Company by the Board of Directors at their meeting held on 30/01/2008 u/s.260 of the Companies Act, 1956 and hence vacates office at the ensuing Annual General Meeting. In this regard the Company has received notices required under Section 257 of the Companies Act, 1956 proposing his appointment as Additional Director of the Company.

Sri Sunil Kumar K. has been nominated by Unit Trust of India Investment Advisory Services Limited (UTI – IAS), in the place of Sri Baratam Srinivas who has since resigned.

Sri Sunil Kumar K. is a Mechanical Engineer from IIT Chennai and an MBA from IIM, Ahmedabad. Sri Sunil Kumar K has been with UTI Ventures since 2003. He has 16 years of experience in Capital Markets with extensive knowledge in corporate finance and fund management, along with a keen understanding of the technology sector. Formerly with Infosys Technologies, he was a Principal consultant in the financial securities domain. He has also worked with UTI Mutual Fund in credit rating, primary market investments and as an offshore fund manager of the India IT Fund.

The Board recommends the appointment of Sri Sunil Kumar K. to the members. Except Sri Sunil Kumar K. no other Director is interested in the matter.



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ITEM NO.7

Sri H.L. Ralhan was appointed as a Director and Chief Executive Denim Division with effect from 30th Jan 2006 on a remuneration of Rs.72,000/- per month PLUS perquisites. There has been no revision in his remuneration in the last 2 years. The Board of Directors in their meeting held on 28/06/2008 has approved the revision in his remuneration to Rs. 1,29,220/-.

This proposed revision has been approved by the Remuneration Committee in its meeting held on 28/06/2008.

Except Sri H.L. Ralhan no other Director is interested in this resolution.

ITEM NO.8

The Rupee Term Loans / Foreign Currency Loans sanctioned by the Financial Institutions are secured by First Charge by way of immovable properties. The working capital bankers have second charge over these movable and immovable properties as an additional security.

Section 293(1)(a) of the Companies Act, 1956 provides interalia that the Board of Directors of a Public 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.

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
28th June, 2008

E.V.S.V. SARMA
COMPANY SECRETARY



Suryalakshmi Cotton Mills Limited

DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their Forty Fifth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2008.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2007-2008		2006-2007	
Gross Profit before Interest & Depreciation		3900.57		2597.19
Less : Interest	1748.90		1098.20	
: Depreciation	2004.15	3753.05	1872.90	2971.10
Profit/(Loss) before prior year adjustment		147.52		(373.91)
Prior year adjustment (Net)		(27.03)		501.05
Profit before tax for the year		120.49		127.14
LESS : Provision for Income Tax				
for the year	20.00		15.00	
Fringe Benefit tax	10.00	30.00	20.00	35.00
LESS : Deferred tax liability		55.54		89.98
Profit / (Loss) after tax		34.95		2.16
ADD : Profit brought forward from last year		2313.75		2312.35
		2348.70		2314.51
Dividend on Preference Share Capital		0.67		0.67
Corporate Dividend Tax		0.11		0.09
Profit transferred to Balance Sheet		2347.92		2313.75
		2348.70		2314.51