



Annual Report

2008-2009

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.

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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 46th Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on Wednesday, the 30th September 2009, at Rajdhani Hall, 1st Floor, Lions Bhavan, Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad – 500 003 at 11.30 A.M to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2009 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, 2009.
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 A SPECIAL RESOLUTION.**

“RESOLVED THAT subject to the provisions 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 consent of the term lenders, the consent of the Company be and is hereby accorded to reappoint Shri L.N.Agarwal, Managing Director for a period of 5 years w.e.f . 22nd June, 2009 i.e. upto 21st June, 2014 as under:

I. **SALARY:** Rs.2,00,000/- per month

II. **PERQUISITES**

In addition to the salary as stated above Sri L.N.Agarwal 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.

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 L.N.Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956.”

By order of the Board

SECUNDERABAD
25th May, 2009

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 23rd September, 2009 to 30th September, 2009 (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. 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.

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

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.



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 Companies in which he is a Director

1. Jaipur Stock Exchange Limited, Jaipur
2. Macleods Pharmaceuticals (P) Limited, 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 Companies in which he is a Director

1. Madras Cement Limited
2. Torrent Cables Limited
3. Suryalata Spinning Mills Limited

4. Deccan Cements Limited
5. Unimorse India Limited
6. Elegant Marbles & Granite Ind. Limited
7. Ramco Industries Limited
8. NRC Limited
9. Videocon Industries Limited
10. GVK Jaipur Expressway (P) Limited

ITEM NO.6

Sri L.N.Agarwal was appointed as the Chairman and Managing Director for a period of 5 years with effect from 22/06/2004. In the 42nd Annual General Meeting held on 10/09/2005, his remuneration was revised from Rs.1,50,000/- p.m. to Rs.5,00,000/- p.m., the perquisites remaining same. However, from 2006-2007, Sri L.N.Agarwal is being paid a minimum remuneration of Rs.2,00,000/- p.m. The Company has made satisfactory progress in the recent past under his guidance and supervision. His term will expire on 21/06/2009.

In its meeting held on 25/05/2009, the Board has reappointed him as Chairman and Managing Director for five years with effect from 22/06/2009 with the existing remuneration mentioned in the resolution plus perquisites subject to the approval of Financial Institutions and of members in the General Meeting. The Board recommends the resolution for the approval of the members.

Except Sri L.N.Agarwal and Sri Paritosh K.Agarwal, as his relative, no other Director is interested in this resolution.

By order of the Board

Secunderabad
May 25, 2009.

E.V.S.V. SARMA
COMPANY SECRETARY

Suryalakshmi Cotton Mills Limited

DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their Forty Sixth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2009.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2008-2009	2007-2008
Gross Profit before Interest & Depreciation	2557.01	3846.97
Less : Interest	2019.60	1695.30
: Depreciation	2013.98 4033.58	2004.15 3699.45
Profit/(Loss) before prior year	(1476.57)	147.52
Adjustment		
Prior year adjustment (Net)	(0.65)	(27.03)
Profit/(Loss) before tax for the year	(1477.22)	120.49
LESS : Provision for Income Tax		
for earlier years	75.00	—
for the year	—	20.00
Fringe Benefit tax	12.50 87.50	10.00 30.00
LESS : Deferred tax liability	5.23	55.54
Profit / (Loss) after tax	(1569.95)	34.95
ADD : Profit brought forward from last year	2347.92	2313.75
	777.97	2348.70
Dividend on Preference Share Capital	0.67	0.67
Dividend on Equity Share Capital	—	—
Corporate Dividend Tax	0.11	0.11
Transferred to General Reserve	—	—
Preference Capital Redemption Reserve	—	—
Profit transferred to Balance Sheet	777.19	2347.92
	777.97	2348.70



Suryalakshmi Cotton Mills Limited

OPERATIONS

The impact of the global recession on the Indian Economy and more particularly on textile industry is reflected by the results of the Company under review during the year ended 31/03/2009. The operations have resulted in a loss of Rs.1570 lakhs during the year. The turnover at Rs.360.17 Crores is marginally higher over the previous year. Before the industry could recover from the impact of a strong rupee and other problems, it has been very badly affected by the global recession. The retail business has collapsed globally resulting in a steep fall in the exports. Renegotiation of contracts in several cases has led to a sharp decline in margins. Delayed payments and payment defaults have further aggravated the situation.

In the Denim segment, the domestic market has been fairly good. Though the Company could not increase the volumes, the realization improved on account of the value added items marketed by the Company. The industry continues to be plagued by high cost of cotton on account of a higher minimum support price, excess capacity and irregular power supplies, power holidays, etc., resulting in higher cost of production. The industry had to resort to production cuts and lay offs.

YARN

The production of Yarn in the Amanagallu Unit at Rs.129.41 lakhs Kgs. is marginally higher than the previous year. The realization in Yarn has been adversely affected. The Yarn Division has suffered more on account of decline in exports both in volume and realisation.

DIVIDEND

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

CAPITALEXPENDITURE

During the year under review the company has incurred Capital Expenditure of Rs.574 lakhs.

EXPORTS :

The exports during the year at Rs.4800 lakhs have fallen by more than 40% compared to previous year. From

the beginning of 2007, the Industry's competitiveness had been very badly affected by strengthening of the rupee, which continued till May, 2008. Subsequently, the rupee weakened, but that did not offer any relief to the industry, which was overwhelmed by the global recession. The reduced exports also resulted in lower realization of the export incentives.

FUTURE OUTLOOK

The industry does not see any immediate way out until the global economy recovers from the recession. In this situation, the industry is looking for fiscal reliefs by way of duty drawbacks, cheaper credit, moratorium on loan repayments, etc.

The company however is now focusing on direct business with large international brands, which can provide regular and large volume business at good rates. The Company continues to focus on fancy denims which it now supplies to new markets and is also continuing its efforts to create greater awareness about the Company's high end products to the European markets.

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

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 ;