

CHALLENGING PERFORMANCE



SURYALAKSHMI COTTON MILLS LTD
49TH ANNUAL REPORT, 2011-12

Forward-looking statement In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed 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 ‘anticipates’, ‘estimates’, ‘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 our assumptions. The achievement of results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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The year 2011-12 was one of the most challenging for the global economy and textile industry in recent memory.

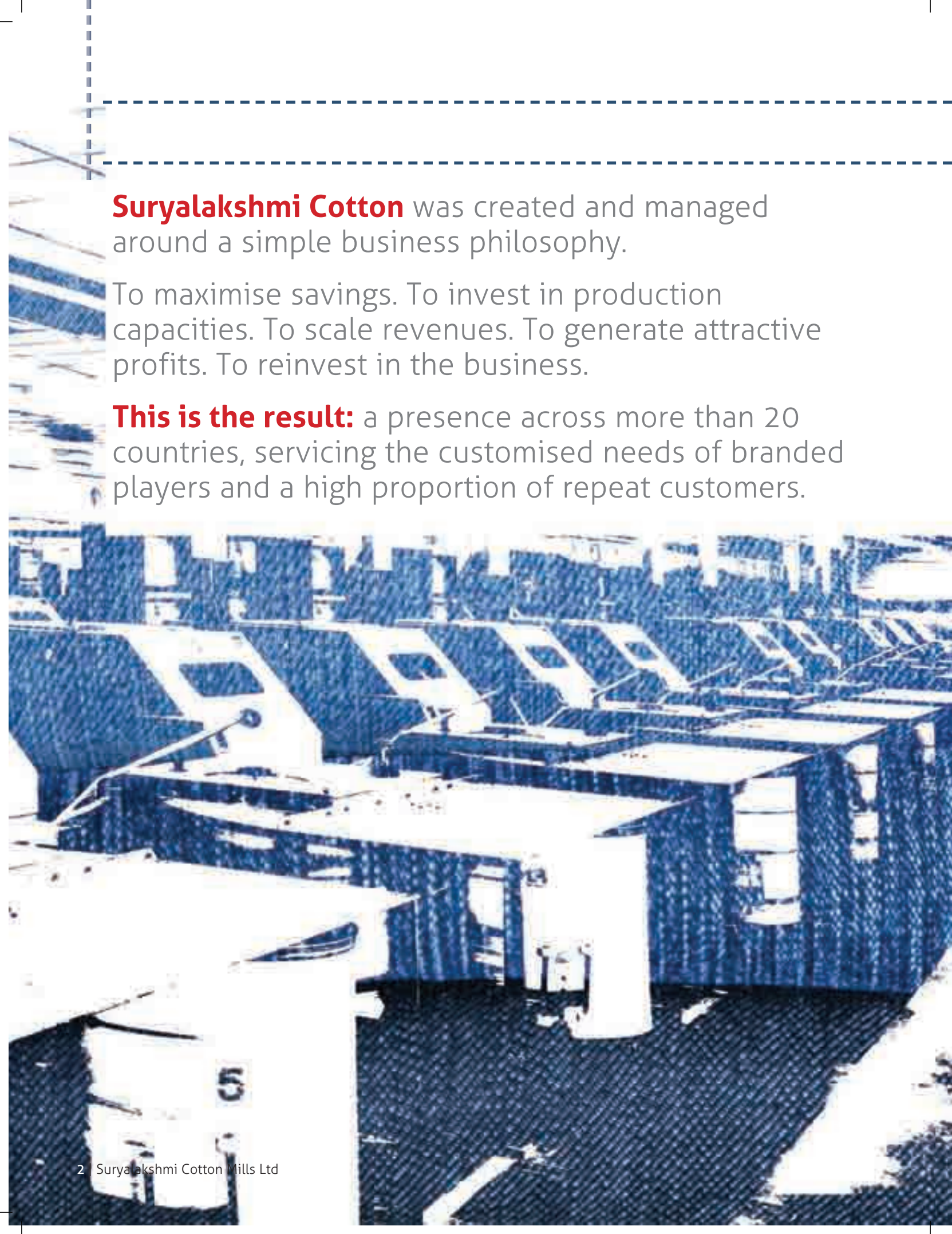
A number of buyers stayed away. Most of those who continued to buy stuck to their original volumes. Those who stuck to their original volumes preferred to negotiate around the old rates.

These realities
notwithstanding,
Suryalakshmi Cotton
Mills reported an 11.28%
topline growth.

Even as our post-tax
profits were affected by
high power and finance
costs, our performance
was considerably better
than the industry average.

This annual report explains how we beat the industry average.
And how we expect to continue to do so over the foreseeable
future.





Suryalakshmi Cotton was created and managed around a simple business philosophy.

To maximise savings. To invest in production capacities. To scale revenues. To generate attractive profits. To reinvest in the business.

This is the result: a presence across more than 20 countries, servicing the customised needs of branded players and a high proportion of repeat customers.

Vision

Through an integrated system of tools, techniques and training, Suryalakshmi constantly thrives to achieve and maintain the highest quality parameters in the most versatile processes.

Continuous improvement and development of its own processes are keys to the Company's survival and success over a period.

Mission

The mission of Suryalakshmi Cotton Mills is to empower the dominance of the organisation in the Indian market while we expand and develop a strong presence in the international market.

Our products, operations and services, are globally benchmarked against the best.

Background

- Incorporated in 1962, promoted by Mr L. N. Agarwal (Chairman and Managing Director).
- Promoter holding 64.22% of equity (as on 31st March 2012)
- Captures the value chain from the manufacture of cotton yarn to denim fabric to garments.
- The Company's stocks are listed and actively traded on the Bombay and National Stock Exchanges.

Presence

- Headquartered in Secunderabad (Andhra Pradesh), India
- Denim manufacturing facility in Ramtek (Maharashtra) and two spinning units (polyester cotton and synthetic yarn) in Amanagallu (Andhra Pradesh)
- Products marketed in India and more than 20 countries (comprising Israel, Panama,

Egypt, Bangladesh, Sri Lanka, Indonesia, Mauritius, Singapore, UK, Guatemala Syria, Taiwan, Turkey, USA, among others)

Pride

- Manufacturing units certified for ISO 9001:2000 and ISO 14000
- Recognised as an export house by the Government of India
- Certified with Global Organic Textile Standard (GOTS) for organic cotton and organic exchange
- Certified for Oeko Tex Standard 100 Product Class II up to 31st December, 2012

Partners

The Company caters to the growing need of reputed brands like VF Corporation, Levis, Wal-Mart, Perry Ellis, Jones International, M&S, C&A, ASDA, George, Next, Miss Sixty, Mango, Carrefour, Sainsbury, Mothercare, Li & Fung and Woolworth, among others.

Revenue

₹
67,843
lacs
2011-12

Exports

₹
11,180
lacs
2011-12

Profit after tax

₹
2,831
lacs
2011-12

EBIDTA

₹
9,248
lacs
2011-12

Business Divisions

1. Yarn

Suryalakshmi Cotton commissioned a spinning unit comprising 10,000 spindles at Amanagallu (Andhra Pradesh) in 1987

The Company now has two units comprising 60,864 spindles to manufacture cotton, polyester and blended yarns

	2010-11	2011-12
Net Sales (₹ lacs)	23,063.17	26,876.37
EBIDTA (₹ lacs)	3,952.92	1,966.73
Profit before tax (₹ lacs)	2,588.48	146.18
Contribution to total revenue (%)	38.38	40.19
Installed capacity (spindles)	60,864	60,864
Capacity utilisation (%)	94%	94%

2. Denim

Suryalakshmi Cotton integrated forwards through a state-of-the-art denim unit in 1997 at Ramtek (Maharashtra)

The Company quadrupled its capacity to 40 million metres per annum across 15 years and has emerged as a major Indian denim manufacturer

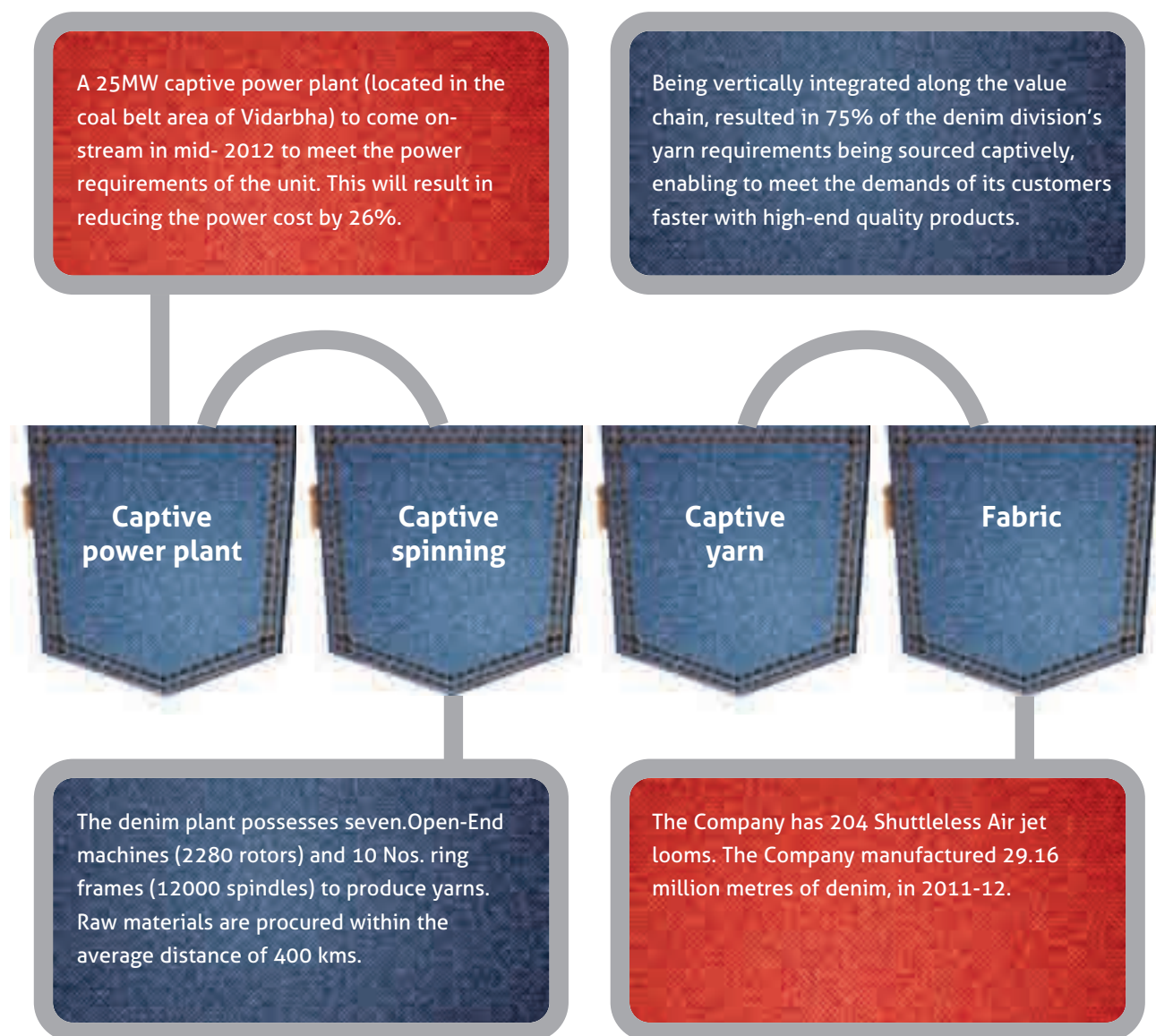
	2010-11	2011-12
Net Sales (₹ lacs)	37,030.81	39,996.75
EBIDTA (₹ lacs)	5,753.52	7,281.55
Profit before tax (₹ lacs)	2,499.22	3,664.62
Contribution to total revenue (%)	61.62	59.81
Installed capacity (million metres per annum)	40	40
Capacity utilisation (%)	97%	95%

3. Garments

The Company commissioned a one-of-its-kind garment unit (Installed capacity of 5,000 garments per day) in 2007 under a subsidiary called Suryakiran International Ltd.

	2010-11	2011-12
Net Sales (₹ lacs)	2,872.94	3,768.12
EBIDTA (₹ lacs)	373.66	370.43
Profit before tax (₹ lacs)	67.89	44.91
Operating capacity (garments per day)	4,000	4,000
Capacity utilisation (%)	76%	84%

OUR PROFIT-ENHANCING STRATEGY



Our competencies

Beating THE INDUSTRY **average**



Product basket: The Company's product range comprises mercerised, coated and colour denim. This addresses the varied requirements of diverse customers.



Value chain: The Company's value chain extends from yarn to denim to garments. Nearly 75% of the Company's yarn requirement for denim manufacture was produced in-house.



Focus: The Company periodically updates products to address emerging customer requirements in line with emerging trends. 80% of the Company's products at denim division comprised value-added products.



Raw material proximity: The Company secured its raw material requirements for its textile unit through a back-to-back PSF sourcing arrangement from Reliance Industries and VSF from Grasim Industries Ltd. The majority of the raw cotton required for spinning unit associated with the denim plant was sourced from within 400 kms.



Customer relations: The Company is engaged in product development with customers, translating into engaging relationships. Nearly 65% of the Company's revenues in 2011-12 were derived from customers with engagement extending across more than three years.



Experience: The promoters enjoy an experience of five decades in India's textile industry.



Quality: The Company's yarns enjoyed the highest quality level of Uster 5%; all manufacturing units were certified for ISO 9000:2000. The products were certified for Oeko Tex Standard 100 Product Class II.



Environment friendly: The Company invested in effluent management equipment a zero-discharge reverse osmosis plant with a corresponding reuse of treated effluents.



Economies of scale: The Company's yarn capacity (60864 spindles) and denim capacity (40 million metres per annum) represent attractive economies of scale.



State-of-the-art-technology: The Company invested in state-of-the-art equipment sourced from high-end manufacturers like Trutzschler, Toyota, Reed Chakwood Inc., KTM USA, among others. Nearly 40% of the Company's spinning and weaving equipment was less than five years old as on 31st March 2012.



Strong clientele: The Company caters to reputed names like VF Corporation, Levis, Wal-Mart, Perry Ellis, Jones International, M&S, C&A, ASDA, George, Next, Miss Sixty, Mango, Carrefour, Sainsbury, Mothercare, Li & Fung and Woolworth, among others.

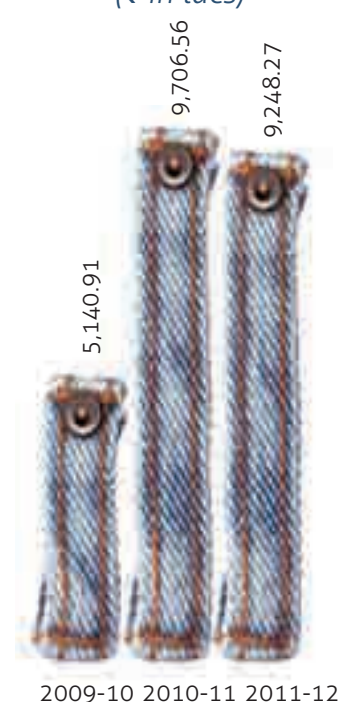


Enduring clients: Over 75% customers had worked with the Company for more than three years as on 31st March, 2012.

Net turnover (₹ in lacs)



EBIDTA (₹ in lacs)



OUR GROWTH STORY

Our topline grew 11.28% to ₹ 668.73 crore and total revenues grew 10.73% from ₹ 61,270.40 lacs in 2010-11 to ₹ 67,843.01 lacs in 2011-12, owing to a robust domestic and global demand for value-added denims and a strong performance of the denim segment.

Our EBIDTA margin of 13.63 % was higher than the industry average and our EPS of ₹ 21.16 was creditable given the industry weakness.

In 2011-12, the denim division accounted for 59.81% of the revenues but 78.73% of the EBIDTA.

Going ahead, we expect that the sum of investments up to ₹ 200 crore will translate into revenues of ₹ 1000 crore by 2014.

Profit after tax (₹ in lacs)

