



# Weaving stronger **ties!**



**Suryalakshmi Cotton Mills Ltd**

**Annual Report 2012-13**

### 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.

### Contents

<b>03</b> Corporate identity	<b>20</b> Risk management	<b>33</b> Board of Directors
<b>06</b> Highlights	<b>22</b> Business segments	<b>34</b> Directors' Report
<b>08</b> Chairman's review	<b>24</b> Financial analysis	<b>40</b> Management discussion and analysis
<b>10</b> Our business model	<b>26</b> Textile industry overview	<b>42</b> Corporate Governance Report
<b>18</b> Strengths	<b>30</b> Notice	<b>52</b> Financial section

**At Suryalakshmi Cotton Mills Limited,**

'weaving' is not just the business we are engaged in, but the very philosophy of our existence.

We weave stronger ties with those who provide us capital and raw material; we weave stronger ties with our employees and consultants; we weave stronger ties with our customers and community.

The concept of 'weaving' is good for business and its sustainability. We generated 5.24% growth in revenues and 7.28% increase in profit after tax in a challenging 2012-13.

At Suryalakshmi Cotton Mills Limited, we have consistently focused on value-addition, operational integration and quality management.

The surpluses we have generated have been re-invested in equipment, facilities and technologies.

Making it possible for the Company to grow revenues from ₹253.82 crore in 2002-03 to ₹357.04 crore in 2007-08 to ₹713.95 crore in 2012-13. And emerge as one of the most consistently growing textile companies in India.

# focus pays.

## **Vision**

Through an integrated system of tools, techniques and training, Suryalakshmi constantly thrives to achieve and maintain the highest quality parameters in most versatile processes. Continuous improvement and development of its own processes are keys to the Company's survival and success over a period.

## **Mission**

Our mission at 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.

## Who we are

Incorporated in 1962 by Mr. L. N. Agarwal (Chairman & Managing Director), Suryalakshmi Cotton Mills is a respected company in India's textiles industry with integrated operations across yarn spinning, denim fabric and garment manufacture. The Company enjoys a high promoter's holding of 64.22% and is listed on the Bombay and National Stock Exchanges with a market capitalisation of ₹87.13 crore as on March 31, 2013.

## Where we are

Suryalakshmi Cotton Mills is headquartered at Secunderabad (Andhra Pradesh) with a denim manufacturing facility at Ramtek (Maharashtra) and spinning units (polyester cotton and synthetic yarn) at Amanagallu (Andhra Pradesh).

Suryalakshmi Cotton Mills markets products within India and more than 20 countries (Israel, Panama, Egypt, Bangladesh, Sri Lanka, Indonesia, Mauritius, Singapore, the UK, Guatemala, Syria, Taiwan, Turkey and the US, among others).

## Certifications

- Recognised as an Export House by the Government of India.
- Manufacturing units certified for ISO 9001:2000 and ISO 14000.
- Certified for Oeko Tex Standard 100 Product Class II up to 31.12.2013.

## Our esteemed customers

USA	EUROPE
VF	M&S
LEVI'S	C&A
WALMART	ASDA
PERRY ELIS	GEORGE
JONES INTERNATIONAL	NEXT
KOHL'S	VF
DKNY	MISS SIXTY
JC PENNY	MANGO
	CARREFOUR
	SAINSBURY
	MOTHERCARE
	TESCO



## Fabric division



	Net sales (₹ lac)	EBIDTA (₹ lac)	Profit before tax (₹ lac)	Installed capacity (million metres per annum)
2011-12	39,996.75	7,281.55	3,664.62	40
2012-13	41,195.01	7,591.13	3,912.37	40

### Denim fabric

The Company's denim plant at Ramtek (near Nagpur) is equipped with state-of-the-art equipment (capacity 40 million metres per annum) to produce world-class denim fabric. The Company's full-fledged product development lab has facilitated the development of more than 100 denim varieties (some given below). This business accounted for 58.4% of the Company's net sales in 2012-13.

- Mercerised denim: Stretch and rigid
- Coated denim: Stretch and rigid
- Normal finish: Stretch and rigid
- Cotton/Polyester: Stretch and rigid
- Colour denim: Yarn-dyed / over-dyed stretch and rigid
- Mill washed denim: Stretch and rigid

## Yarn division



	Net sales (₹ lac)	EBIDTA (₹ lac)	Profit before tax (₹ lac)	Installed capacity (spindles)
2011-12	26,876.37	1,966.73	146.18	60,864
2012-13	29,349.32	3,250.18	1,445.72	61,008

The Company's spinning unit at Amanagallu (Andhra Pradesh) comprises 61,008 spindles and fully-integrated facilities to produce world-class products. The Company manufactures cotton, polyester and blended yarns. This business accounted for 41.6% of the Company's net sales in 2012-13.



## Power division



The Company's 25 MW thermal power plant at Ramtek (Maharashtra) commenced commercial operations during mid 2012-13 and caters to the captive needs requirements of the Company's denim division after meeting auxiliary requirements. Pending finalisation of long-term arrangements for the supply of power to grid / third parties during the second half of the year, the plant had to be operated at a lower PLF, catering mainly to the denim division's captive requirements.

The Company has invested in the latest technology for coal-fired boilers to generate high pressure steam. The technology adopted by the Company comprised fluidised bed combustion, is the most effective way of burning coal. The boiler was acquired from Thermax Babcock and Wilcox, Pune, steam turbine from Shin Nippon Machinery, Japan, generators from Shin Thermo Dynamics Engineering, Chennai, and air cooled condenser from Paharpur Cooling Towers, Kolkata, apart from other machineries.

## Garments division



	Net sales (₹ lac)	EBIDTA (₹ lac)	Profit before tax (₹ lac)	Operating capacity (garments per day)
2011-12	3,768.12	370.43	44.91	4,000
2012-13	3,413.51	285.51	6.82	4,000

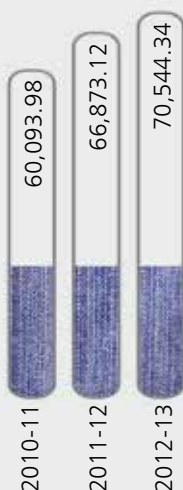
The garment division under the Company's subsidiary, Suryakiran International Limited, has an installed capacity to produce 5,000 garments per day. The division was strengthened with state-of-the-art automation to ensure a consistency in quality and productivity backed by the presence of top-of-the-line equipment sourced from Italy, Japan and Singapore. This business accounted for 4.69% of the Company's consolidated net sales in 2012-13.

# Performance highlights

**19.82%**

3-year CAGR leading to  
2012-13

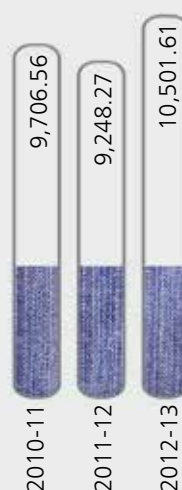
**Net turnover**  
(₹ in lac)



**26.88%**

3-year CAGR leading to  
2012-13

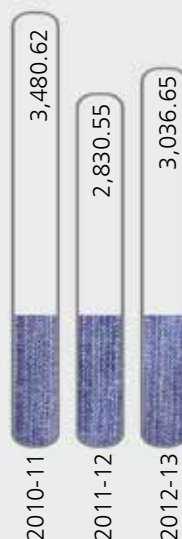
**EBIDTA**  
(₹ in lac)



**91.11%**

3-year CAGR leading to  
2012-13

**Profit after tax**  
(₹ in lac)





**14.11%**

3-year CAGR leading to  
2012-13

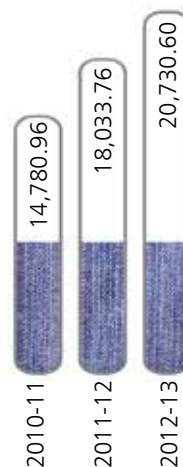
**Gross block**  
(₹ in lac)



**24.21%**

3-year CAGR leading to  
2012-13

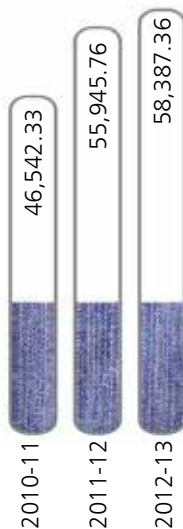
**Networth**  
(₹ in lac)



**15.76%**

3-year CAGR leading to  
2012-13

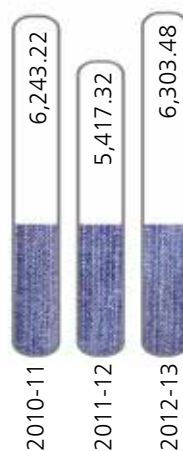
**Capital employed**  
(₹ in lac)



**32.21%**

3-year CAGR leading to  
2012-13

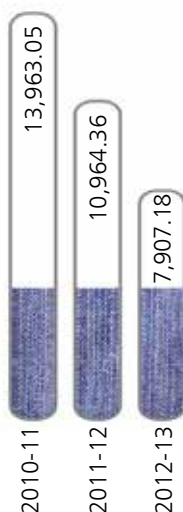
**Cash profit**  
(₹ in lac)



**2.74%**

3-year CAGR leading to  
2012-13

**Exports (FOB)**  
(₹ in lac)

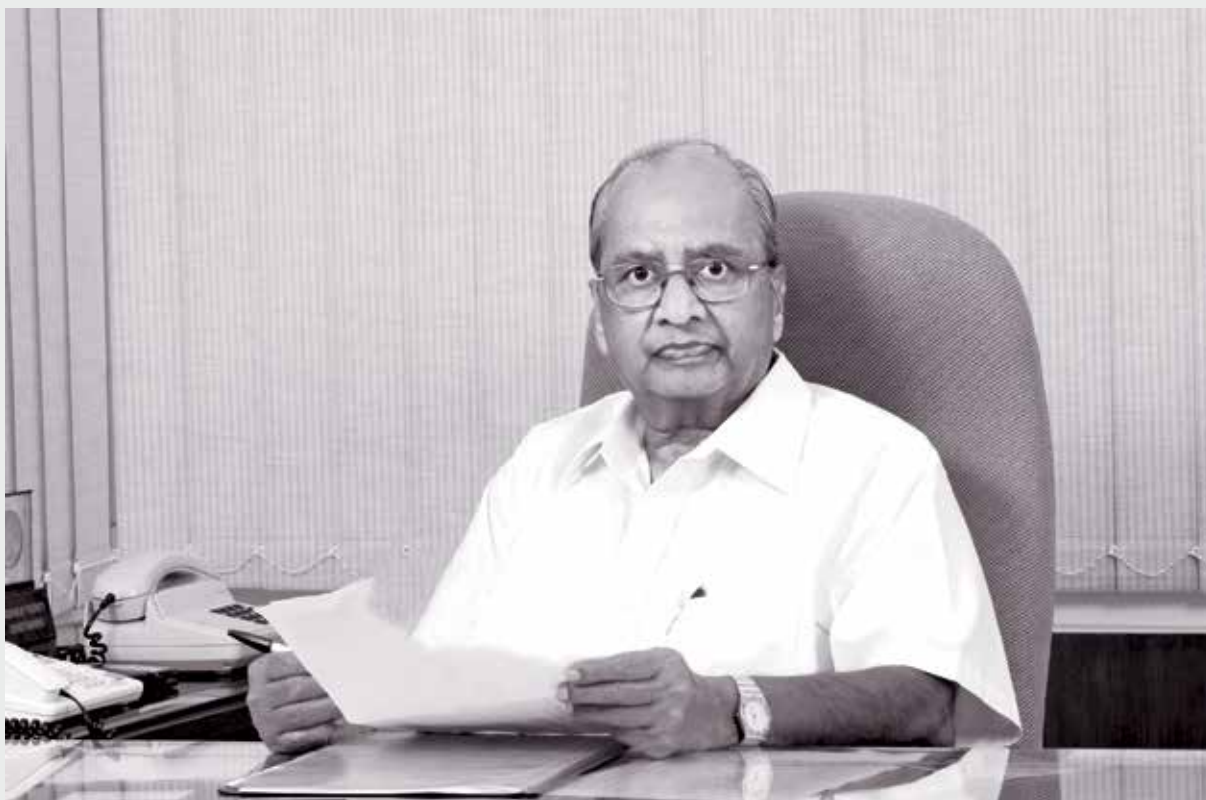


**85.99%**

3-year CAGR leading to  
2012-13

**EPS**  
(₹)





## Chairman's review

---

**24% of our gross block  
comprised equipment  
less than a year old,  
translating into high  
operating efficiencies.**

---

*Dear Shareholders,*

**T**HE YEAR 2012-13 WAS CHALLENGING FOR THE Indian and global economies. The global economic growth hovered around 3.2% in 2012, lower than 2011 (3.9%) on account of the eurozone debt crisis, inflation and market volatility. Correspondingly, the Indian economy's growth at 5% in 2012-13 was the lowest in a decade on account of weaker growth coming out of its manufacturing, agriculture and services sectors.

Despite a challenging year, Suryalakshmi reported net sales of ₹705.44 crore in the year 2012-13 against ₹668.73 crore in 2011-12, while profit after tax increased to ₹30.36 crore in 2012-13 as against ₹28.31 crore in 2011-12. The Company's EBIDTA margin of 14.71% was 108 bps higher than in the previous year.