



Continuity amidst Challenges

Suryalakshmi
Cotton Mills Limited

Annual Report
2017-18

Annual Report Formats

This annual report is available in the following formats:



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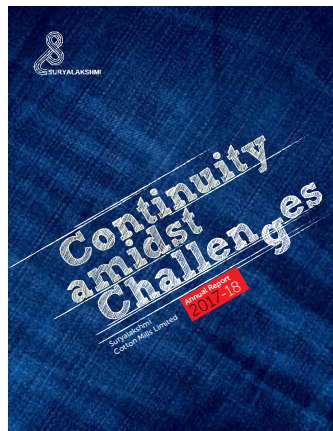
www.suryalakshmi.com



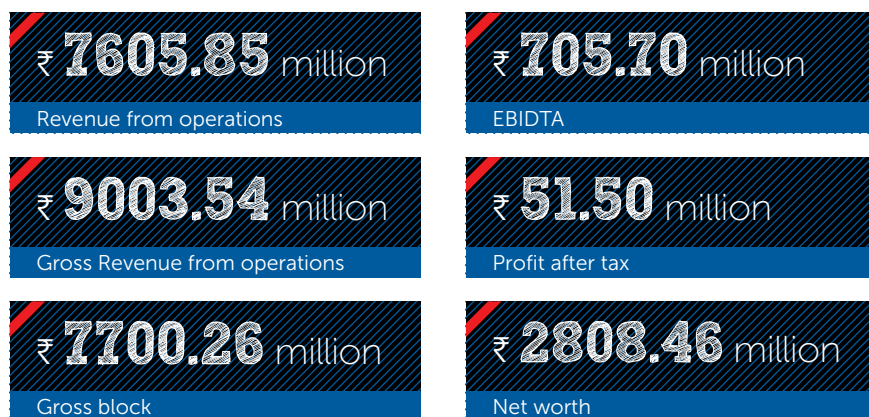
SMARTPHONES

About this report

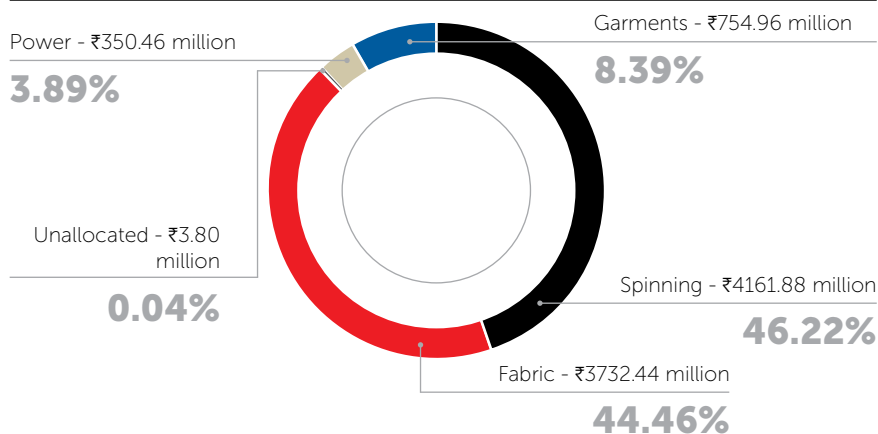
The cover design represents the resilience and passion of the company amidst tough macro-economic scenario. The denim texture and bold fonts resonate the bold attitude of the Company to stand and face the challenges.



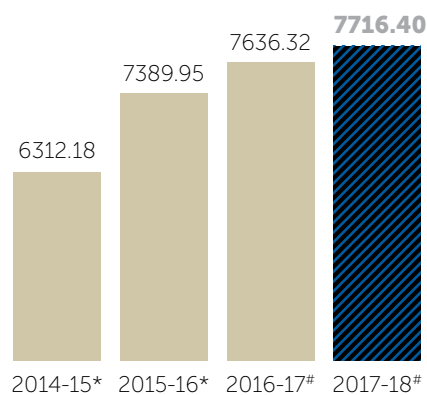
Highlights, 2017-18



Segment revenue (Gross)

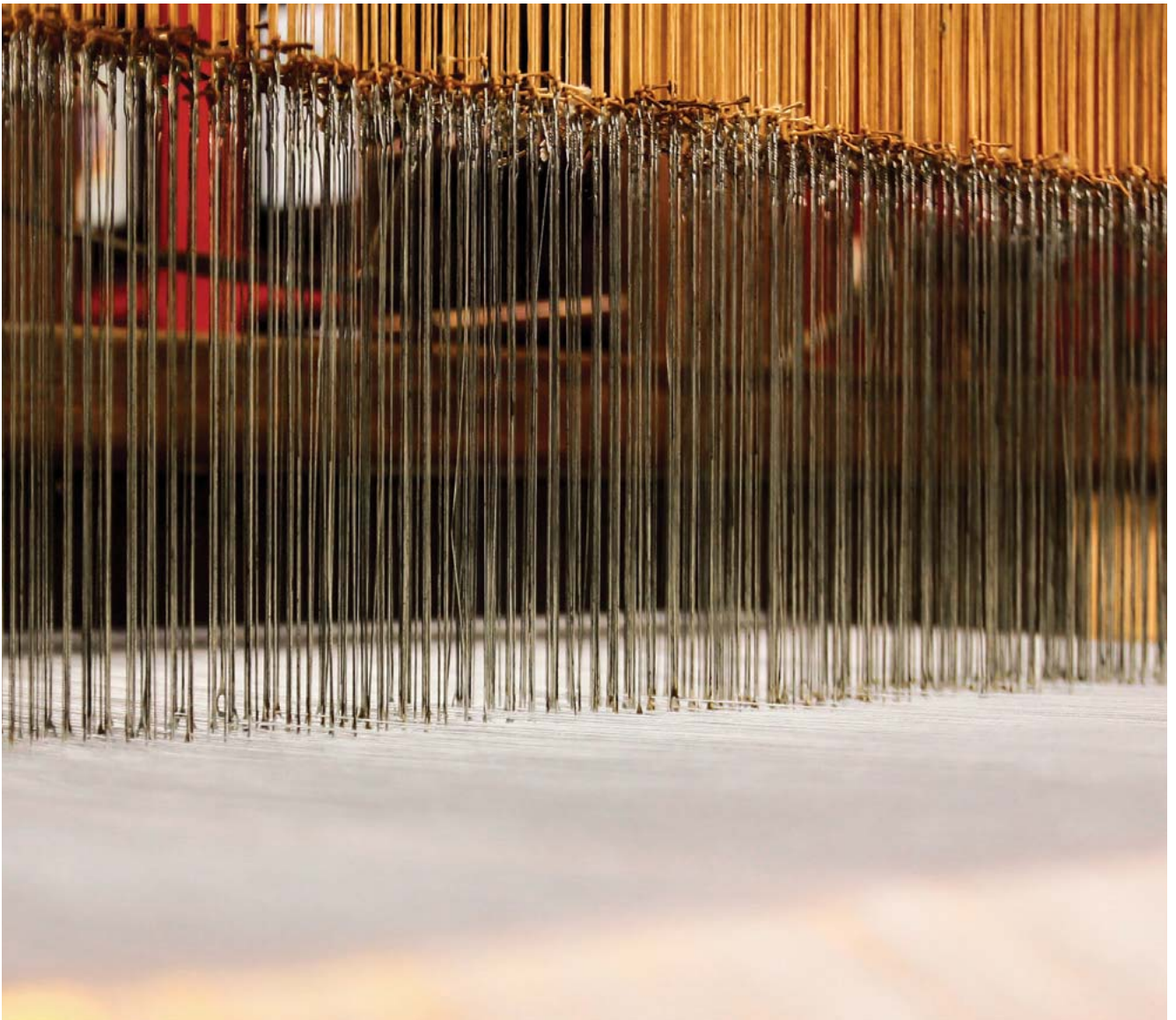


Gross block (₹ in million)

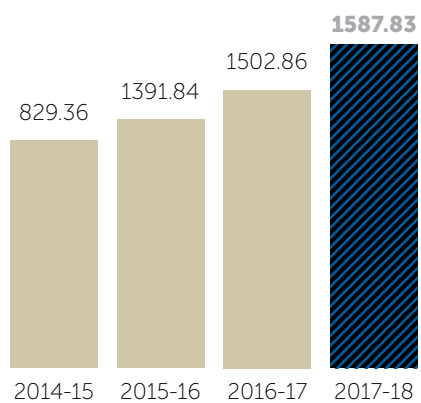


* Under previous GAAP, excluding Revaluation Reserve

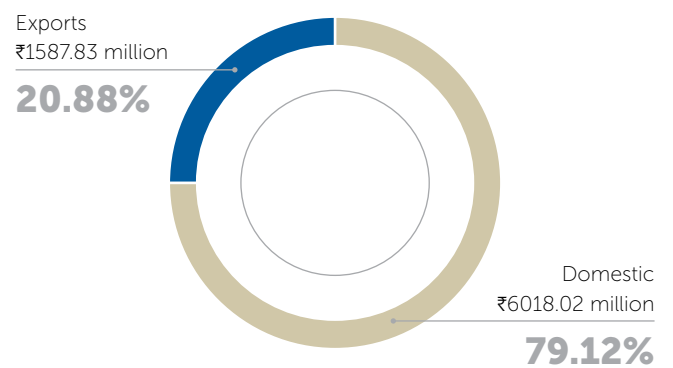
After Ind AS adjustments



Exports (₹ in million)



Geographic revenue mix





Continuity amidst Challenges

For some challenges bring a pause to their journey. For others, they bring a choice – to continue undeterred on the path. At Suryalakshmi, we choose to be the latter. One of the biggest impacts that

the textile industry faced in the recent times would be demonetisation, which brought many a textile companies to a halt. But we chose to focus on sustaining our profitability and performances instead,

and on building a business model that would make this a possibility. In other words, we chose a steady and strategic continuity in the face of challenges, and that has truly made all the difference!

Certification & Qualifications



Supplier Ethical Data Exchange (SEDEX)



Sedex Members Ethical Trade Audit (SMETA)



ISO 9001:2008 Certification



ISO 14001:2004 Certification



Business Social Compliance Initiative (BSCI)



OEKO-TEX® Standard 100 Certification

Vidarbha Udyog Gaurav Award Winners 2017 –
Best Exporter of the Region

Forward Looking Statement

We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward-looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual result deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above-mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and up-to-date nature of information taken, and declared as being taken, from third parties, as well as for forward-looking statements, irrespective of whether these derive from third parties or ourselves. Readers should keep 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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About Us

We are among India's largest original denim manufacturers with an integrated business model.



Vision



To become a global leader and preferred partner in textile manufacturing by leveraging long-term growth opportunities and creating superior value for all stakeholders

Mission



To be one of the top global players in the fashion industry, bringing inspiration and innovation to every fabric and garment we create.

Our values



Customer first

We put the needs of our customers first and are focused on delivering value by providing the highest quality products.

Integrity

We are committed to remain transparent, honest and accountable in our relationships with all stakeholders, both inside and out.

Innovation-led design thinking

We leverage design thinking and technology innovation for delivering fast fashion to our customers. We exercise the highest levels of professionalism in our work & relationships and are committed to continuous improvement in our pursuit of excellence.

Responsibility

We pay attention to what we create, how we create it and the way it impacts people and the environment.

People welfare

We exercise global standards of worker and human resource welfare to create an efficient, healthy, happy and satisfied workforce.



Established in early 1960s, Suryalakshmi Cotton Mills Limited ("Suryalakshmi") was primarily a yarn manufacturing company. Gradually with business expansion, it evolved into fabrics and garments, thereby creating an integrated business model for value-creation. Our manufacturing plants in Telangana and Maharashtra help us serve our customers in India as well in 34 countries across the globe.

56 years

Of existence – among the oldest textile players in India

55.94 %

Promoter shareholding as on 31st March, 2018

1994

The year of listing on BSE

1996

The year of listing on NSE

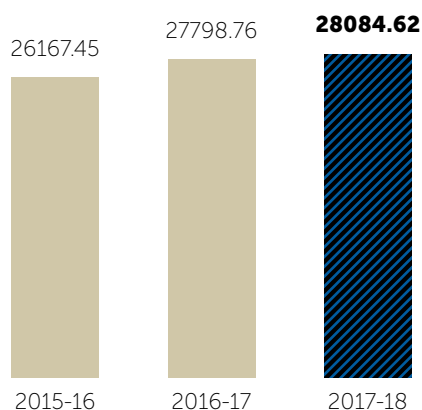
Chairman's Message

Dear Shareholders,

It gives me immense pleasure to present in front of you the Annual Report 2017-18 of Suryalakshmi Cotton Mills Limited. During the year, as the Indian economy moved towards Goods and Service Tax (GST), short term impact of the new tax regime led to fall in growth rate from 7.1% in 2016-17 to 6.6% in 2017-18.

Net worth

(₹ in lakhs)



During the year, cotton prices were on a rise along with a fall in cotton production. This happened mainly due to pink ball worm attack affecting the quality of cotton harvest. The financial year under review was a challenging one for the textile industry of India.

Over the years, the Indian textile industry has experienced a growth in demand both on domestic and exports side. Indian textile industry contributes 4% to the country's GDP and stands as the third largest exporter to apparel industry of the world. During the year, growth of textile industry was disrupted by various setbacks such as demonetization and GST. The cash crunch that entered during November 2016, continues to affect the performance of labour intensive industries like textile. The country as a whole has started to recover from the negative impacts of demonetization, but cash based industries like textile will take time to experience a revival in its operations.

GST that was introduced during June 2017, has affected all industries across the country. Textile industry was one of the most hit amongst all the industries. The dealers which were not registered under VAT are yet to register themselves under GST. This has created a gap for input tax credit throughout the value chain. The government had introduced refund for exports under GST, which first appeared to be a way to boost exports, has turned out to be a challenge. Delay in refund from exports has posed a challenge on working capital. To overcome the effects of demonetization and GST, many companies started exporting. This led to a situation where there was price competitiveness coupled with a fall in margins.

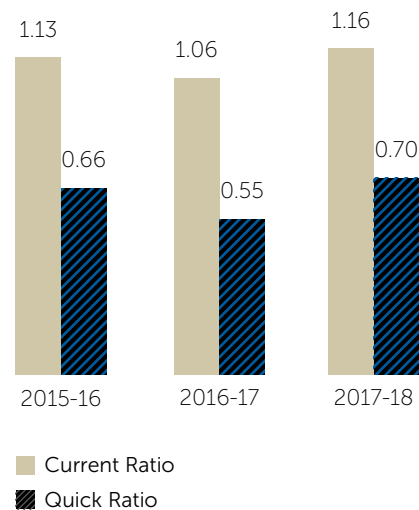
Our export to Bangladesh contributes 51% to our export revenue, which was affected by delay in approval of Letters of Credit from banks. This further affected our working capital and coupled with delay in refund of GST and other government subsidies like TUFs, industrial subsidies, etc., resulted in increase in our short term borrowings.

Over the years, we have experienced an increase in demand for textile and apparel industry of India. Despite this, we faced a sales drop in domestic region as there was an increase in textile imports from Bangladesh and Sri Lanka. In post-GST Scenario, imports from Bangladesh grew by around 56% during July-November 2017 as compared to same period last year, due to F.T.A.

Despite the various challenges faced by us, we experienced a sales volume growth of 19% in denim exports and recorded a strong revenue from operations of ₹76058.53 lakhs. We experienced a growth of 7.34% and 10% in the revenue of spinning business segment and garment segment respectively. During the year, the trade receivables rose by 35.44% resulting in an increase in current assets by 17.26%. A rise in our total expenses drove down our profit after tax to ₹515.05 lakhs.

Going ahead we expect the economy to stabilize in next financial year as the government will take steps to solve technical problems involved in refund for exports and GST filing. We expect that as stabilization will take time, the short term challenges will continue till first half of financial year 2018-19. We will continue to expand ourselves while delivering results. In the coming years, we will also introduce new high margin value-added products that will help us to increase our margins. With a vision to be a global leader, and deliver to some of

Liquidity Ratio



the leading brands in the world we will move towards increasing our exports.

We look forward to overcome the obstacles and continue on our growth path in the next financial year. With innovation and providing quality products to customers we will move ahead in our journey to be one of the global players in specialized denim and premium yarn segment. I would like to thank all our stakeholders for their support. I would like to thank our shareholders to put their trust on us, our employees for their dedication and hard work, and the board for their co-ordination and management. We look forward to a great year ahead with your continuous support.

L N Agarwal
Chairman

Our Market Presence



List of countries where we are present across the globe

Bangladesh	Iran	South Korea
Cambodia	Italy	Spain
Canada	Jordan	Sri Lanka
China	Lesotho	Tanzania
Colombia	Madagascar	UAE
Egypt	Malaysia	UK
Ethiopia	Mexico	Venezuela
Guatemala	Nicaragua	Vietnam
Hong Kong	Pakistan	Thailand
India	Peru	Mauritius
Indonesia	Portugal	Kenya