



Suryalakshmi Cotton Mills Limited
Annual Report 2019-20

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Notice

This annual report is available in the following formats:



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CORPORATE INFORMATION

Board of Directors

Sri L.N. Agarwal

Chairman and Managing Director

Sri Paritosh K. Agarwal

Managing Director

Sri R. Surender Reddy

Director

Sri V.V.S. Ravindra

Nominee – IDBI

Sri Navrang Lal Tibrewal

Director

Sri R.S. Agarwal

Director

Smt. Padmini Agarwal

Whole time Director

Sri Dhruv Vijai Singh

Director

Company Secretary

Sri E.V.S.V.Sarma

President (Finance)

Sri P.S.Subramanyam

Statutory Auditors

M/s.K.S. Rao & Co.
Flat NO.601A, Golden Green
Apartments,
Irrum Manzil Colony,
HYDERABAD – 500082.
Tel. (040) 23373399

Cost Auditors

Aruna Prasad & Co. Chennai

Bankers

State Bank of India
Industrial Finance Branch Hyderabad

IDBI Bank Limited
Saidapet, Chennai.

Andhra Bank,
Somajiguda, Hyderabad.

The Lakshmi Vilas Bank Limited
Bank Street, Koti, Hyderabad.

EXIM Bank,
Rajbhavan Road, Hyderabad.

Axis Bank,
Begumpet Hyderabad.

South Indian Bank Limited,
Rajbhavan Road, Hyderabad.

Registered Office

6th Floor, Surya Towers
105, S.P. Road
Secunderabad - 500 003
Tel.Nos. (040) 27885000
Fax Nos.(040) 27846854
Website : www.suryalakshmi.com

FACTORIES

Yarn Divisions

Amanagallu Ranga Reddy Dist.
Telangana - 509 321

Amravati, Addl. Amravati Indl. Area,
Textile Zone, Nandgaon Peth, Tuljapur
Village, Talkhana, Dist. Amravati.
Maharashtra – 440 010.

Denim Division

Ramtek Mauda Road
Village Nagardhan, Tehsil Ramtek
Nagpur, Maharashtra - 440 010.

Registrar and Transfer Agent

KFin Technologies Private Limited,
Karvy Selenium Tower B, Plot No. 31-32,
Gachibowli, Financial District,
Nanakramguda,
HYDERABAD – 500 032.
Tel.: 040-67161606

DIRECTORS' REPORT

To
The Members

Your Directors are pleased to present their Fifty Seventh Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2020.

Financial Results

	(₹ in Lakhs)	
	2019-2020	2018- 2019
Gross Profit before Interest & Depreciation	3184.23	4788.63
Less : Interest	3279.89	3402.40
: Depreciation & Amortisation expense	2202.19	5482.08
Profit/(Loss) before prior year Adjustment	(2297.85)	(911.01)
Exceptional Items *	2.49	19.05
Profit / (Loss) before tax for the year	(2295.36)	(891.96)
LESS : Deferred tax liability	(687.72)	(421.74)
Profit / (Loss) after tax from continuing operations	(1607.64)	(470.22)
Profit / (Loss) from discontinued operations	(2274.36)	533.76
Tax expense on discontinued operations	(704.54)	160.15
Profit / (Loss) after tax from discontinued operations.	(1569.82)	373.61
Profit / (Loss) for the period	(3177.46)	(843.83)
Other Comprehensive Income	(131.46)	(31.35)
Total Comprehensive Income for the period	(3308.92)	(875.18)
ADD : Opening other Equity	25127.77	26240.09
LESS : Opening stock Revaluation difference	-	(237.14)
	21818.85	25127.77
Dividend on Equity share capital	-	-
Corporate Dividend Tax	-	-
Transferred to General Reserve	-	-
Profit transferred to balance sheet	21818.85	25127.77

OPERATIONS

The operations for the year have resulted in a loss before tax of ₹2295 lakhs. The total revenue for the year at ₹542.70 Crores is less by around 19% over the previous year.

The year under review has been particularly tough for the Company on several fronts. The Company's denim division had suspended operations from 13th February, 2019 due to a strike by the workers and then declared a lock out from 8th March, 2019. Operations were resumed from first of July. Even as the Denim industry was grappling with excess capacity and sluggish demand both in domestic

and international markets, the COVID-19 pandemic started affecting India. In the last week of financial year, the Central Government ordered a nationwide lock down, resulting in all the production activities coming to a standstill.

The production in the spinning division was more or less stagnant, while denim division registered significant drop in production compared to previous year. The sales realization in both yarn and denim segments was less compared to the previous year. Denim volumes were also significantly lower.

GARMENT DIVISION

Of late the Company's Garment Division had become unviable on account of lack of demand, reduced margins, cheaper imports of garments from Bangladesh / Sri Lanka under FTA, higher labour cost, blocked GST refunds, sharp decline in ROSL rates, reduced garment duty drawback rates resulting in cash losses in the Division, impacting overall cash losses of the Company. To cut further losses in future, the Board decided to close down the operations of the Division with effect from March, 2020 and dispose off the Land and Plant & Machinery and use the sale proceeds to reduce the Debt.

POWER PLANT

In view of subsidy provided by the State Government of Maharashtra to textile units, grid power has become cheaper than the generated power and the Company has therefore not been operating the power plant and has been drawing power from the grid. Also the open grid access is not viable at all in Maharashtra on account of the high cross subsidy. After a complete evaluation of the prevailing situation, the Board decided on closing down the operations of the Power Plant with effect from 01/11/2019.

DIVIDEND

In view of the losses, the Board regrets its inability to recommend a dividend for the year 2019-20.

CAPITAL EXPENDITURE

During the year under review the Company incurred capital expenditure of ₹143.27 lakhs.

EXPORTS

During the year, the Company achieved export turnover of ₹120.12 Crores. This turnover, though less than the previous year turnover by 33%, has been achieved inspite of severe constraints like a prolonged strike/lockout at the Company's Denim Unit, which lasted for nearly 5 months, the consequent disruption in the export business, etc., and then the impact of COVID-19. The Company however, strives hard to maintain and retain the confidence of the key customers and continues to supply fabrics to well-known brands like Lee Wrangler, levis, Dickies, Wal-Mart, Next, Matalan, Jack & Jones, Zara, etc. The Company continues to concentrate on fabric innovation, R&D and sustainability. The COVID-19 has impacted international markets also and full effect will be felt only in the future. The

Company however is confident of facing these adversities also as it has done in the past.

FUTURE OUTLOOK

During the second half of the March, 2020, the COVID-19 pandemic started impacting the Indian and International business environment. After the lifting of the lockdown, the Spinning Divisions in Amanagallu & Amravati resumed production operations on a reduced scale from 2nd week of May, 2020. The Denim industry has already been reeling under the impact of excess capacity and reduced demand. It is expected that textile industry will suffer a loss of demand of atleast 25-35%. The Denim Division has not started operations as the markets in Mumbai & Delhi have been closed under the impact of lock down following the pandemic on account of non availability of labour and also very poor consumer interest in general. The denim division is yet to resume operations as the domestic markets for denim in Delhi /Mumbai are still closed.

The impact of COVID-19 on the operations and profitability of the Company will unfold only in the coming months after the markets open up and travel restrictions are eased internationally. The demand for textiles has been badly impacted and it appears will affect the 1st half of the financial year 2020-21 very badly. A moderate recovery is expected, that too subject to the revival schemes under the Government initiatives being well received in the 2nd half of the year. The situation is yet to become normal in many parts of the world. The domestic demand has been greatly impacted due to the lock down and the effect of the Central Government economic package in reviving demand is yet to be felt. In this scenario, the Company hopes to grab any encouraging developments to its advantage to improve the profitability

DIRECTORS

During the year, Dr.G.Vivekanand (DIN : 00011684) has resigned from the Board due to other preoccupations. The Board wishes to place on record its appreciation for the valuable services rendered by Dr.G.Vivekanand.

The Board, on the recommendation of Nomination and Remuneration Committee has reappointed Sri Paritosh Agarwal (DIN No.00008738) as Managing Director for a further period of 5 years subject to the approval of the members in the ensuing Annual General Meeting.

The Board, on the recommendation of Nomination and Remuneration Committee has reappointed Sri R.S.Agarwal (DIN: 00012594) and Sri Navrang Lal Tibrewal (DIN: 00030151) as Independent Director for a second term of 5 years from 29/07/2020 subject to the approval of the members in the ensuing Annual General Meeting.

EVALUATION OF THE BOARD'S PERFORMANCE

In compliance with the Companies Act, 2013, and as per the latest Listing Regulations, the annual performance evaluation of the Board its Committees and of Individual Directors were carried out during the year under review. More details on the same are given in the Corporate Governance Report.

FAMILIARISATION PROGRAM FOR INDEPENDENT DIRECTORS

The Company has formulated a familiarisation program for the Independent Directors to provide insights into the Company to enable the Independent Directors to understand its business in depth and contribute significantly to the Company. The details of such program are available in the Company's website www.suryalakshmi.com

DECLARATION BY INDEPENDENT DIRECTORS

The Company has obtained the declaration from the Independent Directors confirming that they meet the criteria of Independence laid down in Section 149(6) of the Companies Act, 2013.

MEETING OF INDEPENDENT DIRECTORS

A separate meeting of the Independent Directors was held under the Chairmanship of Sri R.Surender Reddy, Independent Director on February 10, 2020, inter-alia to discuss evaluation of the performance of Non-Independent Directors, the Board as a whole, evaluation of the performance of the Chairman, taking into account the views of the Executive and Non-Executive Directors and the evaluation of the quality, content and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Independent Directors expressed satisfaction with the overall performance of the Directors and the Board as a whole.

POLICY ON APPOINTMENT & REMUNERATION OF DIRECTORS

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The Policy broadly lays down the guiding principles, philosophy and the basis for payment of remuneration to Executive and Non-executive Directors (by way of sitting fees and commission), Key Managerial Personnel, Senior Management and other employees.

The policy also provides the criteria for determining qualifications, positive attributes and Independence of Directors and criteria for appointment of Key Managerial Personnel/Senior Management and performance evaluation which are considered by the Nomination and Remuneration Committee and the Board of Directors while making selection of the candidates. The above policy has been posted on the website of the Company at www.suryalakshmi.com.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis; and
- (e) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively.
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DISCLOSURES UNDER THE COMPANIES ACT, 2013

i) Annual Return:

The Company's Annual Return has been hosted on Company's website and can be accessed at the weblink www.suryalakshmi.com. Therefore, the extract of Annual Return as per the provisions of Section 92 of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 has not been annexed to this Board's Report.

ii) Number of Board Meetings:

The Board of Directors met five times during the year 2019-2020. The details of the board meetings and the attendance of the Directors are provided in the Corporate Governance Report.

iii) Changes in Share Capital:

There was no change in the share capital during the year under review.

iv) Audit Committee:

The Board has constituted the Audit Committee which comprises of Sri R. Surender Reddy, as the Chairman and Sri R.S.Agarwal, Sri Navrang Lal Tibrewal and Sri V.V.S.Ravindra as the members. More details on the committee are given in the Corporate Governance Report.

v) Related Party Transactions:

All the related party transactions are entered into on arm's length basis and are in compliance with the applicable provisions of the Companies Act 2013 and the Listing Regulations. There are no materially significant related party transactions made by the company with Promoters, Directors or Key Managerial Personnel etc. which may have potential conflict with the interest of the company at large. Thus disclosure in Form AOC-2 is not required. All Related Party Transactions are presented to the Audit Committee and the Board.

Omnibus approval is obtained for the transactions which are foreseeable and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee and the Board on a quarterly basis, specifying the nature, value and terms and conditions of the transactions. The Related Party Transactions Policy as approved by the Board is uploaded on the company's website at the web link: <http://www.suryalakshmi.com/policyonrelated.html>

vi) REPORTING OF FRAUDS

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of Act and Rules framed thereunder.

vii) No Loans/Guarantees / Investments under Section 186 of the Companies Act, 2013 have been made during the year.**viii) There were no significant and material orders passed by the Regulators/ Courts that would impact the going concern status of the Company and its future operations****MATERIAL CHANGES AND COMMITMENTS**

As detailed elsewhere, the nationwide lock down to contain the COVID-19 pandemic, the manufacturing units of the Company has been shut down in the last week of March, 2020. The Spinning Units resumed production in the second week of May, 2020 and denim unit is yet to resume production. The financial impact on the profitability cannot be immediately assessed.

CORPORATE GOVERNANCE

As per the latest Listing Regulations on Corporate Governance, Management Discussion and Analysis Report forms part of the Annual Report (**ANNEXURE - 5**). The Company has complied with the corporate governance requirements under the Companies Act, 2013 and as stipulated under the Listing Regulations. A separate section on corporate governance under the Listing Regulations, along with a certificate from the auditors confirming the compliance, is annexed and forms part of the Annual Report (**ANNEXURE - 1**).

CORPORATE SOCIAL RESPONSIBILITY POLICY

At Suryalakshmi a major concern has been, the sincere effort by the Company to recognize the role played by the Society at large, the environment and its human resources in its sustainability and growth and to strive to discharge its social responsibility as a corporate citizen. To this end, the Company has always tried to strike a fine balance of economic, environmental and social commitments. The sustainable stewardship mantra is not limited to philanthropy, but encompasses holistic community development and other initiatives to strengthen business sustainability. The core areas for Suryalakshmi's Corporate Social Responsibility (CSR) Programmes for this year have been health care, environment and education. Details of the projects / activities implemented by the Company are furnished in a separate **ANNEXURE-2** to this report. The Company constituted a Committee of CSR consisting of Sri L.N.Agarwal, Sri Paritosh Agarwal and Sri R.Surender Reddy, with Sri L.N.Agarwal as Chairman.

The Company could not spend the planned amounts on the CSR activities in view of certain pending approvals from the local authorities. Steps are being taken to obtain the same at the earliest and complete the commitments.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The reconstituted Stakeholders Relationship Committee consists of following Directors.

Mr. Navrang Lal Tibrewal, Chairman (Independent Director), Sri L.N. Agarwal, (member), Sri Paritosh Agarwal (member) and Sri E.V.S.V. Sarma, Compliance Officer & Company Secretary. During the financial year, stakeholders relationship committee meeting was held on 14/11/2019.

RISK MANAGEMENT

The Company has instituted a proper mechanism for identifying and establishing controls to effectively manage different kinds of risks viz., Trend Related Risks, Raw Material Risks, Brand / Technology Risks, Operational Quality Risks, Human Resources Risks, Regulatory Risks and Financial Risks. A Committee headed by Sri Paritosh Agarwal, Managing Director periodically reviews the risks and takes steps to mitigate identified risks.

WHISTLE BLOWER POLICY

The Company has in place a Whistle Blower policy for vigil mechanism for Directors and employees to report to the management about unethical behaviour, fraud, violation of Company's Code of Conduct, which also ensures safeguards against victimization of those employees who seek to make use of the free access to the Audit Committee for this purpose. None of the Personnel has been denied access to the audit committee. The Whistle Blower Policy has been posted on the website of the Company at www.suryalakshmi.com

DECLARATION ABOUT COMPLIANCE WITH THE CODE OF CONDUCT BY MEMBERS OF THE BOARD AND SR.MANAGEMENT PERSONNEL.

The Company has complied with the requirements of Code of Conduct for Board members and Sr. Management Personnel.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints

Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary and trained) are covered under the Policy. The following is a summary of sexual harassment complaints received and disposed off during each Calendar year:

- | | |
|---|-------|
| a) No. of Complaints received | - NIL |
| b) No. of Complaints disposed off during the year | - NIL |
| c) No. of cases pending as at end of the Financial Year | - NIL |

AUDITORS

I. Statutory Auditors and their Report:-

M/s.K.S.Rao & Co., Chartered Accountants (ICAI Firm Regn.No.003109S) were appointed as Statutory Auditors of the Company for a period of five consecutive years at the Annual General Meeting (AGM) of the members held on 28/08/2017 on a remuneration mutually agreed upon by the Board of Directors and the Statutory Auditors. Their appointment was subject to ratification by the members at every subsequent AGM held after the AGM held on 28/08/2017. Pursuant to the amendments made to Section 139 of the Companies Act, 2013 by the Companies (Amendment) Act, 2017 effective from May 7, 2018, such ratification is no longer necessary. The Company has received the prescribed certificate from the Auditor regarding the continuance and the necessary consent for his appointment as Auditor. The Auditors' Report to the shareholders for the year under review does not contain any qualification, reservation or adverse remark.

II. Cost Auditor and Cost Audit Report

As per the requirements of the Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, your Company is required to maintain cost records and accordingly, such accounts are made and records have been maintained relating to Textile Divisions every year. Pursuant to Section 148 of the Companies Act, 2013 the Board of Directors on the recommendation of the Audit Committee, has appointed M/s.Aruna Prasad & Co., Cost Accountants (Firm Registration No.100883) as the Cost Auditors for the Financial Year 2020-2021 and has recommended their remuneration to the shareholders for their ratification at the ensuing Annual General Meeting. M/s.Aruna Prasad Co., Cost Accountants have confirmed their appointment is within the prescribed limits and also certified that they are free from any disqualification.

III. Secretarial Auditor and Secretarial Audit Report

The Board had appointed Mr.K.V.Chalama Reddy, Company Secretary in Whole-time Practice (M.No. F9268), to carry out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2020-2021. The report of the Secretarial Auditor does not contain any qualifications, reservation or adverse remarks and is annexed to this report as **ANNEXURE -3**.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Your Company has effective and adequate internal control systems in place commensurate with the size and complexity of the organisation. Internal and operational audit is carried by M/s.K.Vijaya Raghavan & Associates LLP, a reputed firm of Chartered Accountants. The Internal Audit system is designed to meet the statutory requirements as well as ensure proper implementation of management and accounting controls. The internal auditors submit their report to the Managing Director and also to the Audit Committee, which reviews the report and ensures that the Audit observations are attended to by the Management.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information on conservation of energy, technology absorption, foreign exchange earnings and out go, as required to be given pursuant to provision of Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is annexed here to marked **ANNEXURE-4** and forms part of this report.

DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

COMPLIANCE WITH SECRETARIAL STANDARDS.

The Company has complied with the Secretarial Standards issued by the Institute of Company Secretaries of India.

EMPLOYEES

Periodic Training programmes for developing a skilled workforce, personality development programmes, yoga camps, etc., encouragement of employee participation in district / state level sports events are regularly undertaken. An integrated woman focused program trains unskilled women to undertake skilled jobs at its units.

Disclosure pertaining to the remuneration and other details as required under Section 134 & 197(12) of the Act, and the Rules framed thereunder is enclosed as **ANNEXURE-6** to the Board's Report.

ACKNOWLEDGEMENTS

The Board of Directors are pleased to place on record their appreciation of the cooperation and support extended by Banks and various State and Central Government Agencies. The Board also wishes to place on record its appreciation of the valuable services rendered by the employees of the Company.

for and on behalf of the Board

Date : 27th June, 2020.

Place : Secunderabad

L.N.AGARWAL

Chairman & Managing Director

Annexure - 1

CORPORATE GOVERNANCE REPORT

1. Brief statement on Company's philosophy on code of governance.

Suryalakshmi's corporate culture has meant working always proactively to meet the expectations of its customers, shareholders, employees, business associates, the society at large and in complying with the dictates of the regulatory frame work both in letter and spirit. The Company believes Corporate Governance is an effective instrument for realisation of this corporate aim and accordingly endeavors to function with integrity in a transparent environment.

2. Board of Directors :

a) Composition and category of Directors / Number of other Board of Directors or Committees of which Member / Chairman.

Name of the Director	Category	No. of other Directorships and names of Listed Companies of which he is a Director	No. of other Board Committees of which Member	No. of other Board Committees of which Chairman
Sri L.N. Agarwal DIN : 00008721	Chairman & Managing Director- Promoter/ Executive	Nil	Nil	Nil
Sri Paritosh Agarwal DIN : 00008738	Managing Director – Promoter/ Executive	Nil	Nil	Nil
Sri R. Surender Reddy DIN : 00083972	Non-Executive – Independent	SIX a) Suryalata Spinning Mills Ltd b) Lakshmi Finance & Industrial Corporation Ltd c) Surana Solar Limited d) Bhagyanagar India Ltd	6	3
Sri Navrang Lal Tibrewal DIN : 00030151	Non-Executive – Independent	Nil	Nil	Nil
Sri R.S.Agarwal DIN : 00012594	Non-Executive – Independent	FOUR a) The Ramco Cements Ltd. b) Ramco Industries Ltd. c) Ramco Systems Ltd	4	2
Smt. Padmini Agarwal DIN : 01652449	Executive-Promoter	Nil	Nil	Nil
Sri V.V.S.Ravindra DIN : 01887879	IDBI Nominee Non-Executive	ONE a) Nagarjuna Fertilizers and Chemicals Limited	Nil	Nil
Dr.G.Vivekanand * DIN No. 00011684	Non-Executive – Independent	FOURTEEN a) Visaka Industries Ltd.	1	0
Sri Dhruv Vijai Singh DIN No. 07180749	Non-Executive – Independent	Nil	Nil	Nil

* Resigned from the Board w.e.f. 06/11/2019.