

A large, expressive yellow brushstroke graphic, resembling a stylized 'S' or a calligraphic flourish, is positioned diagonally across the center of the page. It is set against a dark blue background with a subtle pattern of white dashed lines.

GROWING SUSTAINABLY, RE-ALIGNING STRATEGIES

ANNUAL REPORT
2021-22



CONTENTS

Strategic Overview

About Us	02
From the Chairman's Desk	04
Corporate Information	06

STATUTORY REPORTS

Directors' Report	07
Corporate Governance Report	12
Management Discussion & Analysis	35

FINANCIAL STATEMENTS

Independent Auditors' Report	43
Balance Sheet	52
Statement of Profit and Loss	53
Cash Flow Statement	54
Statement of Changes in Equity	56
Notes forming part of the Financial Statements	57
NOTICE	101

Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our business prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make or publish, 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 even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, 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.

ABOUT US

Who we are

We have been providing premium yarns, and premium denim, for nearly six decades to some of the globally renowned domestic and international brands.

We have built trust by manufacturing responsibly and sustainably. | We have built value for our shareholders. | We have built careers for nearly 3000 people. | We have developed 3,000+ high-quality specialized denim variants. | We are rebuilding ourselves, to emerge profitable again.

Established in 1962, we have built our presence across the textile value chain from manufacturing of yarn to denim cloth by building an integrated business model and by leveraging our manufacturing capabilities. We are one of India's leading Original Denim Manufacturers (ODM) associating with renowned international and domestic brands with an enviable market share in the premium denim segment.

Suryalakshmi Cotton Mills Limited, Today

For more than five decades Suryalakshmi has taken everything the world has thrown at it in its stride: the fickleness of changing trends in the fashion industry, the fortunes of boom and recession, the revolving door of bull and bear markets.

But it is no secret the Company got itself into trouble over the last few years. We tackled these issues head-on, and since FY21 we have put together a transformation strategy to turn the Company around. As we began to put the plan in place, the challenges the Company faced were intensified by the onset of the pandemic.



Our vision

To become a global leader and preferred partner in premium yarn and denim fabric manufacturing by leveraging long-term growth opportunities and creating superior value for all stakeholders.



Our mission

To be one of the Top Global Players in the specialized denim and premium yarn sector, bringing inspiration and innovation to every fabric and garment we create.



Values that define us

Customer First

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

Innovation-led Design Thinking

We will leverage design thinking, 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.

People Welfare

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

Integrity

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

Responsibility

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

Where we operate

Headquartered in Telangana, India, and quoted on the Bombay Stock Exchange (BSE) and National Stock Exchange of India Ltd. we have a global sales

sales presence associating with leading private labels, fashion brands, and retail chains. Our unrivaled global reach and footprint serve as one of our competitive advantages.

Our quality assurance

We have successfully driven our business for more than five decades by emphasizing on quality excellence. Our quality excellence is vindicated by certifications such as [], [], and [] and our technologically advanced manufacturing practices.



FROM THE CHAIRMAN'S DESK



Our deep-rooted legacy, brand power, global status, visionary approach, innovation capabilities and commitment to sustainability bolster our leadership position in the industry.

Dear Stakeholders,

As the world approaches the third year since the pandemic, its viral iterations still plague the world with uncertainties. During these humbling times, I'm reminded of all my colleagues and stakeholders who helped us wade through these uncharted waters. I take this opportunity to thank everyone who was with us in our fight against the pandemic or its subsequent waves.

With the worst hopefully behind us, the Indian economy is expected to grow by 8.9 per cent in the fiscal year under review, strongly indicating that economic activity has returned to pre-pandemic levels. High-frequency indicators like passenger traffic and merchandise export seem to hint at the same. Some of the worst-hit sectors like the textile industry, are witnessing rapid recoveries and are expected to grow three-fold in the next four years backed by government initiatives to bolster the same.

The textile sector is extremely important to the Indian economy, since it contributes significantly to export revenues. Post a slowdown to \$75 billion in FY 2021, the domestic textiles and apparels industry is anticipated to be worth \$300 billion by 2025-26, registering a growth of 300 per cent in the next 2 years.

Our Company remained a formidable entity in the textile industry during trying times due to

the resilience of our team. Analogous to the swift recovery of the textile industry in India, our company is witnessing a post-pandemic comeback of its own.

With the consumer confidence gradually increasing proportional to the opening up of the economy, a significant increase in demand was observed in the year under consideration. This demand was fuelled by the recovery of purchasing power and rebound of purchase volumes along with the increase in exports and customer base for our products.

With gradual recovery of demand, we focused on improving our capacity utilisation and addressing the needs of our customers. This was achieved through a number of strategic measures like increasing production capacity and improving overall efficiency of our process and people.

The headwind caused by inflated raw material price was partly absorbed through better capacity utilization which helped limit the increase in operating expenses. The Company has closed down the Power plant that has become unviable to operate due to the high cost of coal and easy availability of low cost grid power. The Company has also substituted coal with biofuel in other operations as a sustainability initiative and also has installed 3001.86 KWP Solar Power

plant at its Amanagallu Division to promote alternative source of energy.

The measures and more importantly, the efforts taken by our company and my colleagues culminated in a good year for Suryalakshmi as demonstrated by our financial performance in the fiscal year 2022.

Our revenue from operations grew by 60 % to Rs. 784 crores in FY 2022. Our persistent focus on operational excellence and cost optimisation has enabled us to turnaround a challenging loss-making year into a profit-making year for the Company. During the year under review, our EBITDA stood at Rs. 90 crores. While, our PBT improved from (loss Rs.0.48 crores) in FY21 to Rs. 49.95 crore in FY22. We also focused on maintain strong balance sheet and liquidity position.

One of the most important assets for sustaining our competitiveness in the ever-evolving textile space is our design thinking and technology innovation. We use state-of-the-art manufacturing systems as well as digital technologies that enable optimal production and efficiency.

Today, Suryalakshmi is moving forward into the future with confident steps. Our deep-rooted legacy, brand power, global status, visionary approach, innovation capabilities and commitment to sustainability bolster our leadership position in the industry.

The credit of our success and turnaround during the year can be attributed to the hard work, dedication and commitment of our employees. We see qualified employees as our most valuable asset. Thus, we adopt a human resources management approach that respects the rights of employees and supports equality and fairness across the organisation. We place great importance on ensuring social gender equality.

Our endeavours of creating impact are not restricted to the numerical targets but extends to developing sustainable products that are innovative and environment friendly. We want our products to be ground-breaking and drive change in the global textile industry.

With the market and our salience improving day after day, we are expecting similar growth in the forthcoming years. I would like to appreciate the unwavering loyalty and support of our customers, employees, shareholders and other stakeholders. We, like always are committed towards expanding our footprint in existing and new markets while delivering the best quality products to our customers.

Regards,

L.N. Agarwal
Chairman

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

Sri Dhruv Vijai Singh
Director

Smt. Aruna Prasad
Director

Sri Rajan Ravindra Shukla#
Nominee Director– IDBI
(From 30/04/2022)

*Up to 30/04/2022

#from 30/04/2022

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

M/s. S. Hariharan & Associates

Bankers

State Bank of India
Industrial Finance Branch
Hyderabad

IDBI Bank Limited
Saidapet, Chennai.

Union Bank of India (erstwhile -
Andhra Bank),
Somajiguda, Hyderabad.

DBS Bank India Limited (erstwhile -
Lakshmi Vilas Bank Limited)
Aditya Trade Centre,
Ameerpet, 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) 27885200
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 Limited,
Selenium Building,
Tower - B, Plot No.31&32,
Financial District,
Nanakramguda,
Gachibowli,
Hyderabad – 500 032.
Tel.: 040-67161606

DIRECTORS' REPORT

To
The Members

Your Directors are pleased to present their Fifty Ninth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2022.

Financial Results

(₹ in Lakhs)

	2021-2022		2020-2021	
Gross Profit before Interest & Depreciation		8505.44		3719.45
Less : Interest	2426.28		3245.48	
: Depreciation & Amortisation expense	1604.39	4030.67	1647.80	4893.28
Profit/(Loss) before prior year Adjustment		4474.77		(1173.83)
Exceptional Items		520.31		1126.04
Profit / (Loss) before tax for the year		4995.08		(47.79)
LESS : Deferred tax liability		1558.07		(13.83)
Profit / (Loss) after tax from continuing operations		3437.01		(33.96)
Profit / (loss) from discontinued operations		(4964.18)		(337.19)
Tax expense on discontinued operations		(1548.82)		(89.00)
Profit / (Loss) after tax from discontinued operations.		(3415.36)		(248.19)
Profit / (Loss) for the period		21.65		(282.15)
Other Comprehensive Income		15.87		(9.31)
Total Comprehensive Income for the period		37.52		(291.46)
ADD : Opening other Equity		21527.39		21818.85
ADD: Share premium on allotment of Preferential Equity shares		1599.75		
Sub Total		23164.66		21527.39
LESS: Dividend on Equity share capital		-		0
LESS: Corporate Dividend Tax		-		0
LESS: Transferred to General Reserve		-		0
Profit transferred to balance sheet		23164.66		21527.39

OPERATIONS

The Operations for the financial year 2021-22 reflect the economic revival in the country following the receding Covid19 pandemic.

The turnover at Rs.783.5Crores has improved by 60% over the previous year and profit before tax of Rs.49.95Crores reflects the improved performance of the spinning and denim fabric divisions. The overall growth in sales volumes and realisations arising out of the favourable market sentiment has contributed to the encouraging results.

POWER PLANT

As informed in the previous report the operations of the Power Plant are discontinued even during this year as it is no longer viable to operate the same due to the shortage and high coal cost and also availability low cost state power.

The Board has decided to dispose off the Power plant and use the sale proceeds to reduce the debt burden.

DIVIDEND

In view of the inadequate profits, the Board regrets its inability to recommend a dividend for the year 2021-22. The Board has decided to dispose off the Power plant and use the sale proceeds to reduce the debt burden.

CAPITAL EXPENDITURE

During the year under review the Company incurred capital expenditure of Rs. 1052.37 lakhs.

EXPORTS

The effects of pandemic subsided resulting in overall revival of the economic activity globally. Exports witnessed a healthy

54% growth and the Company managed to service its clientele of leading brands like Lee, Wrangler, Dickies, Timberland, Wal-Mart, Amazon Gorge, Primark, Salisbury & Jack & Jones etc. The Company has added new customers like CK, Uniqlo, M&S etc & new markets like Indonesia, Syria etc.

FUTURE OUTLOOK

While the performance in the Financial year 2021-22 is encouraging the galloping cotton prices apart from rising other input costs like dyes, chemicals, coal & power etc present a challenge and an opportunity to the Company. The Company will continue to do its best in the given circumstances to meet the evolving challenges.

DIRECTORS

During the year, Smt. Aruna Prasad (DIN: 07164087) Director will retire at the ensuing Annual General Meeting and being eligible, offers herself for reappointment.

During the year IDBI withdraw the nomination of Sri. V.V.S.Ravindra and nominated Sri. Rajan Ravindra Shukla instead. The Board wishes to place on board its appreciation of the continuation made by Sri.V.V.S.Ravindra to the deliberation of the Board during the Tenure.

Further details about the above directors are given in the Corporate Governance Report as well as in the Notice of the ensuing Annual General Meeting being sent to the shareholders along with the Annual Report.

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 was 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 2, 2022, 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