

DIRECTORS' REPORT

To
The Members

Your Directors are pleased to present their 14th Annual Report on the business and operations of the Company.

FINANCIAL RESULTS

	2007-2008	(Rs. in lakhs) 2006-2007
Gross Profit /(Loss) before Interest & Depreciation	191.78	(23.12)
Less : Interest	199.20	
: Depreciation	96.25	295.45
Profit/(Loss) before tax for the year	(103.67)	
LESS : Provision for Income Tax		
Fringe Benefit tax	1.05	1.60
Profit /(Loss) after tax	(104.72)	(24.72)
ADD : Profit/ (Loss) brought forward from last year	(21.48)	3.24
Loss transferred to Balance Sheet	126.20	21.48

OPERATIONS

The first year of commercial operations by the company has resulted in a loss after tax of Rs.104.72 lakhs. The company continues to face the shortage of labour. The Company has plans to gradually increase the production by 20 to 25% with the existing facilities only. New International clients like George, Levice etc. have been added after successfully meeting the stringent quality requirements of these buyers. The Company's products have been fairly well received abroad and the Company plans to improve the quality further. The Company proposes to do better in the current year with the establishment of the quality and a possible improvement in the realization.

DIVIDEND

In view of the loss the Board regrets its inability to recommend any Dividend.

DIRECTORS

Pursuant to the provisions of the Companies Act, 1956 Sri K.Srinivasa Reddy will retire by rotation and being eligible offers himself for reappointment.

Pursuant to the provisions of the Companies Act, 1956 Sri R.Surender Reddy will retire by rotation and being eligible offers himself for reappointment.

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Mrs. Padmini Agarwal was appointed as Additional Director of the Company under Section 260 of the Companies Act, 1956 by the Board of Directors at their meeting held on 31/10/2007 and Sri Sunil Kumar K. was appointed as Director under Section 260 of the Companies Act, 1956 by the Board of Directors at their meeting held on 30/01/2008 in place of Sri Baratam Srinivas who has resigned from UTI Venture Funds and hence they vacate office at the ensuing Annual General Meeting. In this regard the Company has received notices required under Section 257 of the Companies Act, 1956 proposing their appointment as Directors of the Company.

The Board recommends their appointment as Directors for approval of the members.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. That the selected accounting policies were applied consistently and the Directors 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 as at March 31, 2008 and of the profit of the Company of the year ended on that date.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act., 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the annual accounts have been prepared on a going concern basis.

DEPOSITS

There are no overdue deposits as on March 31, 2008.

AUDITORS

The Auditors M/s Brahmayya & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

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

The Details as required under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure – I.

EMPLOYEES

The provisions of Section 217 (2A) of the Companies Act, 1956 are not applicable during the year ended 31st March, 2008 and hence the particulars are not furnished herewith.

By order of the Board

Place : Secunderabad
Date : 28.06.2008

L.N. Agarwal
Director

Annexure to Directors' Report

ANNEXURE - I

Details as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 read with clause (e) of Subsection (1) of Section 217 of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

An energy audit was undertaken by a firm of consultants to improve upon the energy conservation measures. The recommendations from the audit were implemented. The Company's consumption of energy per unit of production is one of the lowest in the industry.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy – Nil.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The above measures have reduced the cost of production.

(d) Total energy consumption and energy consumption per unit of production as per **Form A** is given below :

FORM A

Form for disclosure of particulars with respect to conservation of energy

	2007-2008	2006-2007
A. Power & Fuel Consumption		
1. Electricity		
a) Purchased units ('000)	1206	Not applicable as commercial production was not carried out during the year.
Total amount (Rs. lakhs)	4311	
Rate/Unit (Rs.)	3.58	
b) Own Generation units ('000)	71	
Unit per litre of Diesel Oil	3.41	
Cost/Unit (Rs.)	10.47	
2. Coal (Rs. in Lakhs)	0.90	
3. Furnace Oil	-	
4. Others / Internal Generators	-	
B. Consumption per Unit of Production		
Electricity (No. of Units)		
per pcs/garment	1.62	
Furnace Oil	-	
Coal (specify Quality)	0.11	
Others (specify)	-	

B. TECHNOLOGY ABSORPTION

(e) efforts made in technology absorption as per Form B :

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FORM - B

B. Form for disclosure of particulars with respect to absorption

Research and Development (R&D):

1. Specific areas in which R & D carried out by the Company. New value added products were developed for new markets and to improve the quality of the products.
2. Benefits derived as a result of the above R&D
3. Future plan of action
4. Expenditure on R & D
 - (i) Capital : –
 - (ii) Recurring : Rs. 2,65,347/-
 - (iii) Total : Rs. 2,65,347/-
 - (iv) Total R&D expenditure as a percentage of total turnover : 0.17%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation The company had adapted indigeneous technology and the innovated upon the same.
2. Benefits derived as a result the above efforts, e.g., improvement, cost, reduction, product development, import substitution, etc. Product improvement, increase in yield production of high value added products, increase in exports and increase in profit margins.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.
 - (a) Technology imported No technology has been imported.
 - (b) Year of import
 - (c) Has technology been fully absorbed
 - (d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action Not Applicable

C. Foreign Exchange Earnings and Outgo

- e) Activities relating to exports; initiatives taken to increase exports; development of new export markets for production and service and export plans. Exports exploration activities mainly include development taken to increase exports, development of new export markets for production and services and export plans.
- f) Total foreign exchange used and earned

		(Rupees)	
		2007-2008	2006-2007
(i) Foreign Exchange Earned			
	FOB Value of Exports	13,97,08,930	50,84,588
	CIF Value of Exports	14,24,80,040	61,45,463
(ii) Foreign Exchange used			
a.	Commission on export sales	1,55,026	–
b.	Foreign Travel expenses	–	–
c.	Raw Material	–	–
d.	Plant & Machinery	–	4,95,29,476
e.	Stores & Spares	1,47,60,282	–
f.	Repayment of loans	–	–
g.	Interest	–	–

AUDITORS' REPORT

To the Members of SURYAKIRAN INTERNATIONAL LIMITED, SECUNDERABAD.

1. We have audited the attached Balance Sheet of SURYAKIRAN INTERNATIONAL LIMITED, SECUNDERABAD (A.P) as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion :
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of the written representations received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - b) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for **BRAHMAYYA & CO.,**
Chartered Accountants.

(K.S.RAO)

Partner

Membership No. 15850

Place: Hyderabad

Date : 28.06.2008

Annexure

RE : Suryakiran International Limited, Secunderabad.

Referred to in paragraph 3 of our report of even date,

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
c) During the year the Company has not disposed off any plant and machinery.
2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
b) In view of our comment in paragraph 3(a) above, (b),(c) & (d) of the aforesaid order are not applicable to the Company.
c) During the year, the Company had not taken unsecured loans from parties covered in the register maintained under section 301 of the Companies Act, 1956.
- d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- e) The Company is regular in payment of the principal amount and interest thereon as stipulated.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of Inventory & Fixed Assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public. Hence the provisions of section 58AA and other relevant provisions of the Companies Act 1956 and the company's (Acceptance of Deposits) Rules, 1975 are not applicable to the Company for the time being.

7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. a) According to the records, of the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.
10. The Company has accumulated losses as at the end of the financial year. The Company has incurred cash losses during the financial year covered by our audit and also in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chitfund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.
17. In our opinion and according to the information and explanations given to us the funds raised on short-term basis have not been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. During the year, the Company has not issued any debentures and therefore the question of creating security or charge in respect thereof does not arise.
20. During the year, the Company has not made any public issue and therefore the question of disclosing the end use of money raised by public issue does not arise.
21. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

for BRAHMAYYA & CO.,
Chartered Accountants

K.S. RAO
Partner

Place : Hyderabad
Date : 28.06.2008

Membership No. 15850

Suryakiran International Limited

BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule Reference	AS AT 31.03.2008		AS AT 31.03.2007	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS:					
SHARE HOLDERS' FUNDS:					
Share Capital	1	4,45,77,650		4,45,77,650	
Reserves & Surplus	2	4,34,57,650		4,34,57,650	
			8,80,35,300		8,80,35,300
LOAN FUNDS:					
Secured Loans	3	17,90,56,901		15,65,82,650	
Unsecured Loans	4	92,20,894		72,00,000	
			18,82,77,795		16,37,82,650
TOTAL			27,63,13,095		25,18,17,950
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block	5	23,74,42,117		21,77,29,191	
Less : Depreciation		1,29,48,213		33,23,699	
Net Block		22,44,93,904		21,44,05,492	
Add : Capital Work in Progress		89,039		—	
			22,45,82,943		21,44,05,492
INVESTMENTS	6		—		98,000
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	7	8,17,68,351		2,98,06,769	
Sundry Debtors	8	67,00,927		68,45,838	
Cash & Bank Balances	9	36,75,520		34,40,553	
Loans & Advances	10	5,11,08,178		1,22,30,092	
		14,32,52,976		5,23,23,252	
Less : Current Liabilities & Provisions	11	12,98,98,398		4,57,87,144	
Net Current Assets			1,33,54,578		65,36,108
Miscellaneous Expenditure	12		2,57,55,870		2,86,30,823
(To the extent not written off or adjusted)					
Profit and Loss Account			1,26,19,704		21,47,527
TOTAL			27,63,13,095		25,18,17,950
NOTES ON ACCOUNTS	23				
SIGNIFICANT ACCOUNTING POLICIES	24				

The schedules referred above form an integral part of the Balance sheet

per Our Report of even date

For and on behalf of the Board

for **Brahmayya & Co.**
Chartered Accountants

K.S. Rao
Partner

L.N. Agarwal
Director

P.K. Agarwal
Director

Place : Hyderabad
Date : 28.06.2008

Suryakiran International Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule Reference	Current Year Rupees	Previous Year Rupees
INCOME			
Sales	13	15,64,12,452	-
Other Income	14	4,67,10,354	4,05,534
TOTAL		<u>20,31,22,806</u>	<u>4,05,534</u>
EXPENDITURE			
Raw Material Consumed	15	7,94,48,358	-
Processing Charges	16	1,33,74,598	-
Stores Consumed	17	4,20,90,872	-
Power & Fuel	18	50,51,022	-
Payments & Benefits to Employees	19	3,75,91,695	-
Other Expenses	20	2,79,07,108	26,87,819
Finance Charges	21	2,07,99,756	-
Depreciation	5	96,24,514	-
Miscellaneous expenses written off		28,74,953	29,676
(Increase)/Decrease in stocks	22	(2,52,72,893)	-
TOTAL		<u>21,34,89,983</u>	<u>27,17,495</u>
LOSS FOR THE YEAR		(1,03,67,177)	(23,11,961)
Add : Provision for Fringe Benefit Tax		1,05,000	1,60,000
LOSS AFTER TAX		(1,04,72,177)	(24,71,961)
Add : Profit/Loss brought forward from previous year		(21,47,527)	3,24,434
Balance Transferred to Balance Sheet		<u>(1,26,19,704)</u>	<u>(21,47,527)</u>
Earning per share (Face value Rs.10/-)		(2.35)	(0.55)
(Basic and Diluted)			
NOTES ON ACCOUNTS	23		
SIGNIFICANT ACCOUNTING POLICIES	24		

The Schedules referred above form an integral part of Profit and Loss Account.
per our Report of even date.

For and on behalf of the Board

for Brahmayya & Co.

Chartered Accountants

K.S.RAO
Partner

L.N. Agarwal
Director

P.K. Agarwal
Director

Place : Hyderabad
Date : 28.06.2008

Suryakiran International Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees			
SCHEDULE - 1					
SHARE CAPITAL					
AUTHORISED :					
50,00,000 Equity shares of Rs 10/- each	<u>5,00,00,000</u>	<u>5,00,00,000</u>			
ISSUED :					
44,57,765 Equity Shares of Rs.10/- each	<u>4,45,77,650</u>	<u>4,45,77,650</u>			
SUBSCRIBED AND PAID UP					
44,57,765 (previous year 44,57,765) Equity Shares of Rs.10/- each (of the above 22,69,860 Shares (previous year 22,69,860 shares) are held by the Holding Company Suryalakshmi Cotton Mills Ltd)	<u>4,45,77,650</u>	<u>4,45,77,650</u>			
TOTAL	<u><u>4,45,77,650</u></u>	<u><u>4,45,77,650</u></u>			
SCHEDULE - 2					
RESERVES & SURPLUS					
	Balance as at 01.04.2007 Rupees	Additions During the Year	Deductions during the year	Balance as at 31.03.2008 Rupees	Balance as at 31.03.2007 Rupees
Security Premium	4,34,57,650	-	-	4,34,57,650	4,34,57,650
TOTAL	<u><u>4,34,57,650</u></u>	<u>-</u>	<u>-</u>	<u><u>4,34,57,650</u></u>	<u><u>4,34,57,650</u></u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE - 3		
SECURED LOANS		
A. Term Loans		
Rupee Term Loan from State Bank of India	13,93,00,000	14,46,50,000
B. Working Capital Loans		
State Bank of India - Cash Credit	2,32,38,193	44,74,137
- Packing Credit	1,63,43,378	71,90,000
	3,95,81,571	1,16,64,137
C. VEHICLE LOANS		
	1,75,330	2,68,513
Total (A+B+C)	17,90,56,901	15,65,82,650
Notes :		
1. The loan referred at A above is secured by mortgage of movable and immovable properties of the company (present and future) and guaranteed by two directors of the company, in their personal capacities.		
2. All the working capital loans are secured by hypothecation of stocks of rawmaterial, garments, stock in process, stores and spares and book debts and by second mortgage over the movable and immovable properties of the company (present and future) and guaranteed by two Directors of the company, in their personal capacities.		
SCHEDULE - 4		
UNSECURED LOANS		
From Directors	20,65,539	19,50,000
Inter Corporate Deposits	71,55,355	52,50,000
TOTAL	92,20,894	72,00,000

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 5

FIXED ASSETS

Description of the Asset	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as on 01-04-2007 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost as at 31-03-2008 Rs.	Up to 31-03-2007 Rs.	Depreciations For the year Rs.	Deductions during the year Rs.	Up to 31-03-2008 Rs.	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
LAND	48,66,975	4,36,500	–	53,03,475	–	–	–	–	53,03,475	48,66,975
FACTORY BUILDINGS	4,34,55,791	10,83,632	–	4,45,39,423	8,43,019	15,13,152	–	23,56,171	4,21,83,252	4,26,12,772
NON-FACTORY BUILDINGS	2,58,41,409	84,60,087	–	3,43,01,496	2,40,506	4,64,392	–	7,04,898	3,35,96,598	2,56,00,903
PLANT AND MACHINERY	12,00,95,347	44,21,140	–	12,45,16,487	16,97,578	59,34,880	–	76,32,458	11,68,84,029	11,83,97,769
ELECTRICAL INSTALLATIONS	1,73,03,296	44,38,897	–	2,17,42,193	3,68,445	11,44,335	–	15,12,780	2,02,29,413	1,69,34,851
WATER WORKS	1,63,850	2,09,605	–	3,73,455	77	3,264	–	3,341	3,70,114	1,63,773
FURNITURE AND FIXTURES	33,14,839	4,68,080	–	37,82,919	48,707	2,50,622	–	2,99,329	34,83,590	32,66,132
VEHICLES	10,30,129	–	–	10,30,129	35,856	97,862	–	1,33,718	8,96,411	9,94,273
OFFICE EQUIPMENT	6,19,708	32,800	–	6,52,508	13,388	40,537	–	53,925	5,98,583	6,06,320
DATA PROCESSING EQUIPMENT	10,37,847	1,62,185	–	12,00,032	76,123	1,75,470	–	2,51,593	9,48,439	9,61,724
TOTAL	21,77,29,191	1,97,12,926	–	23,74,42,117	33,23,699	96,24,514	–	1,29,48,213	22,44,93,904	21,44,05,492
CAPITAL WORKS IN PROGRESS	–	1,98,01,965	1,97,12,926	89,039	–	–	–	–	89,039	–
	21,77,29,191	3,95,14,891	1,97,12,926	23,75,31,156	33,23,699	96,24,514	–	1,29,48,213	22,45,82,943	21,44,05,492
LESS : INTERNAL TRANSFERS	–	1,97,12,926	1,97,12,926	–	–	–	–	–	–	–
	21,77,29,191	1,98,01,965	–	23,75,31,156	33,23,699	96,24,514	–	1,29,48,213	22,45,82,943	21,44,05,492
PREVIOUS YEAR	8,97,49,029	12,79,80,162	–	21,77,29,191	–	33,23,699	–	33,23,699	21,44,05,492	8,97,49,029

Suryakiran International Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE - 6		
INVESTMENTS		
(Long Term, at cost, unquoted, non-trade)		
Bronze Logistics Pvt Ltd., (9800 Shares of Rs.10/- each)	—	98,000
TOTAL	<u>—</u>	<u>98,000</u>
SCHEDULE - 7		
INVENTORIES		
(Valued and certified by the Management)		
(Valued at lower of cost and net realisable value unless otherwise stated)		
Rawmaterials	1,19,54,636	75,85,153
Stores and Spares	2,98,93,360	75,74,154
Finished Goods	76,41,675	6,17,980
Stock in Process	3,22,78,680	1,40,29,482
TOTAL	<u>8,17,68,351</u>	<u>2,98,06,769</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
Due over six months – Considered good	1,75,553	—
Others	65,25,374	68,45,838
TOTAL	<u>67,00,927</u>	<u>68,45,838</u>
SCHEDULE - 9		
CASH AND BANK BALANCES		
Cash on Hand	96,480	1,64,287
With Scheduled Banks		
In Current Accounts	6,19,690	3,32,916
In Margin Money Deposits	29,59,350	29,43,350
TOTAL	<u>36,75,520</u>	<u>34,40,553</u>
SCHEDULE - 10		
LOANS & ADVANCES		
(Unsecured considered good recoverable in cash or in kind or for value to be received)		
Advances for Purchases/Capital works	43,89,489	22,08,023
Advances to Staff	79,973	2,44,431
Accrued Interest	71,87,143	—
Deposits recoverable	5,91,985	3,64,735
Claims/Other receivables	3,42,32,300	76,46,421
TED Refund receivable	—	11,68,860
Export Benefit Entitlement receivable	40,83,102	3,34,070
Prepaid Expenses	3,76,947	2,63,552
Income Tax (Net of provision)	1,67,239	—
TOTAL	<u>5,11,08,178</u>	<u>1,22,30,092</u>

Suryakiran International Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2008 Rupees		As at 31-03-2007 Rupees	
SCHEDULE -11				
CURRENT LIABILITIES & PROVISIONS				
Current Liabilities				
Sundry Creditors :				
Due to Micro & Small Enterprises	24,85,754		–	
Others	<u>11,29,31,074</u>	11,54,16,828	<u>3,92,35,613</u>	3,92,35,613
Creditors for expenses		1,24,33,643		54,99,631
Creditors for other finance		17,43,549		10,15,498
Advances received against Sales		14,378		–
		<u>12,96,08,398</u>		<u>4,57,50,742</u>
Provisions				
for Fringe Benefit Tax		2,90,000		36,402
		<u>2,90,000</u>		<u>36,402</u>
TOTAL		<u>12,98,98,398</u>		<u>4,57,87,144</u>
SCHEDULE - 12				
MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
a) Preliminary Expenses	1,20,817		1,40,954	
Less : written off during the year	<u>20,137</u>	1,00,680	<u>20,137</u>	1,20,817
b) Preoperative Expenses	57,235		66,774	
Less : written off during the year	<u>9,539</u>	47,696	<u>9,539</u>	57,235
c) Trial Run Expenses	2,84,52,771			2,84,52,771
Less : written off during the year	<u>28,45,277</u>	2,56,07,494		–
TOTAL		<u>2,57,55,870</u>		<u>2,86,30,823</u>
		Current year Rupees		Previous year Rupees
SCHEDULE -13				
SALES				
Garments		15,64,12,452		–
TOTAL		<u>15,64,12,452</u>		–
SCHEDULE - 14				
OTHER INCOME				
Interest Earned (TDS Rs. 18,641/-) (previous year Rs. 39,895/-)		71,51,586		4,05,534
Miscellaneous Receipts		1,17,842		–
Export benefit entitlement		5,10,336		–
Waste fabric sales		9,57,217		–
Duty Draw Back		1,29,97,373		–
Extraordinary Item				–
Compensation on relinquishment of rights on property		2,49,76,000		–
TOTAL		<u>4,67,10,354</u>		<u>4,05,534</u>
SCHEDULE - 15				
RAWMATERIAL CONSUMED				
Opening Stock		75,85,153		70,036
Add Purchases		8,38,17,841		3,23,90,757
		9,14,02,994		3,24,60,793
Less : Consumption on Trial run	–		2,48,75,640	
Closing Stock	<u>1,19,54,636</u>	1,19,54,636	<u>75,85,153</u>	3,24,60,793
TOTAL		<u>7,94,48,358</u>		–

Suryakiran International Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	Current year Rupees	Previous year Rupees
SCHEDULE - 16		
PROCESSING CHARGES	1,33,74,598	—
TOTAL	<u>1,33,74,598</u>	<u>—</u>
SCHEDULE - 17		
Consumable Stores	2,49,69,605	—
Dyes & Chemicals	75,04,694	—
Packing Material Consumed	96,16,573	—
TOTAL	<u>4,20,90,872</u>	<u>—</u>
SCHEDULE - 18		
POWER & FUEL		
Electricity Charges	43,11,122	—
Fuel Consumed	7,39,900	—
TOTAL	<u>50,51,022</u>	<u>—</u>
TRIAL RUN EXPENDITURE		From 01-09-2006 to 31-03-2007
EXPENDITURE:		Rupees
Rawmaterials		
Opening Stock	—	70,036
Purchases	—	3,23,90,757
TOTAL	—	<u>3,24,60,793</u>
Less : Closing Stock	—	75,85,153
Other Manufacturing Expenses	—	2,48,75,640
Stores Consumed	—	1,42,62,517
Power & Fuel		
Electricity Charges	—	16,39,882
Fuel Consumed	—	8,97,055
Payments and benefits to employees		
Salaries and Wages	—	1,32,71,721
Contribution to Provident Fund & Other Funds	—	4,44,556
Welfare Expenses	—	7,56,716
Other Expenses		
Security Charges	—	66,459
Commission/Expenses on Sales	—	4,13,141
Insurance	—	1,98,110
Repairs to		
Machinery	—	4,34,085
Other Assets	—	82,960
Vehicle Maintenance	—	18,39,270
Finance Charges		
Interest on Term Loans	—	28,30,146
Interest on others	—	4,01,316
Bank charges	—	2,52,890
Depeciation	—	33,23,699
		<u>6,66,14,171</u>
Less : Closing Stocks		
Work in process	—	1,40,29,482
Finished goods (Garments)	—	6,17,980
		<u>1,46,47,462</u>
		5,19,66,709
Less : INCOME		
Sales	—	2,28,23,217
Other Income		
Export Benefit Entitlement	—	3,34,070
Job work charges	—	3,49,552
Miscellaneous Receipts	—	7,099
		<u>6,90,721</u>
Net Trial Run expenditure transferred to miscellaneous expenditure not written off	—	<u>2,84,52,771</u>

Suryakiran International Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	Current year Rupees	Previous year Rupees
SCHEDULE - 19		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries & Wages	3,17,03,821	—
Contributions to Provident Fund & Other Funds	11,59,549	—
Welfare Expenses	47,28,325	—
TOTAL	3,75,91,695	—
SCHEDULE - 20		
OTHER EXPENSES		
Rent Paid	5,62,520	4,46,431
Security Charges	84,615	—
Rates & Taxes	1,34,711	63,614
Printing & Stationary	5,80,557	3,91,273
Postage, Telegrams & Telephones	10,35,063	3,71,282
Travelling & Conveyance	9,85,730	5,61,824
Directors Sitting Fees & Travelling Expenses	13,500	18,000
Advertisement	1,665	—
Expenses on Sales	1,04,28,193	—
Commission on Sales	45,31,827	—
Insurance	5,07,662	—
Auditors Remuneration : Statutory Audit	28,090	28,060
Legal & Professional Charges	1,45,107	1,45,443
Repairs to : Machinery	8,91,516	—
Repairs to : Other Assets	5,25,509	—
Vehicle Maintenance	42,90,695	—
Miscellaneous Expenses	31,59,148	6,61,441
Donations	1,000	451
TOTAL	2,79,07,108	26,87,819
SCHEDULE - 21		
FINANCE CHARGES		
Interest on Term Loans	1,62,03,462	—
Interest on Others	37,16,052	—
Bank Charges	8,80,242	—
TOTAL	2,07,99,756	—
SCHEDULE - 22		
INCREASE IN STOCKS		
OPENING STOCKS :		
Garments	6,17,980	—
Work in Process	1,40,29,482	—
TOTAL	1,46,47,462	—
CLOSING STOCKS :		
Garments	76,41,675	—
Work in Process	3,22,78,680	—
	3,99,20,355	—
Increase in Stocks	(2,52,72,893)	—

Suryakiran International Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 23

Notes forming part of the Balance Sheet as at 31.03.2008 and Profit and Loss account for the year ended on that date.

		Current Year Rupees	Previous Year Rupees		
1.	Contingent Liabilities not provided for : Against Bank Guarantees	29,62,050	10,10,400		
2.	Finished goods-Garments	Quantity (Nos.)	Amount (Rs.)	Quantity (Nos.)	Amount (Rs.)
	a) Opening Stock	2,332	6,17,980	-	-
	b) Production (Incl. Job work)	7,89,989	-	1,53,879	-
	c) Sales	7,56,222	15,64,12,452	1,51,547	2,28,23,217
	d) Closing Stock	36,099	76,41,675	2,332	6,17,980
3.	Raw Material - Farbic	Quantity (Mtrs)	Amount (Rs.)	Quantity (Mtrs)	Amount (Rs.)
	a) Opening Stock	94,095	75,85,153	1,918	70,036
	b) Purchases	11,83,848	8,89,80,011	4,43,631	3,23,90,757
	c) Material sent on Job work	63,933	51,62,170	-	-
	d) Closing Stock	1,52,974	1,19,54,636	94,095	75,85,153
	e) Consumption on Trial run	-	-	3,51,454	2,48,75,640
	f) Consumption	10,61,036	7,94,48,358	-	-
4.	Expenditure in Foreign Currency during the year. on account of :				
	1) Plant & Machinery - Imported	-		4,42,03,293	
	2) Stores & Spares (CIF Value)	1,47,60,282		-	
	3) Commission on Export Sales	1,55,026		-	
5.	FOB Value of Exports	13,97,08,930		50,84,588	
6.	Interest paid, payable or accrued and due to Micro and Small Enterprises	Nil		Nil	

Suryakiran International Limited

7. Related Party Disclosure :

Related party disclosure as required by AS-18 "Related Party Disclosure" are given below:

Name of the Party	Relationship	Nature of Transaction	Current Year Rs.	Previous Year Rs.
A. TRANSACTIONS :				
M/s Suryalakshmi Cotton Mills Ltd	Holding Company	Purchase of Fabric	8,89,49,883	3,18,88,793
Smt. Sabita Jain	Daughter of Sri L.N. Agarwal	Rent paid	4,19,520	4,19,520
Sri L.N. Agarwal	Key Management	Interest	99,000	12,452
Sri P.K. Agarwal	Key Management	Interest	18,000	740
B. Balance as at 31-03-2008 (Payables)				
M/s Suryalakshmi Cotton Mills Ltd	Holding Company		7,85,73,382	2,09,15,828
Smt. Sabita Jain	Daughter of Sri L.N. Agarwal		6,77,177	3,22,473
Sri L.N. Agarwal	Key Management		17,48,838	16,50,000
Sri P.K. Agarwal	Key Management		3,16,701	3,00,000

8. Basic Earnings per share as per Accounting Standard No. 20.

	Current Year Rupees	Previous Year Rupees
Profit / (Loss) after Tax	(1,04,72,177)	(24,71,961)
No. of Equity Shares	44,57,765	44,57,765
Basic Earnings per share	(2.35)	(0.55)

9. Schedules reclassified and Previous Year's figures have been regrouped wherever necessary.

10. Paise have been rounded off to the nearest rupee.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 24

SIGNIFICANT ACCOUNTING POLICIES :

1. **ACCOUNTING CONVENTION :**
The financial statements are prepared under historical cost convention, in accordance with the normally accepted accounting practices.
2. **FIXED ASSETS :**
Fixed assets are stated at cost net of depreciation provided in the statements. Cost of acquisition of fixed assets is inclusive of all direct and indirect expenditure upto the date of commercial use.
Depreciation is provided on straight line method in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.
3. **INVENTORIES :**
Inventories are valued at the lower of cost and net realisable value. Cost of raw materials and stores & spares are valued under weighted average method.
4. **INVESTMENTS :**
Investments are stated at cost.
5. **CONTINGENT LIABILITIES & PROVISIONS :**
All contingent liabilities are indicated by way of a note and will be paid / provided on crystallisation.
6. **RETIREMENT BENEFITS :**
All the employees are eligible for retirement benefits like provident fund and leave encashment. Contribution to provident fund are made at preascertained rate and remitted to the concerned authorities on accrual basis. Liability for Leave encashment provided for on the basis of the accrued leaves at the close of the year. No provision is made towards gratuity liability since no employee is eligible.
7. **FOREIGN EXCHANGE TRANSACTIONS:**
Foreign exchange transactions are recorded at the rates prevailing on the date of the transaction. Monetary assets and liability in foreign currency are translated at year end rates. Exchange differences arising on settlement of transactions and translation of monetary items are recognised on income or expenses.
8. **IMPAIRMENT OF ASSETS :**
An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate recoverable amount.
9. **SALES :**
Sales represents the amount receivable for goods sold including sales tax thereon. Incentives on export sales are recognised as income on accrual basis.
10. **PROVISION FOR TAXATION :**
Provision for taxation for the year is based on tax liability computed in accordance with relevant tax rates and tax laws as at the balance sheet date. Provision for deferred tax is made for all timing differences arising between taxable income and accounting income at rates that have been enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognised only if there is a reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying value at each balance sheet date.
11. **MISCELLANEOUS EXPENDITURE :**
Miscellaneous expenditure is written off over a period of ten years commencing from 2003-04 in respect of preliminary and preoperative expenses and from 2007-08 in respect of trial run expenses.

Signatures to Schedules 1 to 24

per Our Report of even date.

For and on behalf of the Board

for Brahmayya & Co.

Chartered Accountants

K.S.RAO

Partner

L N Agarwal

Director

P K Agarwal

Director

Place : Hyderabad

Date : 28.06.2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2008

	Current Year Rupees	Previous Year Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	(1,03,67,177)	(23,11,961)
Adjustment for		
Add: Miscellaneous expenses written off	28,74,953	29,676
Depreciation	96,24,514	–
Interest	1,99,19,514	–
	<u>2,20,51,804</u>	<u>(22,82,285)</u>
Less: Interest	71,51,586	4,05,534
Operating profit before working capital changes	<u>1,49,00,218</u>	<u>(26,87,819)</u>
Adjustment for changes in :		
Current liabilities	8,40,23,221	4,38,67,372
Inventories	(5,19,61,582)	(2,97,36,733)
Receivables	1,44,911	(68,45,838)
Loans and advances	<u>(3,15,23,704)</u>	<u>(51,37,341)</u>
Cash generated from Operations	1,55,83,064	(5,40,359)
Income tax paid net of refunds	(18,641)	(1,72,743)
Net cash from operating activities (A)	<u>1,55,64,423</u>	<u>(7,13,102)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in fixed assets	(1,98,01,965)	(11,84,04,831)
Interest received	(35,557)	4,05,534
(Increase) Decrease in investments	98,000	–
Net cash used in Investing activities (B)	<u>(1,97,39,522)</u>	<u>(11,79,99,297)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2008 (Contd...)

	Current Year Rupees	Previous Year Rupees
C.CASHFLOWFROMFINANCINGACTIVITES		
Increase in share capital and premium	–	1,33,73,300
Trail Run Expenses	–	(2,84,52,771)
Increase in bank borrowings	2,79,17,434	1,16,64,137
Increase in Hire purchase loan	–	2,68,513
Increase in Unsecured loans	21,35,767	72,00,000
Increase in Secured loans	–	9,37,03,463
Repayment of Term Loan	(53,50,000)	–
Repayment of Hire Purchase loan	(93,183)	–
Repayment of unsecured loans	(1,14,873)	–
Interest paid	(2,00,85,079)	–
Net cash used in Financing Activities (C)	44,10,066	9,77,56,642
Net increase in cash and cash equivalents (A+B+C)	2,34,967	(2,09,55,757)
Cash/Cash Equivalents at the Beginning of the year	34,40,553	2,43,96,310
Cash/Cash Equivalents at the end of the year	36,75,520	34,40,553

per our Report of even date.

For and on behalf of the Board

for Brahmayya & Co.

Chartered Accountants

K.S.RAO

Partner

L.N. Agarwal

Director

P.K. Agarwal

Director

Place : Hyderabad

Date : 28.06.2008

Consolidated Accounts

To

**The Board of Directors,
SURYALAKSHMI COTTON MILLS LIMITED,
SECUNDERABAD.**

To the Board of Directors of Suryalakshmi Cotton Mills Limited on the consolidated financial statements of Suryalakshmi Cotton Mills Limited and its subsidiary, Suryakiran International Limited.

We have examined the attached Consolidated Balance Sheet of Suryalakshmi Cotton Mills Limited and its subsidiary Suryakiran International Limited as at 31st March, 2008, the Consolidated Profit and Loss Account and the also the Consolidated Cash Flow statement for the year ended on that date, annexed thereto.

These Consolidated Financial Statements are the responsibility of Suryalakshmi Cotton Mills Limited's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated

Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Suryalakshmi Cotton Mills Limited and Suryakiran International Limited, included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on consideration of the separate Audit Reports on individual audited financial statements of Suryalakshmi Cotton Mills Limited and its subsidiary, we are of opinion that subject to note no.6 of schedule 23 regarding non provision of derivative loss of Rs 90,23,042/- as per accounting standard the current year profit and reserves are over stated to that extent:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Suryalakshmi Cotton Mills Limited and its subsidiary as at 31st March, 2008;
- b) the Consolidated Profit and Loss account gives a true and fair view of the consolidated results of operations of Suryalakshmi Cotton Mills Limited and its subsidiary for the year ended on that date; and
- c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Suryalakshmi Cotton Mills Limited and its subsidiary for the year ended on that date.

for BRAHMAYYA & CO.,
Chartered Accountants

K.S. RAO

Partner

Membership No. 15850

Place : Hyderabad

Date : 28.06.2008



Suryalakshmi Cotton Mills Limited

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule Reference	As at 31.03.2008		As at 31.03.2007	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS:					
SHARE HOLDERS' FUNDS:					
Share Capital	1	21,85,13,158		21,85,13,158	
Reserves & Surplus	2	106,81,61,671		107,00,77,562	
			128,66,74,829		128,85,90,720
Minority Interest	2A		3,71,97,210		4,23,36,954
LOAN FUNDS:					
Secured Loans	3	246,81,49,362		247,77,39,040	
Unsecured Loans	4	16,06,94,537		13,28,33,636	
			262,88,43,899		261,05,72,676
DEFERRED TAX LIABILITY (Net)			17,48,24,032		16,92,70,003
TOTAL			412,75,39,970		411,07,70,353
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block	5	392,82,18,088		369,33,24,364	
Less : Depreciation		108,07,72,376		88,03,92,694	
Net Block		284,74,45,712		281,29,31,670	
Add : Capital Work in Progress		7,07,429		7,26,65,538	
			284,81,53,141		288,55,97,208
INVESTMENTS	6		21,44,890		42,94,050
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	7	95,18,68,717		81,45,08,508	
Sundry Debtors	8	40,75,92,739		30,67,67,733	
Cash & Bank Balances	9	2,02,01,427		2,88,74,563	
Loans & Advances	10	48,53,73,598		46,48,88,914	
		186,50,36,481		161,50,39,718	
Less : Current Liabilities & Provisions	11	64,69,59,945		46,73,68,541	
Net Current Assets			121,80,76,536		114,76,71,177
Miscellaneous Expenditure (to the extent not written off or adjusted)	12		5,91,65,403		7,32,07,918
TOTAL			412,75,39,970		411,07,70,353
NOTES ON ACCOUNTS	23				
SIGNIFICANT ACCOUNTING POLICIES	24				

The schedules referred to above form an integral part of Balance Sheet per Our Report of even date

for **Brahmayya & Co.**
Chartered Accountants

K.S.Rao
Partner
Place : HYDERABAD
Date : 28.06.2008

P.S.Subramanyam
Vice President (Finance)
E.V.S.V. Sarma
Company Secretary

For and on behalf of the Board
L.N. Agarwal
Chairman & Managing Director

P.K. Agarwal
Managing Director
Navrang Lal Tibrewal
Director

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
2,50,00,000 [2,50,00,000] Equity Shares of Rs.10/- each	25,00,00,000	25,00,00,000
6,72,000 0.10% Cumulative Redeemable Preference Shares of Rs. 100/- each	<u>6,72,00,000</u>	<u>6,72,00,000</u>
	<u>31,72,00,000</u>	<u>31,72,00,000</u>
ISSUED		
1,98,91,556 [1,98,91,556] Equity Shares of Rs.10/- each	19,89,15,560	19,89,15,560
6,72,000 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each	<u>6,72,00,000</u>	<u>6,72,00,000</u>
	<u>26,61,15,560</u>	<u>26,61,15,560</u>
SUBSCRIBED AND PAID UP		
1,33,62,290 [1,33,62,290] Equity Shares of Rs.10/- each fully paid	13,36,22,900	13,36,22,900
6,71,600 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each	6,71,60,000	6,71,60,000
Add : Forfeited Shares	<u>1,77,30,258</u>	<u>1,77,30,258</u>
	<u>21,85,13,158</u>	<u>21,85,13,158</u>

Note: Of the above : 1) 20,000 equity shares of Rs.10/- each are allotted as fully paid up without payment being received in cash.

2) 80,32,267 Equity Shares of Rs.10/- each are allotted as fully paid up by way of Bonus Shares by Capitalisation of Reserves.

3) 6,71,600 0.1% Cumulative Redeemable preference shares of Rs.100/- each are allotted as fully paid up without payment being received in cash.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS
**SCHEDULE - 2
RESERVES & SURPLUS**

	Balance as at 01.04.2007 Rupees	Additions during the year Rupees	Deductions during the year Rupees	Balance as at 31.03.2008 Rupees	Balance as at 31.03.2007 Rupees
RESERVES					
Capital Redemption Reserve	2,08,780			2,08,780	2,08,780
Security Premium	54,04,51,525			54,04,51,525	54,04,51,525
Investment Allowance Reserve(Utilised)	1,09,41,200			1,09,41,200	1,09,41,200
Export Allowance Reserve	2,66,670			2,66,670	2,66,670
Preference Capital Redemption Reserve	4,50,00,000			4,50,00,000	4,50,00,000
Special capital incentive	30,00,000	–	–	30,00,000	30,00,000
General Reserve	24,00,80,822	–	–	24,00,80,822	24,00,80,822
Surplus in Profit & Loss account	23,01,28,565	22,82,12,674	23,01,28,565	22,82,12,674	23,01,28,565
TOTAL	<u>107,00,77,562</u>	<u>22,82,12,674</u>	<u>23,01,28,565</u>	<u>106,81,61,671</u>	<u>107,00,77,562</u>
SCHEDULE - 2A					
Minority Interest					
Share Capital				2,18,79,050	2,18,79,050
Security Premium				2,13,59,050	2,13,59,050
Profit / (Loss)				(60,40,890)	(9,01,146)
TOTAL				<u>3,71,97,210</u>	<u>4,23,36,954</u>

Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE - 3		
SECURED LOANS		
A. TERM LOANS		
I) Rupee Term Loans		
Under textile modernisation Fund scheme from		
a) Industrial Development Bank of India - TUF Scheme-I	2,91,42,755	3,42,85,613
b) Industrial Development Bank of India-1	1,65,00,000	4,12,50,000
c) Industrial Development Bank of India-2	7,12,90,852	8,55,50,852
d) Industrial Development Bank of India- TUF Scheme-II	64,83,40,539	67,50,00,000
e) I F C I Ltd.,-I	1,51,25,000	4,80,28,031
f) I F C I Ltd.,-II	4,06,70,000	3,97,01,115
g) State Bank of India -TUF Scheme-I	26,79,00,000	28,93,00,000
h) State Bank of India -TUF Scheme-II	40,17,87,000	43,39,29,000
i) State Bank of Mysore - TUF Scheme	8,89,00,000	9,63,00,000
II) Foreign Currency Loans From:		
j) Industrial Development Bank of India	2,75,03,277	5,23,78,735
k) I F C I Ltd.,	1,27,09,720	3,41,15,187
l) State Bank of India	14,25,00,000	2,62,08,194
m) Rupee Tern Loan from State Bank of India -TUF Scheme	-	14,46,50,000
	176,23,69,143	200,06,96,727
B. WORKING CAPITAL LOANS FROM		
State Bank of India -Cash Credit	33,27,68,653	20,19,53,060
-F C N R Loan	-	71,90,000
-Packing Credit	5,53,13,265	4,08,97,805
- SLC	5,00,00,000	4,00,00,000
State Bank of Hyderabad -Cash Credit	3,72,89,432	2,80,32,371
-Packing Credit	5,05,53,067	5,03,33,873
Adhoc Limit	5,00,82,000	-
State Bank of Mysore -Cash Credit	12,90,71,468	8,67,69,113
-Packing Credit	-	2,02,39,977
	70,50,77,885	47,54,16,199
C. VEHICLE HIRE PURCHASE LOANS	7,02,334	16,26,114
TOTAL (A+B+C)	246,81,49,362	247,77,39,040

Notes:

- The Loans referred at (a) to (f) and (h) to (l) above are secured by mortgage of (present and future) movable and Immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the Company, in their personal capacities.
- The Loans referred to in (g) above is secured by hypothecation of specified plant and machinery as per the scheme and guaranteed by two Directors of the Company, in their personal capacities.
- All Working Capital loans are secured by hypothecation of stocks of raw materials, yarn, fabric, stock-in -process, stores and spares and book debts and by a Second Mortgage over the (present and future) immovable properties of the Company on pari-passu basis and further guaranteed by two Directors of the Company, in their personal capacities.
- Hire purchase loans referred at (C) above are secured by hypothecation of the respective assets and Guaranteed by one of the directors of the Company.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE - 4		
UNSECURED LOANS		
a) From Directors	1,21,56,142	1,27,05,000
b) Fixed Deposits	6,77,97,612	6,13,75,000
c) Inter Corporate Deposits	6,84,37,147	4,64,50,000
d) Deferred Sales tax Liability	1,23,03,636	1,23,03,636
	<u>16,06,94,537</u>	<u>13,28,33,636</u>
SCHEDULE - 6		
INVESTMENTS - (LONG TERM, at Cost)		
(1).Unquoted - Non Trade		
(a). National Savings Certificates (1987) (Pledged as security with Central Excise Department)	1,000	1,000
(b). National Saving Certificates (1992) (Pledged as security with Sales Tax Department)	10,000	10,000
(2).Others [At cost - Trade - quoted]		
(a). 1,02,100 (1,02,100) Equity shares of Rs. 10 each. in Suryavanshi Spinning Mills Ltd,	1,05,19,000	1,05,19,000
(b). 1,000 (1,000) Equity shares of Rs.10 each in Srei International Finance Ltd [partly paid up]	25,000	25,000
(c). 5,000 (5,000) Equity shares of Rs.10 each in Merbank Financial Services Ltd [partly paid up]	50,000	50,000
d) SBH mutual fund (5,000) units of Rs. 10/- each	-	50,000
e) (9,800) Equity shares of Rs.10/- each in Bronze Logistics Pvt Ltd., fully paid up	-	98,000
(Aggregate market value of Quoted investments Rs. 41,35,050 (previous year Rs. 66,72,235))	<u>1,06,05,000</u>	<u>1,07,53,000</u>
Less:Diminution in the value of Investments	<u>84,60,110</u>	<u>64,58,950</u>
TOTAL	<u>21,44,890</u>	<u>42,94,050</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE -5 FIXED ASSETS

DESCRIPTION OF THE ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Value as on 01-04-2007 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Value as at 31-03-2008 Rs.	Up to 31-03-2007 Rs.	For the year Rs.	Deductions during the year Rs.	Up to 31-03-2008 Rs.	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
LAND	1,17,86,497	41,83,740	–	1,59,70,237	–	–	–	–	1,59,70,237	1,17,86,497
FACTORY BUILDINGS	45,92,65,055	2,54,32,755	–	48,46,97,810	5,07,53,719	1,53,53,736	–	6,61,07,455	41,85,90,355	40,85,11,336
NON-FACTORY BUILDINGS	16,08,70,861	1,29,59,900	–	17,38,30,761	1,24,73,507	26,61,516	–	1,51,35,023	15,86,95,738	14,83,97,354
TOWNSHIP	1,95,25,350	68,84,312	–	2,64,09,662	6,80,521	3,82,798	–	10,63,319	2,53,46,343	1,88,44,829
WORKSHOPEQUIPMENT	7,05,288	–	–	7,05,288	73,466	33,319	–	1,06,785	5,98,503	6,31,822
PLANT AND MACHINERY	276,05,64,426	18,54,27,800	2,06,23,712	292,53,68,514	76,07,09,710	17,64,41,826	84,76,584	92,86,74,952	199,66,93,562	199,98,54,716
TESTING EQUIPMENT	2,10,58,378	60,06,420	–	2,70,64,798	38,50,655	12,61,305	–	51,11,960	2,19,52,838	1,72,07,723
ELECTRICAL INSTALATIONS	19,99,51,659	1,05,67,500	–	21,05,19,159	3,30,58,199	97,82,646	–	4,28,40,845	16,76,78,314	16,68,93,460
WEIGHING MACHINES	23,50,233	1,51,589	–	25,01,822	9,29,467	1,17,052	–	10,46,519	14,55,303	14,20,766
WATER WORKS	1,32,78,705	9,05,951	–	1,41,84,656	16,64,466	2,28,245	–	18,92,711	1,22,91,945	1,16,14,239
FURNITURE & FIXTURES	2,03,86,819	12,42,031	–	2,16,28,850	75,60,457	14,08,116	–	89,68,573	1,20,60,277	1,28,26,362
VEHICLES	1,38,76,397	14,12,937	11,22,430	1,41,66,904	31,60,517	13,49,069	5,83,064	39,26,522	1,02,40,382	1,07,15,880
DATA PROCESSING EQPT	97,04,696	20,97,181	6,32,250	1,11,69,627	54,78,010	10,20,340	6,00,638	58,97,712	52,71,915	42,26,686
TOTAL	369,33,24,364	25,72,72,116	2,23,78,392	392,82,18,088	88,03,92,694	21,00,39,968	96,60,286	108,07,72,376	284,74,45,712	281,29,31,670
CAPITAL WORK IN PROGRESS	7,26,65,538	18,53,14,007	25,72,72,116	7,07,429	–	–	–	–	7,07,429	7,26,65,538
	376,59,89,902	44,25,86,123	27,96,50,508	392,89,25,517	88,03,92,694	21,00,39,968	96,60,286	108,07,72,376	284,81,53,141	288,55,97,208
LESS: INTERNAL TRANSFERS	–	25,72,72,116	25,72,72,116	–	–	–	–	–	–	–
TOTAL	376,59,89,902	18,53,14,007	2,23,78,392	392,89,25,517	88,03,92,694	21,00,39,968	96,60,286	108,07,72,376	284,81,53,141	288,55,97,208
PREVIOUS YEAR	275,53,86,402	101,26,68,783	92,83,77,889	376,59,89,902	69,10,50,853	18,72,90,481	12,72,339	88,03,92,694	288,55,97,208	206,43,35,549

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE – 7		
INVENTORIES		
(Valued and certified by the Management)		
(Valued at lower of cost and net realisable value unless otherwise stated)		
Raw Materials	22,24,71,012	30,00,88,549
Stores and Spares	21,00,35,293	11,69,69,105
Finished Goods	28,08,16,174	26,39,76,487
Stock-in-process	23,72,18,061	13,23,06,031
Cotton Waste (at realisable value)	13,28,177	11,68,336
	<u>95,18,68,717</u>	<u>81,45,08,508</u>
SCHEDULE – 8		
SUNDRY DEBTORS		
(Unsecured)		
Due over six months -Considered good	3,62,06,386	1,16,77,806
-Considered Doubtful	60,26,946	60,26,946
Less: Provision for Bad and Doubtful debts.	<u>60,26,946</u>	<u>60,26,946</u>
Others	37,13,86,353	29,50,89,927
	<u>40,75,92,739</u>	<u>30,67,67,733</u>
SCHEDULE – 9		
CASH AND BANK BALANCES		
Cash & Cheques on Hand	31,70,516	19,39,581
With Scheduled Banks:		
In Current Accounts	39,73,501	25,85,620
In Margin Money Deposits	87,53,410	1,33,48,362
In fixed deposits	43,03,000	1,10,00,000
With Post Office Saving Bank	1,000	1,000
(Kept as security with Central Excise Department)		
(Maximum balance Rs. 1,000/-)	<u>2,02,01,427</u>	<u>2,88,74,563</u>
[Balance in current accounts include unpaid dividend accounts]		

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE – 10		
LOANS AND ADVANCES		
(Unsecured considered good, recoverable in cash or in kind or for value to be received)		
Advances for Purchases	8,32,18,205	7,82,60,758
TED refund receivable	60,25,425	5,41,59,214
Interest subsidy receivable	9,47,65,511	6,53,83,545
Advances to Staff	32,55,862	23,79,597
Deposits recoverable	2,75,37,782	2,48,37,044
Claims/Other Receivable	14,33,62,948	4,74,02,232
Export Benefit Entitlement Receivable	5,23,54,644	7,45,72,882
Addl Excise Duty Refund Receivable	–	4,55,30,990
Pre-paid expenses	88,89,620	78,15,210
Balance With Central Excise Department	64,71,466	1,49,42,603
Accrued interest	83,75,241	19,27,522
Other advances	4,50,95,170	4,51,16,440
Income tax (Net)	60,21,724	25,60,877
	48,53,73,598	46,48,88,914
SCHEDULE – 11		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for Raw Materials & Stores / Capital goods		
Due to Micro and Small Enterprises	1,22,23,829	41,81,401
Others	47,87,89,358	36,54,27,561
Creditors : for Expenses	13,54,28,265	6,23,95,601
: for other Finance	70,59,330	2,44,93,838
Unclaimed Dividend *	7,07,910	7,23,126
Advances received against sales	1,23,82,679	1,00,70,434
TOTAL	64,65,91,371	46,72,91,961
B. PROVISIONS		
For Preference Dividend	67,160	67,160
For Corporate Dividend Tax	11,414	9,420
For Income Tax (Net)	2,90,000	–
TOTAL	3,68,574	76,580
TOTAL (A+B)	64,69,59,945	46,73,68,541

* There is no amount due (and outstanding) to be credited to Investor Education and Protection Fund.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE - 12		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
a) Preliminary & Capital issue expenses	1,45,98,015	1,69,64,530
Less : written off during the year	<u>25,72,558</u>	<u>23,66,514</u>
	1,20,25,457	1,45,98,016
b) Preoperative Expenses	57,235	66,774
Less : written off during the year	<u>9,539</u>	<u>9,539</u>
	47,696	57,235
c) Trial Run Expenses	2,84,52,771	2,90,61,566
Less : written off during the year	<u>28,45,277</u>	<u>2,90,61,566</u>
	2,56,07,494	2,90,61,566
d) Deferred Revenue Expenses - Opening Balance	2,94,91,102	3,58,25,266
Less: Written off during the year	<u>80,06,346</u>	<u>63,34,165</u>
	<u>5,91,65,403</u>	<u>7,32,07,918</u>
	Current Year Rupees	Previous Year Rupees
SCHEDULE - 13		
SALES		
Yarn	126,04,69,382	88,78,12,258
Fabric	176,92,24,650	135,17,20,196
Waste	3,70,36,971	5,13,55,162
Cotton	31,75,12,179	-
Garments	15,64,12,452	-
	<u>354,06,55,634</u>	<u>229,08,87,616</u>
SCHEDULE - 14		
OTHER INCOME		
Interest-earned	89,89,972	78,30,848
Profit on sale of assets	28,89,890	7,056
Insurance Claims	3,53,05,497	1,80,047
Dividend received	1,02,100	1,02,100
Export Benefit Entitlement	6,20,93,559	2,46,19,996
Excess Provisions written back	21,54,171	5,17,344
Exchange Variance	98,45,578	24,55,372
Packing & Forwarding Charges	22,10,522	23,67,543
Scrap Sales / Waste fabric sales	37,18,938	22,22,813
Miscellaneous Receipts	11,72,954	20,95,815
Compensation on relinquishment of rights on property	<u>2,49,76,000</u>	<u>-</u>
	<u>15,34,59,181</u>	<u>4,23,98,934</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Current Year Rupees	Previous Year Rupees
SCHEDULE - 15		
RAW MATERIALS CONSUMED		
Opening Stocks	29,31,12,191	19,48,63,914
Opening Stocks from Trial Run Expenses	75,85,153	–
Add : Purchases	194,64,98,719	156,09,49,226
	<u>224,71,96,063</u>	<u>175,58,13,140</u>
Less : Cost of Raw materials sold	2,07,49,263	5,28,87,235
Less : Closing Stocks	22,24,71,012	29,31,12,191
	<u>200,39,75,788</u>	<u>140,98,13,714</u>
 SCHEDULE - 16		
STORES CONSUMED		
Consumable Stores	7,60,46,441	2,46,49,038
Dyes and Chemicals	20,01,21,741	18,84,72,823
Packing Material Consumed	4,93,32,263	3,05,23,478
	<u>32,55,00,445</u>	<u>24,36,45,339</u>
 SCHEDULE - 17		
POWER & FUEL		
Electricity Charges	26,28,12,046	20,86,86,585
Fuel Consumed	5,11,70,633	3,53,14,108
	<u>31,39,82,679</u>	<u>24,40,00,693</u>
 SCHEDULE - 18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	17,34,04,270	10,61,28,468
Contribution to Provident Fund & other funds	1,24,21,407	91,24,018
Welfare Expenses	1,48,45,310	98,88,325
	<u>20,06,70,987</u>	<u>12,51,40,811</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Current Year Rupees	Previous Year Rupees
SCHEDULE - 19		
OTHER EXPENSES		
Rent	9,60,180	8,10,431
Security Charges	15,06,512	3,14,322
Rates & Taxes	2,48,09,520	2,36,99,046
Printing & Stationery	29,96,701	30,80,619
Postage, Telegrams & Telephones	72,13,114	67,69,806
Travelling & Conveyance	96,94,290	1,03,90,671
Directors' Sitting fees & Travelling expenses	4,62,482	4,09,480
Advertisements	3,13,698	5,68,203
Expenses on Sales	7,84,40,722	5,46,55,405
Commission on Sales	93,42,793	1,87,60,641
Insurance	79,43,607	1,04,31,337
Auditors' Remuneration	2,60,842	2,59,690
Legal & Professional Charges	22,35,755	28,76,261
Repairs to : Buildings	17,40,562	13,77,481
: Machinery	2,27,20,922	3,63,81,246
: Other Assets	49,49,495	6,89,834
Vehicle Maintenance	66,41,580	23,97,799
Miscellaneous Expenses	2,63,31,763	2,13,41,998
Donations	2,57,988	2,55,713
Loss on sale of assets	79,17,711	-
Diminution in value of Investments	20,01,160	25,37,185
Bad debts /Debit Balances written off	1,23,762	1,15,860
	<u>21,88,65,159</u>	<u>19,81,23,028</u>
SCHEDULE - 20		
FINANCE CHARGES		
Interest on Term Loans	9,90,17,734	6,69,31,462
Interest on others	9,04,31,931	3,96,38,218
Bank Charges	62,40,010	32,50,270
	<u>19,56,89,675</u>	<u>10,98,19,950</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Current Year Rupees	Previous Year Rupees
SCHEDULE - 21		
INCREASE IN STOCKS		
OPENING STOCKS:		
Yarn	6,41,50,740	1,36,98,448
Fabric	19,92,07,767	13,88,68,198
Garments Stock Transferred from Trial Run Expenses	6,17,980	–
Work-in-process	11,82,76,549	5,32,32,943
Work-in-process Transferred from Trial Run Expenses	1,40,29,482	–
Cotton Waste	11,68,336	6,88,550
	<u>39,74,50,854</u>	<u>20,64,88,139</u>
CLOSING STOCKS:		
Yarn	4,70,04,507	6,41,50,740
Fabric	22,61,69,991	19,92,07,767
Garments	76,41,675	–
Work-in-process	23,72,18,061	11,82,76,549
Cotton Waste	13,28,177	11,68,336
	<u>51,93,62,411</u>	<u>38,28,03,392</u>
Increase in stocks	<u>(12,19,11,557)</u>	<u>(17,63,15,253)</u>
SCHEDULE - 22		
PRIOR YEAR ADJUSTMENTS (NET)		
INCOME:		
Additional Excise duty refund		4,55,30,990
Refund of Excise duty		<u>32,88,668</u>
Others	3,708	13,25,584
		5,01,45,242
EXPENDITURE:		
Less : Non fulfilment of export obligation	27,07,010	40,400
	<u>(27,03,302)</u>	<u>5,01,04,842</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS
SCHEDULE - 23

Notes forming part of the Balance Sheet as at 31st March, 2008 and Profit and Loss account for the year ended on that date.

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
1		
Contingent Liabilities not provided for		
a) Against Foreign Letters of Credit	9,54,80,000	7,81,61,725
b) Against Bank Gaurantees	48,76,650	31,43,600
c) Against Bills discounted	10,40,48,820	8,72,55,051
d) Against derivate transaction entered by the company with Europion	90,23,042	–
e) Demand from the Central Excise Department under Textiles and Textile Articles Act (TTA), disputed by the Company pending in appeals with the Commissioner, Customs and Central Excise, Nagpur, not provided for.	2,85,34,563	2,85,34,563
f) Demand from Central Excise Department in connection with the clearence of the goods disputed by the Company and allowed by the Commissioner Appeals, Nagpur in Company's favour. How ever the department has preferred an appeal against the Commissioner's order.	78,50,277	78,50,277
g) Demand from Service Tax Department in connection with Service Tax on commission paid to non resident agents disputed by the Company. Appeal was allowed partly awaiting final orders. The Company has preferred an appeal for the balance amount before CESTAT (South Zonal Bench), Bangalore with the Addl. Commissioner, Central Excise, Hyderabad	55,82,034	55,82,034
h) Demand from sales tax department inconnection with assessing of input tax credit claimed, disputed by the company pending in appeal with Dy.Commissioner (CT), Punjagutta division, Hyderabad	58,74,266	–
i) Demand from Sales tax department(A.P)inconnection with assessing of denim unit turnover situated at Ramtek,Maharashtra state and already assessed in that state disputed by the company pending in appeal with the STAT, AP.	7,86,99,773	–
j) Demand raised by Income Tax Department for Assessment Year 2003-04 in connection with disallowance U/s 80 HHC disputed by the Company pending in appeal with CIT (Appeals), Hyderabad.	44,621	44,621
k) Contracts to be executed on capital accounts.	1,98,62,500	22,74,93,816
2		
The Company has initiated legal proceedings against M/s Rajvir Industries Ltd., for recovery of the balance outstanding in the books of the company, of Rs.4,44,89,553/- (Previsous year Rs.4,44,89,553/-)		

Suryalakshmi Cotton Mills Limited

3. Claim against the company not acknowledged as debts:
M/s Rajvir Industries Limited has filed a suit against the company claiming export incentives allegedly due to them amounting to Rs.295.70 Lakhs relating to export performance of erstwhile Mahabubnagar Unit of the periods prior to demerger. The Company has been advised that the claim is not admissible and is taking adequate steps to resist the claim.
4. Three cases have been filed against the company for amounts totalling to Rs.13.48 crores in respect of three cheques allegedly issued by the company. These claims are being resisted on the plea that these cheques have been misused and in absence of any legally enforceable debt or liability the company has been advised that the complaints are not maintainable and no liability is likely to arise.
5. Two claims have been made against the company for gratuity allegedly due to them by two ex-employees for amounts totalling to Rs.23.72 lakhs. The company has been advised that the claims are not admissible and is taking adequate steps to resist the same.

6. OTHER DISCLOSURES

Allocation of Corporate office expenses to segments is at cost.

All Profit / (Losses) on inter segment transfers are eliminated at Company's level.

TYPES OF PRODUCT AND SERVICES IN EACH BUSINESS SEGMENT :

BUSINESS SEGMENT	TYPE OF PRODUCT
a) Spinning	Cotton Yarn, Combed Yarn and P.V. Yarn.
b) Denim	Denim Fabric
c) Garments	Garments

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

7. Related party disclosure

Related party disclosure as required by AS-18 “Related party disclosure” are given below :

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs)	Previous Year Amount (Rs)
A. Transactions :				
Shri L.N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	24,00,000	24,00,000
		b) Interest	3,78,500	1,87,026
Shri P.K.Agarwal Managing Director	Key Management	a) Remuneration	24,00,000	24,00,000
		b) Interest	3,70,750	2,21,131
Shri L N Agarwal (HUF)	Key Management	Interest	79,625	46,590
Shri H.L. Rathan Director	Key Management	Remuneration	9,20,134	10,82,615
Smt. Sathyabhamabai	Wife of Shri L.N. Agarwal	Interest	13,43,875	11,51,185
Smt. Padmini Agarwal	Wife of Shri P.K. Agarwal	Interest	7,84,545	7,48,301
Kum. Aparna Agarwal	Daughter of Shri P.K.Agarwal	Interest	2,35,625	1,90,962
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	Interest	2,99,000	2,37,455
Smt. Sabita Jain	Daughter of Shri L.N.Agarwal	Office Rent	4,19,520	4,19,520
M/s Suryalata Spinning Mills Ltd.	Enterprise in which the relatives of key management personnel are interested	Interest	6,16,392	–

Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

b) Balances as at 31st March, 2008 (payables) :

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs)	Previous Year Amount (Rs)
Shri L.N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	1,67,800	4,34,800
		b) Interest (Net)	3,46,671	1,54,987
		c) Unsecured Loan	63,50,000	63,50,000
Shri P.K.Agarwal Managing Director	Key Management	a) Remuneration	1,57,800	3,49,800
		b) Interest (Net)	3,29,484	–
		c) Unsecured Loan	49,75,000	63,55,000
Shri L N Agarwal (HUF)	Key Management	a) Interest (Net)	70,603	41,363
		b) Deposits	12,25,000	12,25,000
Shri H.L. Rathan Director	Key Management	Remuneration	51,020	–
Smt. Sathyabhamabai	Wife of Shri L.N. Agarwal	a) Interest (Net)	11,91,613	10,22,021
		b) Deposits	2,06,75,000	2,06,75,000
Smt. Padmini Agarwal	Wife of Shri P.K. Agarwal	a) Interest (Net)	6,95,656	6,64,342
		b) Deposits	1,10,50,000	1,10,50,000
Kum. Aparna Agarwal	Daughter of Shri P.K.Agarwal	a) Interest (Net)	2,08,929	1,69,536
		b) Deposits	36,25,000	36,25,000
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	a) Interest (Net)	2,65,123	2,10,813
		b) Deposits	46,00,000	46,00,000
Mrs. Sabita Jain	Daughter of Shri L.N. Agarwal	Office Rent	6,77,177	3,22,473
M/s Suryalata Spinning Mills Ltd.	Enterprise in which the relatives of key management personnel are interested	a) Inter Corporate Deposits	60,00,000	–

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

8. The Salestax deferment liability amounting to Rs.1,23,03,636/- shown under unsecured loans is due for repayment from 15-07-2011 onwards.
9. Pursuant to Scheme of restructuring package of Term Loans the Company has allotted 0.1% Cumulative Redeemable Preference Shares of Rs.100/- each on 28th October, 2002 to IDBI and IFCI and the same will be redeemed to IDBI in March, 2012 (Rs.400 lacs) and to IFCI in July, 2011 (Rs.271.60 Lacs)
10. The amount of CRPS of Rs.671.60 lakhs payable on redemption to IDBI and IFCI as stated in note No.9 is treated as deferred revenue expenditure, to be written off over the term of the CRPS.
11. In the opinion of the Board the current assets, loans & advances have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated.
12. Vide Notification No.30/09.07.2004 issued by Government of India the Company has opted for the exemption route in respect of Excise duty on sales. Hence the Company neither collected nor paid the duty on its products and also not availed any cenvat credit on the purchase as well as capital goods.
13. Previous figures have been regrouped wherever necessary.
14. Paise have been rounded off to the nearest rupee.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE – 24

SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. Principles of Consolidation :

The Consolidated financial statements relate to Suryalakshmi Cotton Mills Limited (“the Company”) and its Subsidiary Company Suryakiran International Limited.

The Consolidated financial statements have been prepared on the following basis.

- a) The financial statement of the Company and it’s Subsidiary Company are combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and/or transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS)-21 “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.
- b) Minority Interest’s share of net profit/(loss) of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to Shareholders of the Company.
- c) Minority Interest’s share of net assets of consolidated subsidiary for the year is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company’s Shareholders.
- d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company’s separate financial statements.

2. Accounting Convention :

The financial statements are prepared under historical cost convention in accordance with the normally accepted accounting principles.

3. Fixed Assets :

Fixed Assets are stated at cost net of depreciation provided in the statements. Cost of acquisition of Fixed Assets is inclusive of all direct and indirect expenditure up to the date of commercial use.

Depreciation is provided on straight line method in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956

4. Inventories :

Inventories are valued at the lower of cost and net realisable value. Cost of raw materials and stores & spares are computed by using weighted average method.

5. Investments :

Investments are stated at cost and deminution in the value, which is permanent in nature, is provided for.

6. Contingent Liabilities and Provisions :

All Contingent liabilities are indicated by way of a note and will be paid/provided on crystalisation.

7. Retirement Benefits :

All the employees are eligible for retirement benefits like Provident Fund and Leave encashment. Contribution to Provident Fund are made at preascertained rate and remitted to the concerned authorities on accrual basis. Leave encashment is provided on the basis of actuarial valuation. In respect of Gratuity, the Company has covered the gratuity liability by obtaining the group gratuity policy. The premium charged by Life Insurance Corporation of India is paid as stipulated and charged to Profit and Loss Account. In respect of subsidiary Company employees no provision is made towards gratuity liabilities since no employee is eligible.

8. Foreign Exchange Transactions :

- Export Sales are initially accounted at the exchange rate prevailing on the date of documentation/invoicing and the same is adjusted with the difference in the rate of exchange arising on actual receipt of proceeds in foreign exchange.
- Earnings in foreign currency other than export sales are accounted for at the rate of conversion on the date of realisation.
- Imports of material / capital equipment are accounted at the rates at which the actual payments are made.
- Assets and liabilities arising out of foreign exchange transactions are translated at the rates of exchange ruling on the date of Balance Sheet and are suitably adjusted to the appropriate Revenue/Capital account.

9. Impairment of Assets :

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods. Is reversed if there has been a change in the estimate of recoverable amount.

10. Sales :

Sales represents the amount receivable for goods sold including excise duty and sales tax thereon. Incentives on export sales are recognised as income on accrual basis.

11. Provision for taxation :

Provision for taxation for the year is based on tax liability computed in accordance with relevant tax rates and tax laws as at the Balance Sheet date. Provision for deferred tax is made for all timing differences arising between taxable income and accounting income at rates that have been enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets are recognised only if there is a reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying value at each Balance Sheet date.

Signatures to Schedules 1 to 24

per Our Report of even date

for Brahmayya & Co.
Chartered Accountants

K.S.Rao
Partner

Place : Hyderabad
Date : 28.06.2008

For and on behalf of the board

L.N. Agarwal
Chairman & Managing Director

P.S.Subramanyam
Vice President (Finance)

P.K. Agarwal
Managing Director

E.V.S.V Sarma
Company Secretary

Navrang Lal Tibrewal
Director

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH, 2008**

	Current Year Rupees	Previous Year Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	16,81,968	1,04,02,086
Adjustment for		
Add: Depreciation	21,00,39,968	18,72,90,481
Interest	18,94,49,665	10,65,69,680
Debit balance written off	1,23,762	1,15,860
Miscellaneous expenses written off	1,34,33,720	87,10,218
Loss on sale of assets	79,17,711	—
Diminution in Value of investments	20,01,160	25,37,185
	42,46,47,954	31,56,25,510
Less: Interest	89,89,972	4,05,534
: Excess provision written back	21,54,171	5,17,344
Profit on sale of assets	28,89,890	7,056
	1,40,34,033	9,29,934
Operating profit before working capital changes	41,06,13,921	31,46,95,576
Adjustment for changes in :		
Current liabilities	21,44,13,616	27,50,66,236
Inventories	(13,67,51,414)	(35,62,32,803)
Receivable	(14,48,95,326)	(1,20,72,025)
Loans and advances	(1,05,76,118)	17,15,94,289
Cash generated from Operations	33,28,04,679	39,30,51,273
Income tax paid net of refunds	(62,75,847)	(6,30,29,889)
Net cash from operating activities (A)	32,65,28,832	33,00,21,384
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of fixed assets	76,90,285	8,00,000
Interest received	25,42,253	5,154
Increase in fixed assets	(18,53,14,006)	(1,00,30,93,453)
(Increase)/ Decrease in investments	1,48,000	(50,000)
Net cash used in Investing activities (B)	(17,49,33,468)	(1,00,23,38,299)

CONSOLIDATED CASH FLOW STATEMENT (Contd...)

	Current Year Rupees	Previous Year Rupees
C.CASHFLOW FROM FINANCING ACTIVITIES		
Increase in share capital and premium	–	1,33,73,300
Share issue expenses	–	(2,84,52,771)
Special Capital incentive	–	30,00,000
Increase in secured loans	–	62,96,80,561
Increase in bank borrowings	22,96,61,686	34,62,35,400
Increase in Hire purchase loan	–	2,68,513
Increase in Unsecured loans	2,93,55,774	9,26,80,000
Repayment of Term Loan	(23,83,27,584)	(24,99,89,747)
Repayment of Hire Purchase loan	(9,23,780)	(11,95,246)
Repayment of unsecured loans	(14,94,873)	–
Interest paid	(17,84,47,927)	(10,55,14,504)
Dividend/Tax on dividend	(91,796)	(3,78,97,360)
Decrease in bank borrowing	–	–
Net cash used in Financing Activities (C)	<u>(16,02,68,500)</u>	<u>66,21,88,146</u>
Net increase in cash and cash equivalents (A+B+C)	(86,73,136)	(1,01,28,769)
Cash/Cash Equivalents at the Beginning of the year	2,88,74,563	3,90,03,332
Cash/Cash Equivalents at the end of the year	2,02,01,427	2,88,74,563

per Our Report of even date

For and on behalf of the board

for Brahmayya & Co.
 Chartered Accountants

L.N. Agarwal
 Chairman & Managing Director

K.S.Rao
 Partner

P.S.Subramanyam
 Vice Presedent (Finance)

P.K. Agarwal
 Managing Director

 Place : Hyderabad
 Date : 28.06.2008

E.V.S.V Sarma
 Company Secretary

Navrang Lal Tibrewal
 Director

ELECTRONIC CLEARING SERVICE (ECS) FOR PAYMENT OF DIVIDEND

TO THE SHAREHOLDERS

The Company has introduced Electronic Clearing Service (ECS) for payment of dividend. This would facilitate shareholders to obtain the dividend electronically and the payment would consequently be faster and loss of dividend instrument in postal transit would be eliminated.

Under this method, the Company would issue payment instructions to the Clearing House of Reserve Bank of India through the bankers of the Company. The Clearing House would furnish to the service branches of the destination banks branch-wise credit reports indicating the beneficiary details such as names of the branches where the accounts are maintained, the names of the beneficiaries, account type, account numbers and the respective amounts. The service branch would in turn pass on the advices to the concerned branches of their bank, which would credit the beneficiary's accounts on the appointed date. An advice of remittance would be sent by the Company to the shareholders opting for electronic transfer.

Considering the benefits derived in ECS for payment of dividend, shareholders are advised to avail this facility. Securities & Exchange Board of India and the Department of Company Affairs, Government of India, have made it mandatory on the part of the companies to offer ECS facility, wherever the said facility is available.

Presently, ECS facility is available at sixteen centres of the Reserve Bank of India viz.,

Ahmedabad, Bangalore, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Pune and Thiruvananthapuram. This facility is available only for payment upto a maximum amount of Rs.5 lacs.

Shareholders holding shares in physical form wishing to participate in this scheme may please fill in the ECS Mandate Form printed overleaf in legible English, sign and return the same to the Company *immediately* at its Registered Office/ Registrar & Transfer Agent. Please note that the information provided by you should be accurate and complete in all respects and duly certified by your bankers. In lieu of the bank certification, you may attach a blank cancelled cheque or a photocopy of a cheque for verification of the particulars provided by you in the ECS Mandate Form.

The shareholders holding shares in electronic form in the depository system are requested to forward the ECS particulars to their depository participant for incorporation in their records. The depository would forward the required information to the Company at the time of payment of Dividend.

In case you require any clarification / assistance, please feel free to contact the Company.

E. V.S.V. SARMA
Company Secretary

Suryalakshmi Cotton Mills Limited

Name of the first / sole Shareholder :
Ledger Folio No. :

Particulars of bank account of first /sole Shareholder

Name of the Bank :
Name of the Branch :
Bank Branch Address :

9 Digit code number of the Bank and Branch as
appearing on the MICR cheque issued by the Bank

Type of the Account Savings Current Cash Credit

Account No. (as appearing on the cheque book)

Ledger No./Ledger Folio No. (if appearing on the
cheque book / passbook)

In lieu of the bank certificates to be obtained as under, please attach a blank cancelled cheque or a photo-copy of a cheque issued to you by your banker, for verification of the particulars provided herein.

Effective Date :

I, hereby, declare that the particulars given above are correct and complete. I undertake to inform you promptly any subsequent changes in the above particulars. If the payment transaction is delayed or not effected at all for reasons of incomplete or incorrect information or beyond the control of the Company, I will not hold Suryalakshmi Cotton Mills Limited responsible. I have read the option invitation letter and agree to discharge the responsibility expected of me as a participant under the Scheme.

Place :
(*as per specimen signature)

Signature of the Shareholder *

BANKER'S CERTIFICATION

Certified that the particulars furnished above are correct as per our records.

Banker's Seal
Date :

Signature of the Authorised
Official of the Bank



Suryalakshmi Cotton Mills Limited

Corporate Information

Board of Directors

Sri L.N.Agarwal	Chairman and Managing Director
Sri Paritosh K. Agarwal	Managing Director
Sri R.Surender Reddy	
Dr. A.Nageswara Rao	
Sri Navrang Lal Tibrewal	
Sri R.S.Agarwal	
Sri B. Rama Rao	Nominee – IDBI
Sri K. Sunil Kumar	
Sri H.L.Ralhan	Director and Chief Executive (Denim Division)
Sri N.D. Auddy	Nominee - IFCI

Company Secretary

Sri E.V.S.V. Sarma

Vice-President (Finance)

Sri P.S.Subramanyam

Auditors

M/s. Brahmayya & Co.
Hyderabad

Bankers

State Bank of India
Industrial Finance Branch
Hyderabad

State Bank of Hyderabad

Commercial Branch
Secunderabad

State Bank of Mysore

Sarojini Devi Road
Secunderabad

State Bank of Indore

Abids
Hyderabad

Registered Office

6th Floor, Surya Towers
105, S.P. Road
Secunderabad - 500 003
Phone Nos: (040)27819856/57/58
Fax No: (040) 27846854
website: www.suryalakshmi.com

FACTORIES

Yarn Division

Amanagallu
Mahabubnagar Dist.
Andhra Pradesh - 509 321

Denim Division

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

Registrar & Transfer Agent

M/s. Sathguru Management Consultants Pvt. Ltd.
Plot No. 15, Hindi Nagar, Behind Saibaba Temple,
Punjagutta, Hyderabad - 500 034.
Phone Nos. 23356507, 23356975, 23350586
Fax No. 23354042