



Suryalakshmi Cotton Mills Ltd

# BIGGER AND BETTER

48th Annual report, 2010-11



**SURYALAKSHMI COTTON MILLS LTD.**

6th Floor, Surya Towers, 105, S.P.Road,  
Secunderabad – 500 003

A TRISYS PRODUCT • [info@trisyscom.com](mailto:info@trisyscom.com)

## Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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## CORPORATE INFORMATION

### Board of Directors

Sri L.N. Agarwal	<i>Chairman and Managing Director</i>
Sri Paritosh K. Agarwal	<i>Managing Director</i>
Sri R. Surender Reddy	
Dr. A. Nageswara Rao	
Sri Navrang Lal Tibrewal	
Sri R.S. Agarwal	
Sri B Rama Rao	Nominee - IDBI
Sri H L Ralhan	Director and Chief Executive (Denim Division)
Sri V.S.V. Rao	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  
IDBI Bank Limited  
Saidapet, Chennai.

### Registered Office

6th Floor, Surya Towers  
105, S.P.Road  
Secunderabad – 500 003  
Phone Nos: (040) 27819856/57, 30571600  
Fax No: (040) 27846854  
Website: www.suryalakshmi.com

### Factories

**Yarn Division**  
Amanagallu  
Mahabubnagar District  
Andhra Pradesh – 509 321

### Denim Division

Village Nagardhan  
Tehsil Ramtek  
Nagpur  
Maharashtra – 440 010

### Registrar & Transfer Agent

Plot No 15, Hindi Nagar, Behind Saibaba Temple  
Punjagutta, Hyderabad – 500 034  
Phone Nos: (040) 30160333  
Fax No: (040) 40040554

SOMETIMES IT ISN'T ENOUGH TO MERELY BE AROUND WHEN THE INDUSTRY UPTREND TRANSPIRES.

SURYALAKSHMI COTTON MILLS PROACTIVELY CONVERGED ALL ITS BUSINESS DRIVERS - HIGHER CAPACITY, INCREASED PRODUCTION, ATTRACTIVE VALUE-ADDITION AND LARGER CUSTOMER BASE – FOR MAXIMUM IMPACT IN 2010-11.

**THE RESULT WAS A RECORD SEVEN-FOLD INCREASE IN ITS PROFIT AFTER TAX FROM ₹4.35 CRORE IN 2009-10 TO ₹34.81 CRORE IN 2010-11.**



**THERE ARE THREE BROAD MESSAGES THAT WE WANT TO SEND OUT.**

**ONE, WE ARE INTEGRATED FROM YARN SPINNING TO DYEING TO FABRIC WEAVING TO GARMENTS.**

**TWO, WE MARKET OUR PRODUCTS TO SOME OF THE MOST PROMINENT BRANDS IN INDIA AND THE WORLD.**

**Who we are**

Incorporated in 1962 and promoted by Mr L. N. Agarwal (Chairman and Managing Director), Suryalakshmi Cotton Mills Ltd captures the extensive value chain from the manufacture of cotton yarn to denim fabric to garments. The promoters hold a 61.12% stake in the Company's equity.

The Company enjoyed a market capitalisation of ₹112.44 crore as on 31st March 2011. The Company's shares are actively traded on the Bombay Stock Exchange and the National Stock Exchange.

**Where we are**

We are headquartered in Secunderabad (Andhra Pradesh), possessing a denim manufacturing facility in Ramtek (Maharashtra) and two spinning units (polyester cotton and synthetic yarn) in Amanagallu (Andhra Pradesh).

We market products through our Secunderabad, Delhi and Mumbai offices in India across the country and internationally in more than 20 countries (Israel, Panama, Egypt, Bangladesh, Sri Lanka, Indonesia, Mauritius, Singapore, the UK, Guatemala, Syria, Taiwan, Turkey and the USA, among others).



THREE, WE HAVE INVESTED IN EXTENSIVE COST MANAGEMENT INITIATIVES TO EMERGE AS A VIABLE COMPANY ACROSS INDUSTRY CYCLES.

**THE RESULT IS EVIDENT:** 27.3 % CAGR IN REVENUES AND 533.6 % CAGR IN PAT IN THE FIVE YEARS LEADING TO 2010-11.



#### Our vision

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

#### Our mission

Our mission at Suryalakshmi Cotton Mills is to empower the dominance of the organisation in the Indian market while we expand and develop a strong presence in the international market. Our products, operations and services are globally benchmarked against the best.

## Whom we supply

The Company caters to reputed brands like VF Corporation, Levis, Wal-Mart, Perry Ellis, Jones International, M&S, C&A, ASDA, George, Next, Miss Sixty, Mango, Carrefour, Sainsbury, Mothercare, Li & Fung and Woolworth, among others.

## Our pride-enhancing certifications

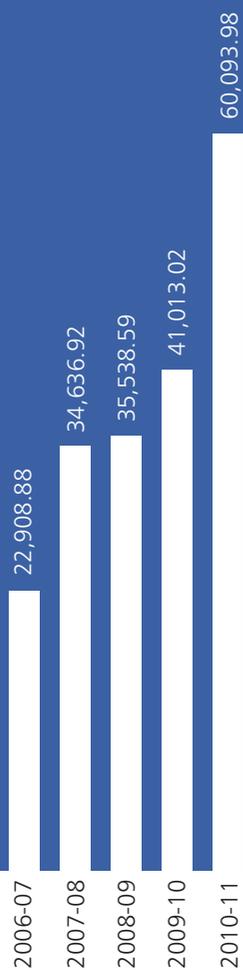
- Recognised as an export house by the Government of India
- Manufacturing units certified with ISO 9001:2008 and ISO 14001: 2004
- Certified with Global Organic Textile

Standard (GOTS) for organic cotton and organic exchange

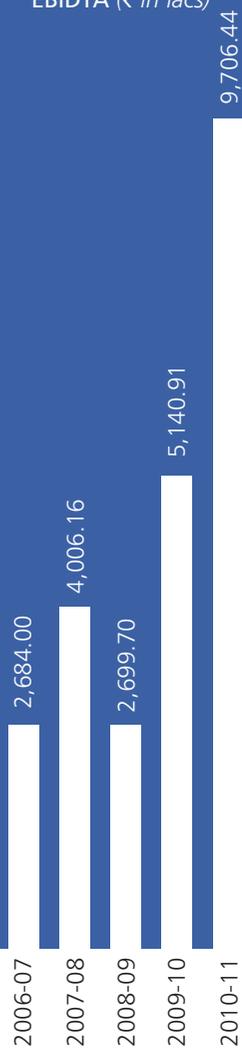
- Certified for Oeko Tex Standard 100 Product Class II upto 31st December, 2011.

# OUR GROWTH IS REFLECTED IN OUR NUMBERS

Net turnover (₹ in lacs)



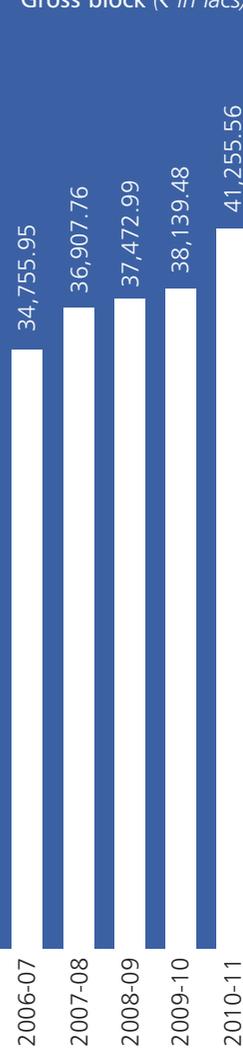
EBIDTA (₹ in lacs)



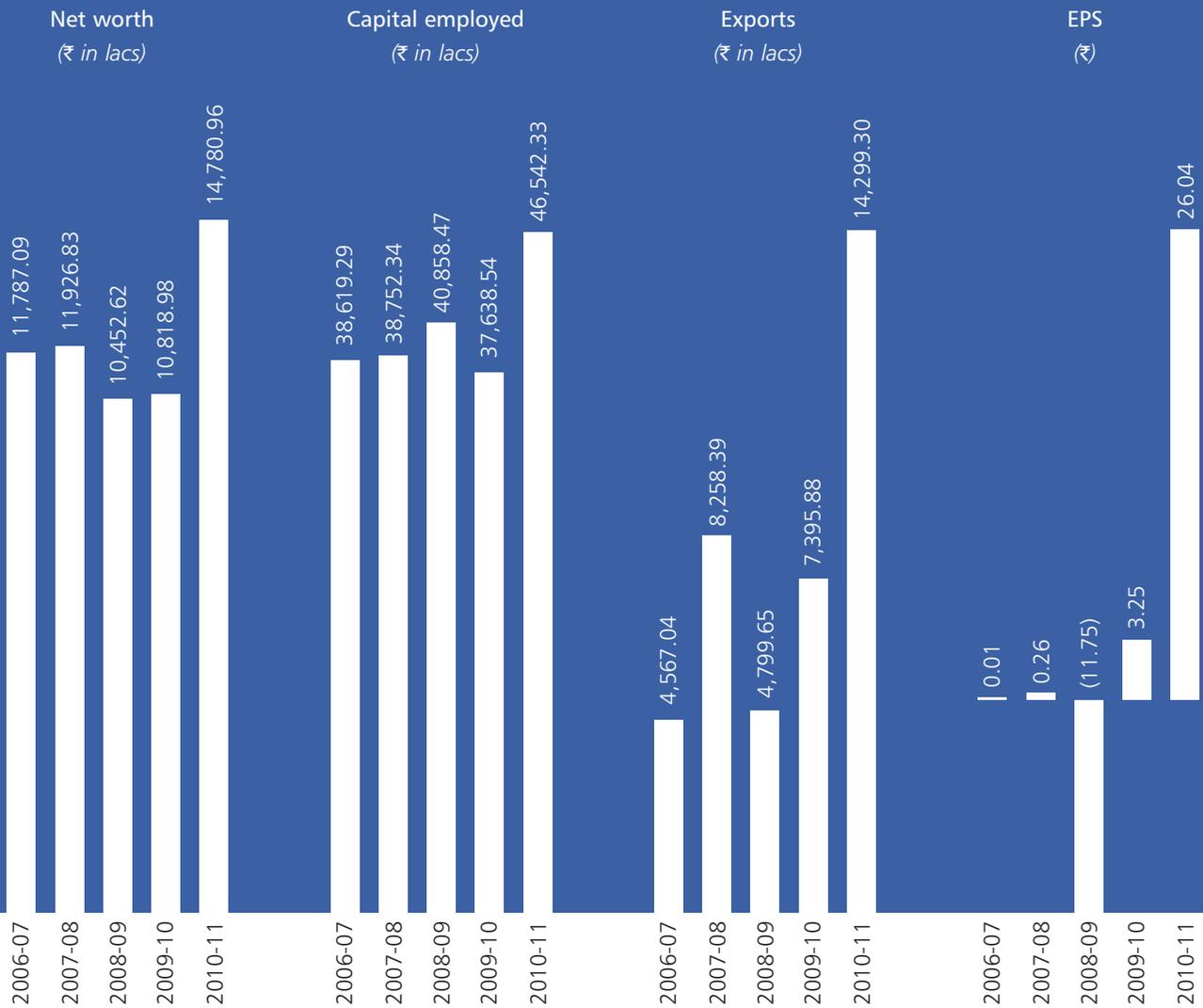
Profit after tax (₹ in lacs)



Gross block (₹ in lacs)



What we offer	Location	Installed capacity	Capacity utilisation
Yarn	Amanagallu (Andhra Pradesh)	60,864 spindles	96%
Denim	Ramtek (Maharashtra)	40 million metres per annum	98%



# COMPET

**SURYALAKSHMI INCREASED ITS PROFIT AFTER TAX BY 700 PER CENT IN 2010-11, HIGHER THAN MOST PEER TEXTILE COMPANIES.**

The Company achieved a higher return on employed capital from 7.19 per cent in 2009-10 to 16.99 per cent in 2010-11 owing to the following reasons:

- A purchase of 29 per cent of the annual cotton requirement in only eight months at 25 per cent below the average cotton price for the full year.

- Robust integration along the value chain, resulting in 70 per cent of the denim division's yarn requirements being sourced from within.

- An increase in the proportion of value-added products as well as an increase in the extent of value-addition beyond a mere increase in raw material costs.

# ENCE

**The result:**

Turnover increased  
47%; EBIDTA grew  
88.8%, in 2010-11.



**VALUE-A**

# SURYALAKSHMI IS A VALUE-ADDING TEXTILE COMPANY. IN MORE SENSES THAN ONE.

One, the Company enhances value for its clients. Two, it enhances value to its product portfolio.

During 2010-11, the Company enhanced realisations higher than a mere increase in raw material prices through the following initiatives:

- A conscious servicing of the growing needs of high-end international and domestic brands.
- A focus on the fashion

end of the textile industry, where superior designs and contemporariness translate into higher realisations.

- Corresponding investments in sophisticated equipment, capable of addressing higher quality and design requirements.
- An ongoing relationship with international design houses, leading to a superior understanding of contemporary trends.

**The result:** Increase in EBIDTA margin by 357 bps, which was higher than the industry average. Besides, the quantum of denim revenues derived from the value-added segment increased from ₹221.80 crore in 2007-08 to ₹370.31 crore in 2010-11.

# ADDITION

Chairman's review

# “THE STRENGTH OF OUR BUSINESS MODEL WAS REFLECTED IN THE FACT THAT WHEN THE TEXTILE INDUSTRY REVIVED, WE REPORTED A SHARP INCREASE IN OUR PROFITS.”

Mr. L. N. Agarwal, Chairman and Managing Director, reviews the Company's performance for 2010-11



Turnover grew

# 47%

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# ₹ 613.25

Turnover, 2010-11

When we ventured into the business a few decades ago, we did so with a long-term commitment to invest in our business in good years and bad. Every surplus generated was invested in either capacity expansion, quality improvement or cost reduction. The results did not immediately show in a tangible way as the performance of our business was influenced by the external global economy on the one hand and the health of the textile sector on the other. However, there was one thing that we were always convinced of – that even as our bottomline would remain relatively protected during an industry downturn, our profits would increase sharply during industry rebounds.

I am happy to present the performance for the financial year (2010-11) where we demonstrated the vigour of our rebound.

■ Turnover grew 47% to ₹613.25 crore while our net profit grew 700 % to ₹34.81 crore.

■ Our EBIDTA margin improved 357 bps to 88.8%

## Rebound

Global cotton prices were on an upswing during the year 2010-11. Between October, 2010 and February 2011, cotton prices surged by about 60% in the global market, spurred by an unabated demand from China, which accounts for less than half the world's cotton consumption. This, coupled with a growing shortage in Chinese production of the fibre, untimely rains in major cotton-producing states in India and a ban on exports from India, sustained high global prices. In India, cotton prices in February were about 110% higher than the previous year, touching an all-time high. Prices softened marginally in March 2011, as export obligations were met.

With an economic revival in major global markets, the export of textiles products from India increased and the Company reported a near-doubling in international shipments from ₹74 crore in 2009-10 to ₹143 crore in 2010-11. This sharp increase was facilitated by a focus on high-end fashion products and customer accretion, strengthening offtake. Besides, the favourable industry environment made it possible for cost increases to be passed on, resulting in average realisation increases of 33% and 30% in per unit yarn and fabric segments respectively.

### Strategic initiatives

As the textile industry rebounded, your Company was placed in the right place at the right time for the following reasons:

- Our prudent raw material (cotton) purchase strategy enabled us to buy the largest quantum during the peak arrival season when prices are at their lowest
- We commissioned our capacities during 2010-11, adding 12,624 fully-automated spindles, coupled with a capacity utilisation of 96%
- We focused on value-added products with high realisations, particularly evident in our fabrics division, making it possible to either pass on cost increases to consumers or absorb them without significantly denting profitability
- We invested in our research and development to create products in line with changing preferences - structures,

finishes and colours - of the fashion industry

- We embarked on the process to commission a 25 MW thermal power plant by March 2012 that will provide 100% of our existing power needs in addition to feeding the state electricity grid. This is expected to reduce costs on the one hand and enhance revenues on the other.

### Industry performance

While the global denim industry is growing at 3-5% annually, India continues to report a growth of about 12%. In an Indian population of over 1.2 billion, the per capita ownership of denim jeans per person is less than a pair per year compared with around eight pairs in developed countries like the U.S.A. As the country becomes demographically younger, incomes increase, change in attitudes towards dressing among young women, working ages decline and with more money in rural India than before, the demand for ready-to-wear clothes is expected to increase.

- **Per capita income:** Per capita income for 2010-11 has been projected at ₹54,527 against ₹46,492 in 2009-10 and ₹40,605 in 2008-09.
- **Rising proportion of the consumer class:** The Indian middle class population is projected to grow to 114 million by 2025 from 83.4 million in 2010, the largest middleclass population in any country.
- **Rising rural incomes:** The rural retail market is currently estimated at

US\$ 112 billion, or around 40 per cent of the US\$ 280 billion Indian retail market, according to a study - 'The Rise of Rural India', by an industry body. Increasing rural incomes and a growing awareness of trends, owing to the media, is driving rural denim demand.

This transition is being catalysed by an organised retail revolution. The result: Brand conscious consumers are growing; there is a greater focus among consumer wear companies to develop new brands around fashion wear. Consequently, there is an optimistic outlook for the Company's products. The first sign of this is that denim started evolving from winter wear to an all-year convenience across India.

### Outlook

Suryalakshmi is attractively placed to capitalise on the India advantage. The Company's assets are relatively contemporary; product quality standards are benchmarked with the demanding needs of high-end customers; the Company graduated to high-end fabric segment through the season; the Company expects to increase the number of products identified as sub-brands; the Company's quality standard commencing from the selective procurement of raw cotton leading to high-end spinning to dyeing to weaving to garmenting.

In view of these realities, the Company expects to report a spinning volume growth of 12 per cent and weaving volume growth of 4 per cent during 2011-12.

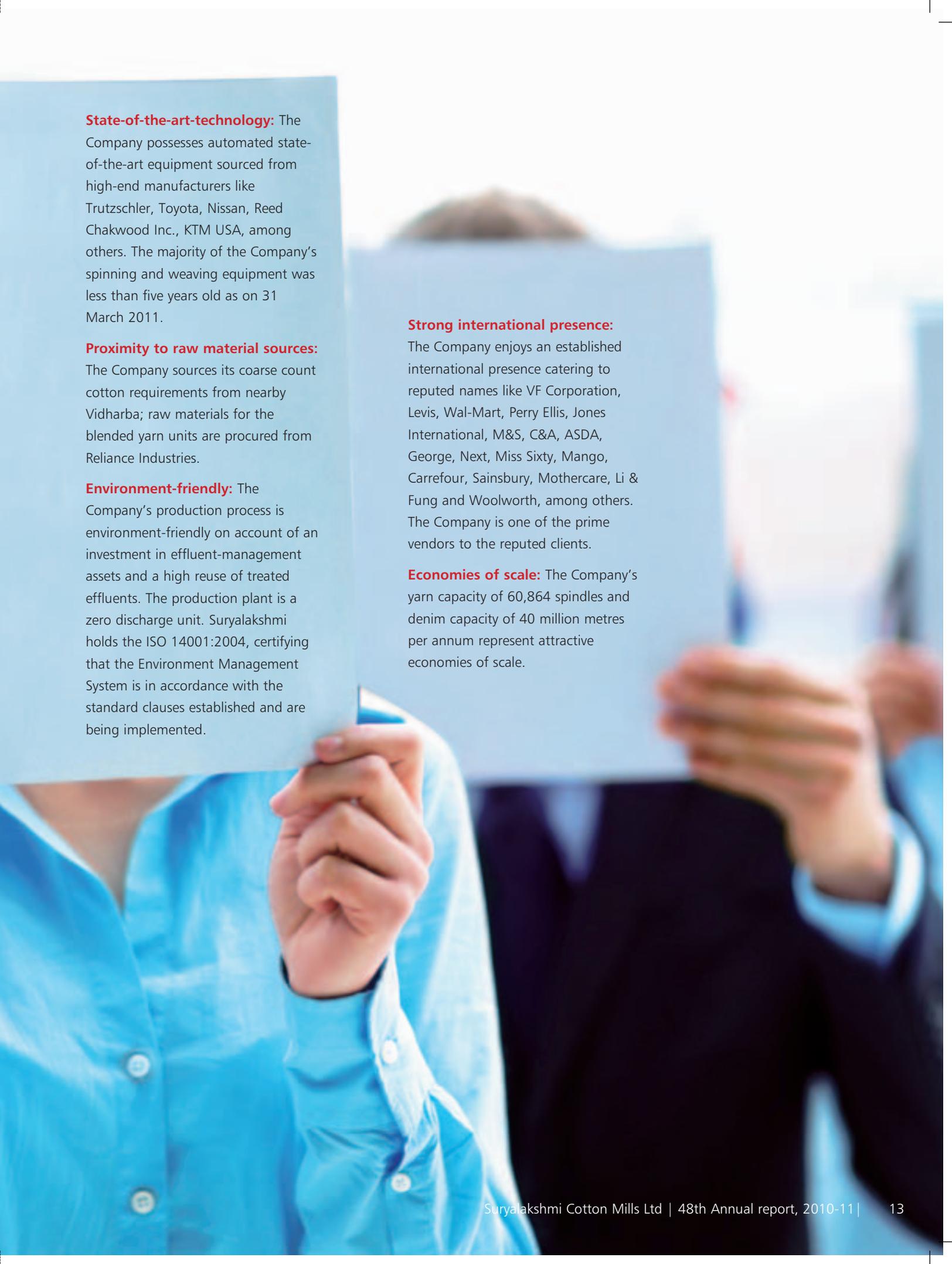


# STRENGTHENING THE BUSINESS

**Brand:** The Company enjoys a five-decade reputation of respect and trust in the spinning and weaving business.

**Value chain:** The Company's value chain extends from yarn to denim to garments. Nearly 70% of the Company's yarn requirement for the denim division was produced in-house.

**Quality products:** An online process control and offline quality assurance team ensure quality control at every manufacturing stage. The Company's yarn enjoys the highest quality level of Uster 5%. The manufacturing units are certified for ISO 9001:2008. The products are certified for Oeko Tex Standard Product Class II.



**State-of-the-art-technology:** The Company possesses automated state-of-the-art equipment sourced from high-end manufacturers like Trutzschler, Toyota, Nissan, Reed Chakwood Inc., KTM USA, among others. The majority of the Company's spinning and weaving equipment was less than five years old as on 31 March 2011.

**Proximity to raw material sources:** The Company sources its coarse count cotton requirements from nearby Vidharba; raw materials for the blended yarn units are procured from Reliance Industries.

**Environment-friendly:** The Company's production process is environment-friendly on account of an investment in effluent-management assets and a high reuse of treated effluents. The production plant is a zero discharge unit. Suryalakshmi holds the ISO 14001:2004, certifying that the Environment Management System is in accordance with the standard clauses established and are being implemented.

**Strong international presence:**

The Company enjoys an established international presence catering to reputed names like VF Corporation, Levis, Wal-Mart, Perry Ellis, Jones International, M&S, C&A, ASDA, George, Next, Miss Sixty, Mango, Carrefour, Sainsbury, Mothercare, Li & Fung and Woolworth, among others. The Company is one of the prime vendors to the reputed clients.

**Economies of scale:** The Company's yarn capacity of 60,864 spindles and denim capacity of 40 million metres per annum represent attractive economies of scale.

# INDUSTRY REVIEW

## Economy overview

**Global economy overview:** The global economy witnessed a negative growth of 0.6% in 2009 but rebounded with a 4.9% growth in 2010, while growth is projected at 4.2% in 2011.

**Indian economy overview:** Overall GDP grew 8.5% in 2010-11 against 8% in 2009-10 while GDP is estimated to grow at 8.2% in 2011-12 (Source: IMF).

## Indian textile overview

India is the third-largest producer of cotton and cotton yarn. Its acreage under cotton cultivation increased consistently since 2007. It possesses 20% of the world's spindlage capacity and 62% of the world's loomage capacity. India has the largest area under cotton cultivation – 9 million hectares – constituting 25% of the world's total cultivation area. Cotton textiles grew 10.8% during April-January 2010-11, while textile products (including wearing apparel) grew 4.3% (Source: CSO). India may overtake

China as the world's largest cotton producer by 2015, capitalising on the adoption of hybrid seeds and biotechnology cotton strains. China's cotton output is estimated at 45 million bales (170 kg each) in 2010-11 and India's at 33.9 million bales.

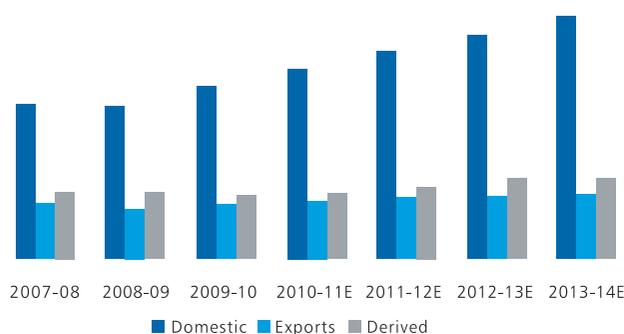
**Man-made fibres:** India is the second-largest producer of man-made fibres in the world (Source: World Fibre Report 2008). Of a total consumption of 4.74 billion kgs of fibre (cotton and man-made), 2.09 billion kgs or around 44% is accounted for by the man-made fibre and yarn industry. India's man-made fibre manufacturing capacity (functional installed capacities) stands at 3.4 billion kg (FY09), of which polyester accounts for 82.9%, followed by viscose with 11.6% and the remaining constitute other man-made fibre varieties. Currently, India's manufacturing capacity for all man-made fibres is more than adequate to address domestic demand. Global fibre consumption is likely to tilt in favour of man-made fibres as there could be a

limitation to cotton growth on account of limited land availability.

**Denim industry:** India's denim wear market is growing rapidly, estimated at US\$ 1 billion and expected to reach US\$ 2.1 billion by 2015. Denim production capacity is expected to grow 12% annually and increase to 1,130 million metres by 2015 (presently 650 million metres). There are about 24 Indian companies producing denim with an annual capacity of around 650 million metres. The global denim production is around 6 billion metres and major producing countries, other than India, include China, Pakistan, Brazil, Mexico and Indonesia. Key growth drivers comprise an increase in the global youth and urban population (nearly 63% of India's population is below 59 with the average age being 24). Indian denim brands enjoy attractive growth in all market segments (lower medium, medium and semi-premium/premium).

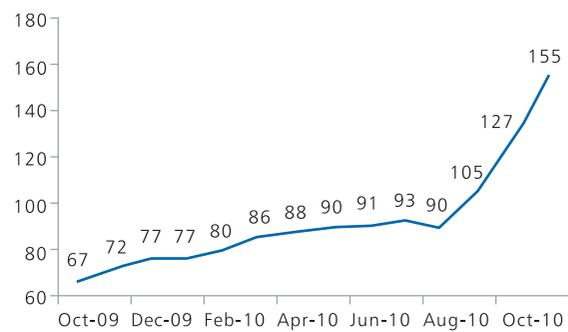
**Exports:** Textile and clothing exports

## Growth in exports, domestic and derived demand



Source: CRISIL, Network Research

## Cotton price movement



Source: Cotlook Index

aggregated US\$ 22.42 billion in 2009-10. The government fixed the target for 2010-11 at US\$ 25.48 billion; April-September 2010 exports were US\$ 11.26 billion. Readymade garments accounted for 45% of the total textile exports; apparel and cotton textile products contributed nearly 70% of the total textile exports.

### Industry growth drivers

**Technology Upgradation Fund Scheme:** The Technology Upgradation Fund Scheme (TUFS) helped counter technological obsolescence and diseconomies of scale. This discounted loan support scheme rejuvenated industry investments to the extent of more than ₹2,07,747 crores till June 2010.

**Scheme for Integrated Textile Park:** This scheme provides state-of-the-art infrastructure in public-private partnership mode. The scheme helped commission 40 parks, which, when operational, will attract an investment of ₹194 bn, produce goods worth ₹335 bn and provide employment to 8.19 lakh people.

**Integrated Skill Development Scheme:** This scheme facilitates capacity building, skill development and training. Under this scheme, the government envisaged the skill development of 2.7 million people for a cost of US\$ 530 million across five years.

**National Fibre Policy:** India's fibre consumption ratio is presently 41:59 in favour of cotton against 60:40 globally. The global fibre consumption trend is likely to tilt in favour of man-made fibres as there is a limitation to cotton growth on account of limited land availability for cultivation. The National Fibre Policy addresses issues of equitable fibre use to attain national self-sufficiency while addressing domestic and export demand.

**Success of BT cotton:** The implementation of BT cotton increased crop yield, quality and softness. BT cotton area is placed at 80-90% of India's total cotton area (corresponding China figure at 69%).

**Demographic advantage:** All spinning companies upgraded their technology resulting in superior quality. The industry is likely to attract an investment of ₹187 bn for an additional capacity of 7.5 mn spindles and ₹94 bn for replacing old spindles. India is self-reliant in the textile sector – from procuring raw material to spinning to creating value-added products. Also, most of the spinning companies ventured into fabric and garment manufacture for enhanced competitiveness.

### Indian textile outlook

Cotton yarn, fibre and garment exports are expected to increase at over 5%

CAGR between 2010-2014, owing to a growing appetite in developing countries and consumption pickup in developed nations. India is expected to benefit for the following reasons: Aggressive Indian capacity expansion and China's (largest exporter) gradual emergence as a net importer. The textile and clothing industry is expected to register a 10% export growth in 2011-12 (Source: Confederation of Indian Textile Industry). Domestic demand is expected to increase 8% CAGR and exports demand 5% CAGR between FY10-FY15E. Consequently, the share of domestic demand is expected to increase to 62% of the nation's production by FY15E. Man-made fibre consumption is expected to increase 7% CAGR between 2010-2014, owing to an increase in the price differential between cotton yarn and MMF yarn, prompting substitution.

Changes in consumer responses will stimulate 9% CAGR during 2010-2014 for the apparel market. The demand for branded apparels is expected to increase. With reduced regulation, fast-changing consumer tastes and increasing competition, the business is expected to shift from the unorganised to the organised sector. The share of the country's organised sector is expected to grow from 17% to 40% by 2020.



Divisional analysis

## YARN DIVISION

₹ **23,063.16** lac  
Revenues earned

**38.38%**  
Contribution to the total revenue

₹ **3,952.92** lac  
EBIDTA

**106.4%**  
Profit growth over previous year

**16.95%**  
EBIDTA margin

**60,864** spindles  
Capacity installed

## Overview

Suryalakshmi Cotton Mills Ltd has two polyester cotton and synthetic yarn units in Amanagallu (Andhra Pradesh), with fully-integrated facilities to produce world-class cotton, polyester and blended yarns. The Company grew from an installed capacity of 6,000 spindles in 1962 to 60,864 spindles in 2010. The Company added over 37,680 spindles in the last five years. Over the years, the Company invested in cutting-edge equipment, which translated into yarn of the highest quality.

## Highlights, 2010-11

- The Company focused on the manufacture of polyester-blended yarn owing to higher realisations and



offtake over cotton yarn

- Profits from this division grew 106.4%, along with 54.5% higher sales volumes
- Yarn realisations increased 33% over the previous year
- Some 12,624 spindles were added, enhancing the total capacity to 60,864 spindles; Suryalakshmi is now one of the largest in the region.

- The additional capacity from automated ringframe contributes to enhanced productivity.
- Capacity utilisation at 96% was higher than 93% in the previous year

## Outlook

The performance of additional spindles across the full extent of the financial year is expected to generate 12 per cent higher output in 2011-12.

## Product range

The range includes 100% spun polyester yarns, polyester cotton combed/carded 65/35 and 50/50 blends and polyester viscose yarn 65/35 blend.

## State-of-the-art equipment

- Blow-room line and cards by Trutzschler
- Auto-leveller draw, speed and ring frames by Trutzschler and Schlafhorst
- Autoconers by Schlafhorst and Murata
- Yarn conditioning unit by Elgi Welker



Divisional analysis

## FABRIC DIVISION

₹ **37,030.81** lac  
Revenues earned

**61.62%**  
Contribution to the total revenue

₹ **5,753.52** lac  
EBIDTA

**78.4%**  
Profit growth over previous year

**15.21%**  
EBIDTA margin

**40** million metres per annum  
Capacity installed

## Overview

Established in 1997, the denim division is a forward extension of yarn manufacturing. Over 14 years, this division quadrupled its capacity to 40 million metres per annum as on 31 March 2011.

The Company's denim manufacturing process is integrated under one roof – only 30% of its yarn needs are outsourced – shrinking product turnaround. This extensive value chain provides the Company flexibility in terms of faster yarn development as per the evolving fashion trends. With a focus on value-added fashion denims and new products introduced almost every month, Suryalakshmi is a one-stop denim shop.



At Suryalakshmi, quality is of utmost importance and each individual fabric order is monitored with online process control systems at almost every stage of manufacture. The Company follows the quality inspection of four-point grading system followed internationally to measure the number of defect points in fabric, the most important factor to determine its acceptability. In addition,

the Company possesses a well-equipped and consistent offline quality assurance laboratory. Quality management systems ensure consistency, leading to an extended product life.

## Highlights, 2010-11

- Average realisations per metre increased by over 30%
- The Company added nine customers,

including prominent brands like Polo, Target and Jordache. On an average, the Company introduced 10-15 new products a month

- Denim exports increased 33%; exports resulted in attractive margins
- The denim plant passed rigorous technical audits by prominent brands (Levis & VF, among others)
- Certain brands were directly serviced,

leading to a deeper understanding of industry requirements

- The distribution channel was strengthened through the additional distributors
- The Company launched mercerised cotton polyester stretch, a new category
- The Company recycled and reused 75% of waste water

- Capacity utilisation improved from 92% in 2009-10 to 98%

## Outlook

The Company expects to reduce the proportion of outsourced yarn and reduce costs. The Company will also concentrate on its fast-moving fashion collection to enhance value-addition.

## Product range

Product range includes 100% cotton products (cotton lycra, ring slubs, multi-count ring slubs, cotton-poly, cotton-poly stretch, mercerised, coated and colour denim). The Company makes rope-dyed and sheet-dyed denim; it is among the pioneers of organic denim manufacture in India.

## State-of-the-art equipment

- Air-jet loom technology from Toyota and Nissan
- Both Rope and Slasher dyeing
- Ring spinning from Zinser



## Absolute numbers

Revenue: ₹ **613.25** cr  
Growth: **47%**  
CAGR of five years: **27%**

EBIDTA: ₹ **97.06** cr  
Growth: **88.8%**  
CAGR of five years: **38%**

Profit after tax: ₹ **34.81** cr  
Growth: **700%**  
CAGR of five years: **534%**

### Revenue analysis

Net sales grew 46.52% from ₹41,013.02 lacs in 2009-10 to ₹60,093.98 lacs in 2010-11 for the following reasons:

- Increased sales volume owing to rising global demand

- Increased capacity expansions in the yarn segment
- Improved realisations following an increase in input costs
- Exports contributed ₹14,299.30 lacs against ₹7,395.88 lacs in 2009-10.

- Non-core income increased by 59.54% from ₹771.38 lacs in 2009-10 to ₹1,230.68 lacs in 2010-11. This was largely due to a rise in foreign currency fluctuations and export benefit entitlements.

### Product wise sales mix

	Revenue, 2010-11 (₹ in lacs)	Growth (%)	Contribution to the total revenue
Yarn division	23,063.16	54.5	38.4%
Denim division	37,030.81	42	61.6%

### Revenue by geographies

**Exports:** The Company's exports were ₹14,299.30 lacs in 2010-11; up from ₹7,395.88 lacs in the previous year. Exports accounted for 23.8% of the Company's revenues; an increase of 93.3% over the previous year. With a rebound in the global textile market, the Company recorded an increase in exports due to higher value and volumes exported.

**Domestic:** The Company's domestic revenues amounted to ₹45,794.67 lacs in 2010-11 against ₹33,617.14 lacs in 2009-10 and contributed 76.21% to the Company's net sales.

### Cost management

Increased scale and rising raw material costs resulted in higher absolute expenses from ₹36,731.41 lacs in 2009-10 to ₹51,706.13 lacs in

2010-11. However, improved operating efficiencies and higher product realisations reduced the operating cost as a percentage of total income by 358 bps – from 87.90% in 2009-10 to 84.32% in 2010-11.

## Margins

EBIDTA: **15.87%**  
Basis growth: **357 bps**

Net profit: **5.69%**  
Basis growth: **465 bps**

ROCE: **16.99%**  
Basis growth: **980 bps**

(₹ in lacs)

Cost head	2010-11	2009-10	Growth (%)
Raw material	35,427.53	24,020.42	47.49
Power and fuel	4,460.91	3,774.15	18.20
Stores consumed	4,896.24	3,640.99	34.47
Other expenses	3,355.59	2,833.74	18.41
Payments and benefits to employees	2,687.71	2,066.18	30.08
Purchase of traded goods	321.92	161.91	98.82
Miscellaneous expenses	87.91	87.91	-
Other manufacturing expenses	125.31	78.47	59.69
Managerial remuneration	178.32	66.89	166.59
(Increase)/Decrease in stocks	164.69	0.75	-
<b>Total</b>	<b>51,706.13</b>	<b>36,731.41</b>	<b>40.76</b>

**Material costs:** Raw material costs increased 47.49% from ₹24,020.42 in 2009-10 to ₹35,427.53. The material cost increase was due to important factors - increase in capacity, capacity utilisation and raw material rates. Material consumption as a percentage of net sales remained flat from 58.56% in 2009-10 to 58.95% in 2010-11.

**Employee cost:** Employee cost increased 30% from ₹2,066.18 lacs in 2009-10 to ₹2,687.71 lacs in 2010-11, driven by an increase in employee base and annual increments. **However, a team size increase delivered superior**

**returns:** Revenue per employee increased 33.41% from ₹23.46 lac per employee in 2009-10 to ₹31.30 lac per employee in 2010-11.

**Power and fuel cost:** Power and fuel costs increased to ₹4,460.91 lacs due to an increase in production. The per unit cost of power increased from ₹3.76 in 2009-10 to ₹4.08 in 2010-11.

### Sources of fund Capital employed

Capital employed in the business increased by 23.66% from ₹37,638.54

lacs as on March 31, 2010 to ₹46,542.33 lacs as on March 31, 2011. Also, ROCE increased from 7.19% in 2009-10 to 16.99% in 2010-11.

### Net worth

Shareholders' funds (net worth) increased 36.62% from ₹10,818.98 lacs as on March 31, 2010 to ₹14,780.96 lacs as on March 31, 2011, due to an increase in profits. Return on net worth grew 2,310 bps from 4.09% in 2009-10 to 27.19% in 2010-11, reflecting effective utilisation of shareholders fund.

**Share capital:** The Company's Issued share capital comprised 1,98,91,556 equity shares of ₹10 each and 6,72,000 0.1% cumulative redeemable preference shares of ₹100 each. Subscribed and Paid up share capital increased from ₹2,185.13 lacs as on March 31, 2010 to ₹2,968.13 lacs as on March 31, 2011 due to 11,60,000 convertible share warrants issued to the promoters at a premium of ₹125 per warrant. The promoters held a 61.12% stake in the Company as on March 31, 2011.

**Reserve and surplus:** Reserves and surplus increased 32.69 % from ₹9,455.13 lacs as on March 31, 2010 to ₹12,546.2 lacs as on March 31, 2011, due to an increase in profits.

#### Loan funds

Reliance on external funds increased from ₹24,260.19 lacs as on March 31, 2010 to ₹28,731.84 lacs as on March 31, 2011, owing to an increase in working capital and rupee term loans. The long term debt-equity ratio stood

at 1.16 as on March 31, 2011 against 1.60 as on March 31, 2010.

As a result, interest cost increased 7.54% from ₹2,163.09 lacs in 2009-10 to ₹2,326.28 lacs in 2010-11, on account of bank charges. Interest cover strengthened from 2.38 in 2009-10 to 4.17 in 2010-11.

	2010-11	2009-10
Long term debt-equity ratio	1.16	1.60

### Application of funds

	2010-11 Amount (₹ lacs)	2009-10 Amount (₹ lacs)	Y-o-y growth (%)
Net block	24,423.38	23,464.80	4.08
Capital work in progress	1,015.69	51.13	1,886.48
Investments	471.05	469.16	0.40
Net current assets	20,632.19	13,653.44	51.11
Miscellaneous expenditure	61.77	149.67	(58.72)
<b>TOTAL</b>	<b>46,604.09</b>	<b>37,788.22</b>	<b>23.32</b>

#### Net block

Net block increased from ₹23,464.80 lacs as on March 31, 2010 to ₹24,423.38 lacs as on March 31, 2011, due to additional plant and machinery investments for capacity expansions and land acquisitions.

Accumulated depreciation as a percentage of gross block increased from 38.47% in 2009-10 to 40.79% in 2010-11, reflecting gross block newness. Capital work-in-progress increased from ₹51.13 lacs in 2009-10 to ₹1,015.69 lacs in 2010-11.

#### Working capital management

Owing to a significant rise in current assets, net current assets increased 51.11% from ₹13,653.44 lacs as on March 31, 2010 to ₹20,632.19 lacs as on March 31, 2011; current ratio declined from 1.47 as on March 31, 2010 to 1.44 as on March 31, 2011.

**Current assets:** Current assets increased

45.66% from ₹18,777.10 lacs as on March 31, 2010 to ₹27,351.76 lacs as on March 31, 2011.

Overall inventory level increased 33.54% from ₹8,975.24 lacs as on March 31, 2010 to ₹11,986.03 lacs as on March 31, 2011, mainly due to a significant raw material price rise. The raw material cycle was maintained at 29 days, compared with 19 days as on March 31, 2010.

Loans and advances increased 65.43% from ₹4,083.86 lacs as on March 31, 2010 to ₹6,756.09 lacs as on March 31, 2011, owing to an increase in capital advances for power project and recoverables in cash or kind and excise duty refund receivables.

Sundry debtors increased 38.20% from ₹5,527.79 lacs as on March 31, 2010 to ₹7,639.46 lacs as on March 31, 2011, owing to increased revenues; debtors' cycle stood at 39 days as on March 31,

2011 against 49 days in the previous year.

**Current liabilities:** Current liabilities and provisions grew by 31.15% from ₹5,123.67 lacs as on March 31, 2010 to ₹6,719.57 lacs as on March 31, 2011.

Current liability increased by 28.72% from ₹4,962.21 lacs as on March 31, 2010 to ₹6,387.49 lacs as on March 31, 2011, owing to an increase in credit for raw material and capital goods. Provisions grew 105.67%, owing to the creation of provisions for proposed dividend and income tax.

#### Tax

The Company's tax burden grew 318.04% from ₹384.43 lacs as on March 31, 2010 to ₹1,607.09 lacs as on March 31, 2011, owing to higher profits during the year and the Company's provision for deferred tax.



# DE-RISKING OUR BUSINESS

**RISK CAN BE DEFINED AS THE EXPRESSION OF UNCERTAINTIES AND POSSIBLE OUTCOMES THAT COULD HAVE MATERIAL IMPACT ON A COMPANY'S PERFORMANCE AND PROSPECTS. SURYALAKSHMI IDENTIFIES, ASSESSES AND TAKES PROACTIVE MEASURES TO MINIMISE OR ERADICATE THE POTENTIAL LOSS ARISING, OWING TO EXPOSURE TO PARTICULAR RISKS AND TO MAXIMISE RETURNS ON THE OTHER HAND.**

In the business of fabric manufacture, an inability to keep pace with the changing fashion trends can hamper the Company's growth

- The Company's dedicated team stays in regular touch with designers and changing fashion trends
- The Company creates finishes and shades in line with prevailing trends

Inadequate availability of raw materials could affect business sustainability

- The Company's Ramtek unit is proximate to cotton belts
- Large raw cotton requirements are addressed by the Cotton Corporation of India, ensuring timely availability at a reasonable cost
- The Company's polyester yarn needs are addressed by Reliance industries

The procurement of raw material for fabric manufacture can increase costs, production time and quality mismatches

- Nearly 46% of the yarn produced by the Company is consumed in-house to manufacture fabric
- The Company invested in quality systems and processes to enhance product quality

Increasing power costs can lead to increased operating costs, reducing margins and profits

- The Company embarked on the process to commission a 25MW thermal power plant by March, 2012
- The power plant will not only provide the Company's captive needs but will also leave an additional quantum for merchant sale to the state electricity grid
- Input requirements of the power plant are easily met owing to the unit's proximity to coal mines

# BOARD OF DIRECTORS

## **L N Agarwal**, *Chairman & Managing Director*

Sri L.N.Agarwal has vast experience in all facets of cotton & synthetic textile industry spanning over five decades. He is the Chairman and Managing Director of the Company and floated the flagship Company Suryalakshmi Cotton Mills Limited in 1962. He was instrumental in floating the other Companies viz., Suryavanshi Spinning Mills Limited, Surya Jyothi Spinning Mills Limited and Suryalata Spinning Mills Limited.

## **Paritosh K Agarwal**, *Managing Director*

Sri Paritosh K Agarwal, a graduate, is the Managing Director of the Company. He has adequate exposure in all the aspects of textile industry having acquired hands on experience in marketing, exports and production in the group Companies. He played a major role in setting up the Denim Division and building up the export business of the Company and has extensively travelled abroad and acquired deep knowledge of the International Markets.

## **R Surender Reddy**

Sri R.Surender Reddy has wide experience in business and politics. He was a Member of Parliament for four terms and was also a Member of Legislative Assembly (Andhra Pradesh) for four terms. He was also on the Boards of Andhra Bank and A.P. State Financial Corporation. He has been the Chairman of Hyderabad Race Club for several years and is very well known in Corporate circles.

## **Dr. Akkineni Nageswara Rao**

Dr.Akkineni Nageswara Rao is a Cine Artiste of international reputation who has been honoured with a Dada-Saheb Phalke Award by the Government of India. He is a very well respected person in the Culture & Art Circles and also has wide experience in Industry and Commerce.

## **B Rama Rao**

Sri B. Rama Rao, M.Tech., PGDBA, is Deputy General Manager with IDBI Ltd., Hyderabad. He is the Nominee Director of IDBI Limited.

### Navrang Lal Tibrewal

Sri Navrang Lal Tibrewal is an Advocate by profession and was appointed as a Judge of the Rajasthan High Court in 1990. He was appointed as the acting Chief Justice of Rajasthan High Court in May, 1998 and was subsequently appointed as the Governor of Rajasthan and he retired as such in January, 1999.

### R S Agarwal

Sri R.S.Agarwal is a Chemical Engineer by profession and was with Industrial Development Bank of India for nearly three decades and has retired as Executive Director in October, 2002. He has extensive experience and wide knowledge in the field of Project Finance.

### H L Ralhan

Sri H.L. Ralhan is the Chief Executive of the Company's Denim Division and has been instrumental in its setting up and growth. He is a Textile Technologist by profession.

### V.S.V. Rao

Sri V.S.V.Rao (45 years) is a Post Graduate in Law with additional qualifications in Industrial Relations and Personnel Management. He had varied experience in Financial Institutions and is currently heading the Legal Department of IFCI Ltd, as its Legal Adviser.

# Notice

NOTICE is hereby given that the 48th Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on **Thursday, the 29th September, 2011 at "Triveni", Kamat Lingapur Hotel, 1-10-44/2 Chikoti Gardens, Begumpet, Hyderabad - 500016 at 10.30 a.m.** to transact the following business.

1. To receive, consider and adopt the Profit and Loss account for the year ended 31st March, 2011 and Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare Dividend on the Preference Shares of the Company for the year ended 31st March 2011.
3. To declare Dividend on Equity shares of the Company for the year ended 31st March, 2011.
4. To appoint a Director in the place of Dr. A. Nageswara Rao who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr. R. S. Agarwal who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint auditors and fix their remuneration.

## SPECIAL BUSINESS

7. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS A SPECIAL RESOLUTION:

"RESOLVED THAT subject to the provisions of sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 read with schedule XIII thereof as amended upto date, and the consent of the Term Lenders, the consent of the Company be and is hereby accorded to reappoint Sri H.L.Ralhan as Director and Chief Executive –Denim Division for a period of five years from 30.01.2011 to 29.01.2016 as under:

- a) Basic Pay and Allowances at ₹1,95,000/- per month.

- b) Medical reimbursement and Leave Travel Allowance as per Company's rules.

In addition to the above Sri H.L.Ralhan shall be entitled to the following perquisites.

## CATEGORY – A

- i) contributions by the Company to Provident Fund as per the rules of the Company.
- ii) Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.

## CATEGORY – B

- i) the company shall provide a Car with driver and a telephone at the residence.
- ii) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any year Sri H.L. Ralhan be paid the above remuneration as minimum remuneration subject to provisions of Paragraph 1(A) of Section II, Part II of Schedule XIII of the Companies Act, 1956."

8. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION :

"RESOLVED THAT the Company do hereby approve in terms of section 293 (1) (a) and other applicable provisions if any, of the Companies Act, 1956 the mortgaging and/or charging by the Board of Directors ("Board") of the Company of all the movable and immovable properties of the Company wheresoever situate, present and future, of the whole of the undertakings of the Company on FIRST CHARGE BASIS and on the entire current assets of the Company on SECOND CHARGE BASIS together with power to takeover the management of the business and concern of the Company in certain events to or in favour of :

- i. State Bank of Travancore (SBT) to secure its term loan of R.40 Crores;
- ii. IDBI Bank Limited (IDBI Ltd) to secure its foreign currency term loan of US\$ 9 million;
- iii. State Bank of Hyderabad (SBH) to secure its term loan of ₹18 Crores under TUFs;
- iv. Andhra Bank (AB) to secure its term loan of ₹14.89 Crores under TUFs

With interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, cost, charges, expenses and other monies, payable by the

Company vide its loan agreement(s) entered/to be entered into by the Company.

Provided that the above mortgage/charge on first charge basis and on second charge basis in favour of SBT/IDBI Ltd/SBH/AB shall rank paripassu with the mortgages and or charges already created/to be created by the company to secure the term loans sanctioned/to be sanctioned by IDBI Ltd/IFCI/SBI/SBH/SBM/AB”.

“RESOLVED FURTHER THAT the Company do hereby authorise the Board to take all necessary steps for the execution of the documents for creation of the aforesaid mortgage/charge.”

By order of the Board

Secunderabad  
7th May, 2011

**E.V.S.V. Sarma**  
Company Secretary

## Explanatory Statement Pursuant to Section 173 (2) of The Companies Act, 1956

### Reappointment of Retiring Directors

As required by clause 49 of the Listing Agreement on Corporate Governance, particulars of the Directors being reappointed are provided hereunder:

#### Item No 4

Dr. Akkineni Nageswara Rao, is a Cine Artist by profession and has been on the Board since 18th January 1992. Dr. Akkineni Nageswara Rao is one of the most well known Cine Artists in the State having acted in more than 250 films and has been recipient of several prestigious National Awards including Dada Saheb Phalke Award and Padma Vibhushan. A well known Philanthropist, he is associated with several cultural and educational institutions.

Names of the companies in which he is a Director.

1. Suryajyothi Spinning Mills Ltd.
2. Suryavanshi Spinning Mills Ltd.
3. Akkineni Agros Pvt. Ltd.
4. Annapurna Apex Chemicals Pvt. Ltd.
5. Heart Animation Academy Pvt. Ltd.
6. Heart Entertainment Ltd.

No. of Shares held by Sri A. Nageswara Rao in the Company – 666.

#### Item No 5

Sri R S Agarwal, BSc, BE (Chemical Engineering) started his career in 1965 and after serving in various capacities with a leading paper mill of Northern India for nine years and with Industrial Development Bank of India (IDBI) for 28 years, retired as Executive Director of IDBI.

Names of the companies in which he is a Director.

1. Deccan Cements Ltd.
2. Elegant Marbles & Granites Industries Ltd.
3. NRC Ltd.
4. Ramco Industries Ltd.
5. Ramco Systems Ltd.
6. Suryalata Spinning Mills Ltd.
7. Unimers India Ltd.
8. Madras Cements Ltd.
9. Videocon Industries Ltd.
10. GVK Jaipur – Kishangarh Expressway (P) Ltd.

No. of Shares held by Sri R.S. Agarwal in the Company – NIL.

#### Item No 7

##### SRI H.L.RALHAN

Sri H.L.Ralhan was appointed as a Director and Chief Executive Denim Division with effect from 30.01.2006 for a period of five years. His remuneration was subsequently revised. His term of reappointment has expired on 29.01.2011. The Remuneration Committee considered his reappointment in the meeting held on 28.01.2011 and recommended his reappointment to the Board of Directors for a period of five years at a remuneration of ₹1,95,000/- per month plus perquisites as detailed in the Notice. The Board has reappointed him, subject to the necessary approvals for a further period of five years on the aforesaid terms.

Except Sri H L Ralhan, no other Director is interested in this resolution. The above resolution may be treated as an abstract of revision of appointment of Sri H L Ralhan under section 302 of the Companies Act, 1956.

### Item No 8

The Company is setting up a 25MW Captive power plant at its Denim division at Ramtek. The Company has been sanctioned a term loan of ₹40 Crores by State Bank of Travancore and a foreign currency term loan of US\$9 million by IDBI Ltd for this project. The Company is also in the process of replacing 56 looms at its Denim division at Ramtek by more modern machinery. State Bank of Hyderabad has sanctioned a term loan of ₹18 Crores under TUFs for this modernization. Andhra Bank had sanctioned a term loan of ₹14.89 Crores under TUFs for the expansion of spinning capacity of Amanagullu and Ramtek Divisions.

All these loans are to be secured by a First paripassu charge on the entire movable and immovable properties of the Company and the second paripassu charge on the entire current assets of the Company.

Section 293(1)(a) of the Companies Act, 1956 provides interalia that the Board of Directors of a Public Company shall not, without consent of such Company in general meeting sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Since the mortgage by the Company over its immovable properties as aforesaid in favour of Financial Institutions / Banks may be regarded as disposal of the Company's properties / undertaking in certain events, it is necessary for the Members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

The Board recommends the resolution for the members' approval.

None of the Directors of the Company is interested in this resolution.

By order of the Board

Secunderabad  
7th May, 2011

**E.V.S.V. Sarma**  
*Company Secretary*

## NOTES:

1. The register of members and share transfer books will be closed from 22nd September, 2011 to 29th September, 2011 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
2. A member entitled to attend the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
3. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
4. The shareholders desiring any further information as regards the accounts are requested to write to the Company so as to reach it at least one week prior to the date of the meeting for consideration of the management to deal at the meeting.
5. Unclaimed dividends of the following years will be transferred to the Investor Education & Protection Fund set up by the Central Government on the dates mentioned against them:

For the Financial Year	Date of declaration	Due for transfer on
2003-2004	30.07.2004	05.09.2011
2004-2005	10.09.2005	17.10.2012
2005-2006	31.07.2006	06.09.2013
2009-2010	29.09.2010	05.11.2017

Members who have not encashed their dividend warrants pertaining to the above years may have their warrants revalidated by sending them to the Registered Office of the Company.

6. The Companies Act, 1956 provides for the facility of nomination to the holders of Shares/Debentures/Fixed Deposits in a Company. Accordingly, members can avail the facility of nomination in respect of their holding either singly or jointly. Members desiring to avail this facility are requested to fill up the prescribed nomination form and send the same to the Registered Office of the Company.
7. The shares of the Company continue to be listed on the Stock Exchanges at Mumbai and on the National Stock Exchange and the Company has paid upto date all the listing fees to these exchanges.
8. Members are requested to notify immediately any change in their addresses to the Company.
9. The members are requested to bring their copy of the Annual Report with them at the time of attending Annual General Meeting.

### Green Initiative on Corporate Governance

The Ministry of Corporate Affairs has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Reports can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holding with the Depository through their Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses with RTA of the Company.

# Statutory Section

# Directors' Report

## To The Members

Your Directors are pleased to present their Forty Eighth Annual Report on the business and operations of the Company and the financial results for the year ended 31/03/2011.

## Financial results

(₹ in lacs)

	2010-2011		2009-2010	
Gross Profit before interest and depreciation		9,618.53		5,053.00
Less : Interest	2,326.29		2,163.10	
: Depreciation	2,204.54	4,530.83	2,070.41	4,233.51
Profit before prior year adjustment		5,087.70		819.49
Prior year adjustment (net)		111.93		100.14
Profit before tax for the year		4,975.77		719.35
Less : Provision for Income Tax for the year		1,025.00		150.00
Less : Deferred tax liability		470.16		134.30
Profit after tax		3,480.61		435.05
Add : Profit brought forward from last year		955.65		777.19
		4,436.26		1,212.24
Interim dividend on equity share capital		133.62		–
Dividend on preference share capital		0.67		0.67
Dividend on equity share capital		200.43		133.62
Corporate dividend tax		54.82		22.30
Transferred to General Reserve		400.00		
Preference Capital Redemption Reserve		121.60		100.00
Profit transferred to balance sheet		3,525.12		955.65
		4,436.26		1,212.24

## Operations

The Indian Textile Industry has done well after coming out of the recession. The Company's operations resulted in an improved turn over of ₹613.25 crores registering a good growth of nearly 47% over the previous year. The profit after tax at ₹34.81 crores against the ₹4.35 crores in the previous

year reflects the overall improvement in all facets of the business.

The good performance is on account of increased production in the Yarn division of around 16% and of around 7% in the Denim division together with a robust demand for the Company's products in domestic and export markets resulting

in better realisations. The yarn realisations have been quiet good showing an increase of around 35%. The fabric realisations were also good with an increase of around 30%. The volume growth has also been satisfactory during the year.

The raw material prices especially cotton have gone up by 50%. The cost of inputs for synthetic yarn have also shown a significant increase. The increase in cost could be absorbed on account of favourable condition in industry and the improved production.

### Dividend

The Directors are pleased to recommend a final dividend of 15% of ₹1.50 per share on the equity share capital of the Company; this together with the interim dividend of 10% works out to a total dividend of 25%. This will absorb ₹3.34 crores.

### Capital expenditure

During the year under review the Company incurred capital expenditure of ₹41.31 crores.

### Exports

With the revival from the economic slow down in the major markets abroad, export of textiles products from the country has picked up. The Company has concentrated on high end fashion products and supplies to the International brands, resulting in continuous product development and significant quality improvement. The Company has continued to add new customers and is now focusing exclusively on high value fashion products. The increased business from the existing customers is an indication of the trust the Company enjoys in the market place. All these have resulted in the Company's exports almost doubling to ₹143 crores from ₹74 crores in the previous year.

### Share warrants

With a view to part finance the ongoing expansion projects, during the year the Company has issued 11,60,000 warrants

on preferential basis to the promoters of the Company. The warrants are convertible into equity shares of the Company on or before June 2012. The funds received against the issue of these warrants amounting to ₹783 lacs has been utilised towards the power project.

### Future outlook

The Company has already made good progress in the project for setting up a 25 MW captive thermal power plant at Ramtek. The civil work is in progress and the orders have already been placed for major plant and machinery. The power plant is expected to go on stream during the first half of 2012. Efforts are on to further increase the spinning capacity at Ramtek, so as to reduce the dependence on outside yarn. The Company is also replacing the old Nissan airjet looms by latest airjet looms to further improve productivity and quality.

The Company hopes to consolidate the growth and capitalise on the favourable economic conditions.

### Directors

During the year Sri K. Sunil Kumar resigned from the Board of the Company. The Company wishes to place on record its appreciation of the services rendered by Sri K. Sunil Kumar during his tenure.

Dr. A. Nageswara Rao and Sri R. S. Agarwal will retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

### Corporate Governance

As per the revised Clause 49 of the Listing Agreement on Corporate Governance, Management Discussion and Analysis Report forms part of the Annual Report. Further, a separate report on the Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance with the Corporate Governance also forms part of the Annual Report.

## 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 31/03/2011 and of the profit of the Company for 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.

### Subsidiary

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the Subsidiary Company is not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary company. The information required to be furnished

of the subsidiary company is provided elsewhere in the Annual Report.

### 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 at Annexure-I.

### Deposits

There are no overdue deposits as on 31/03/2011

### Employees

Periodic training programmes for developing a skilled workforce, personality development programmes, yoga camps, etc., encouragement of employee participation in district/state level sports events are regularly undertaken.

An integrated woman focused programme trains unskilled women to undertake skilled jobs at its units.

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure – II.

### Acknowledgements

The Board of Directors are pleased to place on record their appreciation of the cooperation and support extended by All-India financial institutions, banks and various state and central government agencies.

The Board also wishes to place on record its appreciation of the valuable services rendered by the employees of the Company.

**By order of the Board**

**L.N. Agarwal**

*Chairman and Managing Director*

Place: Secunderabad

Date: 07/05/2011

## Annexure to Directors' Report

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

A. Power and fuel consumption	2010-11	2009-10
1. Electricity		
a) Purchased		
Units (000)	89,196	84,852
Total amount (₹ lacs)	3,642	3,194
Rate/Unit (₹)	4.08	3.76
b) Own generation		
Units (000)	188	97
Unit per ltr. of diesel oil	3.12	2.38
Cost/Unit (₹)	13.19	15.62
2. COAL (₹ in lacs)	760	539
3. FURNACE OIL	–	–
4. OTHERS/INTERNAL GENERATORS	59	41
<b>B. Consumption per Unit of production</b>		
Electricity (No. of units)		
per kg/Yarn	2.54	2.40
per metre/Fabric	1.86	1.78
Furnace oil		–
Coal (specify quality)		–
Others (specify)		–

### B. Technology absorption

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

## 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	: The Company is having R & D in introduction and development of value added products.
2. Benefits derived as a result of the above R&D	: New value-added products were developed.
3. Future plan of action	: To further develop more value-added products and improve the quality of the products.
4. Expenditure on R&D	
(i) Capital	: ₹2,60,792
(ii) Recurring	: ₹37,41,528
(iii) Total	: ₹40,02,320
(iv) Total R&D expenditure as a percentage of total turnover	: 0.10

#### Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation	:
2. Benefits derived as a result the above efforts, e.g., improvement, cost, reduction, product development, import substitution, etc.	:
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.	
(a) Technology imported	: Nil
(b) Year of import	: Not applicable
(c) Has technology been fully absorbed	: Not applicable
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	: Not applicable

## C. Foreign exchange earnings and outgo

- f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for production and service and export plans.

g) Total foreign exchange used and earned		(₹ in lacs)	
		2010-11	2009-10
i) Foreign exchange earned			
FOB value of exports		13,963	7,291
CIF value of exports		14,299	7,396
ii) Foreign Exchange used			
a) Commission on export sales		103	145
b) Foreign travel expenses		13	20
c) Raw material (CIF value)		108	1,263
d) Plant & machinery (CIF value)		878	42
e) Stores & spares (CIF value)		1,114	817
f) Repayment of loans		–	317
g) Interest		–	15
h) Foreign technical and consultancy services		24	26

## Annexure II to Directors' Report

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2011

Name	Age (years)	Qualification	Date of employment	Designation	Remuneration (₹)	Experience (years)	Last employment
Sri L.N.Agarwal	77	Under graduate	22.06.2009	Chairman and Managing Director	78,87,161	50	Chairman and Managing Director, Suryalakshmi Cotton Mills Limited
Sri Paritosh K.Agarwal	38	Graduate	21.06.2005	Managing Director	77,06,244	18	Executive Director, Suryalakshmi Cotton Mills Limited

**Note:**

Remuneration as shown above includes salary, commission, Company's contribution to provident fund, reimbursement of medical expenses, leave travel assistance and other perquisites.

# Management discussion and analysis

forming part of the annual report discusses below the following matters with reference to the company's core business viz., yarn and denim.

## Industry structure, development and product wise performance

The Company manufactures cotton, polyester and blended yarns in its spinning division at Amanagallu in Mahabubnagar District, Andhra Pradesh and denim fabric at its denim division at Village Nagardhan, near Ramtek, Maharashtra.

The textile industry has an overwhelming presence in the economic life of the country. It contributes about 14% to industrial production, 4% to the GDP and 17% to the country's foreign exchange earnings, and is the largest employer, next only to agriculture, providing direct employment to about 38 million people. The Indian textiles industry is extremely varied, with the hand-spun and hand-woven sector on one end of the spectrum, and the capital intensive, sophisticated mill sector on the other. The decentralised powerlooms/hosiery and knitting sector form the largest section of the textiles sector. The yarn industry comprises 3,044 mills (including SSI) with installed spindleage of about 39.50 million. Three fourths of the production in the spinning industry is from the private sector and the rest is from the co-operative/public sector units. The total capacity for denim in India is about 650 million metres and there are about 23 players in the denim market.

The Indian textile industry has now recovered from the global recession and is enjoying the fruits of a robust demand both within the country and abroad.

## Yarn

The yarn division turned out a better performance on account of improvement in average realisations which, in turn were owing to the demand, spiralling gray cloth and raw cotton prices. The performance of the segment would have been better but for the shortage of trained labour.

## Denim

The denim market revived both within the country and abroad. The revival in the global demand is favourably influenced by the increased interest in denim. Currently, denim is perceived to be making inroads into office wear and within the country the interest of the younger population in denim wear has shown all round growth.

With the recovery from the economic slowdown in major markets abroad, export of textiles products from the country picked up. The Company concentrated on high-end fashion products and supplies to the international brands, resulting in continuous product development and significant quality improvement. The Company has continued to add new customers and is now focusing exclusively on high value fashion products. Increased business from existing customers is an indication of the trust the Company enjoys in the market place. All these resulted in the doubling the Company's exports to ₹143 crores from ₹74 crores in the previous year.

## Opportunities and threats, risks and concerns

The industry is poised for excellent growth in the near future as the buoyant domestic economy has increased disposable incomes. The recent revolution in the organised retail markets and the increased awareness of plastic money also serve as growth drivers.

The industry needs to consolidate on the revival of the economy and strengthen itself in such a way so as to weather the cyclical fluctuations in future.

The problems faced by the industry include irregular supplies/high cost of power, shortage of trained workers, rigid employment laws, among others.

Apart from the rigid labour laws which particularly affect the garment sector, heavy dependence on export business, the lack of adequate trained workers and infrastructural support in terms of availability of power at competitive rates, still continue to hold back the industry from growing at a faster rate. The industry hopes that the government will proactively take necessary steps in this direction.

The Indian industry is in a position to capitalise on the problems in the Chinese economy is facing with the cotton output in China going down and other costs of production going up. There is an increased interest in the Indian market for supplying to global giants like Walmart, GAP, Walmart, among others. The labour problems in the Bangladesh economy also contributed towards the upswing in the Indian industry. The Indian industry can concentrate on developing demand in the rural and semi-urban areas for its denim.

The Indian denim industry is however still subject to the vagaries of cotton, in terms of availability and pricing. This is sought to be addressed by the Indian manufacturers by a strategic shift from cotton to cotton polyester to manufacture denim. The Indian industry also needs to develop the garment industry. Majority of the denim that goes out of the India for export finds way into the Bangladesh, Sri Lanka, Latin American markets who convert them for the end user.

The Indian industry has to face all these problems with inadequate infrastructural support. A positive development is the decision of the government to extend the TUFs benefit again.

### **Internal Control Systems and their adequacy**

The Company has an adequate internal control system commensurate with the size and complexity of the organisation. The Company has undertaken a comprehensive review of all internal control systems to take care of the needs of the expanding size of the Company and also upgraded the IT support systems. A system of internal audit to meet the statutory requirement as well as to ensure proper implementation of management and accounting controls is in place. The Audit Committee periodically reviews the adequacy of the internal audit functions.

### **Material developments in Human Resources/Industrial Relations Front, including number of people employed**

There are no material developments in the Human Resources area. Industrial relations have been generally satisfactory. The Company constantly reviews the man power requirements and has a properly equipped department to take care of the requirements. The total number of people employed by the Company is 1959.

### **Discussion on financial performance**

The Indian Textile Industry has done well after emerging from the recession. The Company's operations resulted in an improved turn over of ₹613.25 crores registering a growth of nearly 47% over the previous year. The profit after tax at ₹34.81 crores against ₹4.35 crores in the previous year reflects the overall improvement in all facets of business.

The good performance is on account of increased production in the yarn division of around 16% and of around 7% in the denim division together with a robust demand for the Company's products in domestic and export markets resulting in better realisations. The yarn realisations have been quite good showing an increase of around 35%. Fabric realisations also improved with an increase of around 30%. Volume growth was satisfactory during the year.

Raw material prices, especially cotton have gone up by 50%. Input costs for synthetic yarn also showed a significant increase. The increase in cost could be absorbed on account of favourable condition in industry and the improved production.

### **Note**

Readers are advised to kindly note that the above discussion contains statements about risks, concerns, opportunities, etc., which are valid only at the time of making the statements. A variety of factors known/unknown, expected or otherwise may influence the financial results. These statements are not expected to be updated or revised to take care of any changes in the underlying presumptions.

Readers may therefore appreciate the context in which these statements are made before making use of the same.

# Corporate Governance Report

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

Suryalakshmi's corporate culture has meant always working proactively to meet customer expectations, shareholders, employees, business associates, the society at large and in complying with the dictates of the regulatory framework, both in letter and spirit. The Company believes Corporate

Governance is an effective instrument for realisation of this corporate aim and accordingly endeavours to function with integrity in a transparent environment.

## 2. Board of Directors

a) Composition and category of directors as on 31.03.2011 / Number of other Board of Directors or Committees of which Member / Chairman.

Name of Directors	Category	No. of other directorships in public limited Companies	No. of other Board Committees of which Member	No. of other Board Committees of which Chairman
L.N.Agarwal	Chairman & Managing Director–Promoter/ Executive	1	NIL	NIL
Paritosh K.Agarwal	Managing Director – Promoter/ Executive	1	NIL	NIL
R.Surender Reddy	Non-Executive – Independent	6	4	4
Dr.A.Nageswara Rao	Non-Executive – Independent	3	2	1
B.Rama Rao	Non-Executive – IDBI Nominee – Independent	NIL	NIL	NIL
Navrang Lal Tibrewal	Non-Executive – Independent	3	NIL	NIL
R.S.Agarwal	Non-Executive – Independent	9	5	3
H.L.Ralhan	Executive – Non-promoter	NIL	NIL	NIL
V.S.V.Rao	IFCI Nominee Non-Executive Independent	1	NIL	NIL

b) Attendance of each Director at the Board of Directors Meeting and the last Annual General Meeting.

Names of Directors	No. of Board Meetings attended during the period 01.04.2010 to 31.03. 2011	Attendance at the last Annual General Meeting held on 29.09.2010
L.N.Agarwal	4	Present
Paritosh K.Agarwal	4	Present
R.Surender Reddy	3	Present
Dr.A.Nageswara Rao	4	Absent
B.Rama Rao	4	Absent
Navrang Lal Tibrewal	4	Absent
R.S.Agarwal	4	Present
H.L.Ralhan	4	Absent
V S V Rao	4	Absent

#### Reappointment of retiring Directors

As required by Clause 49 of the Listing Agreement on Corporate Governance particulars of the Directors being reappointed are provided hereunder.

#### Dr. Akkineni Nageswara Rao

Dr. Akkineni Nageswara Rao, is a cine artist by profession and has been on the Board since 18.01.1992. Dr. Akkineni Nageswara Rao is one of the most well-known cine artists in the state, having acted in more than 250 films and has been recipient of several prestigious National Awards including Dada Saheb Phalke Award and Padma Vibhushan. A well known philanthropist, he is associated with several cultural and educational institutions.

Names of the companies in which he is a Director.

1. Suryajyothi Spinning Mills Ltd
2. Suryavanshi Spinning Mills Ltd
3. Akkineni Agros Pvt. Ltd
4. Annapurna Apex Chemicals Pvt. Ltd
5. Heart Animation Academy Pvt. Ltd
6. Heart Entertainment Ltd

#### Sri R S Agarwal

Sri R S Agarwal, BSc, BE (Chemical Engineering) started his career in 1965 and after serving in various capacities with a leading paper mill of Northern India for nine years and with Industrial Development Bank of India (IDBI) for 28 years, retired as Executive Director of IDBI.

Names of the companies in which he is a Director -

1. Deccan Cements Ltd
2. Elegant Marbles & Granites Industries Ltd
3. NRC Ltd
4. Ramco Industries Ltd
5. Ramco Systems Ltd
6. Suryalata Spinning Mills Ltd
7. Unimers India Ltd
8. Madras Cements Ltd
9. Videocon Industries Ltd
10. GVK Jaipur – Kishangarh Expressway (P) Ltd

### 3. Audit Committee

a. Brief description of terms of reference

- Oversight of Company's financial reporting process and disclosure of financial information.
- Review of financial statements before submission to Board.
- Review of adequacy of internal control systems and internal audit functions.
- Review of Company's financial and risk management policies.

b. Composition, name of members and Chairperson

- Sri R.Surender Reddy – Chairman, Non-Executive & Independent
- Sri B.Rama Rao – Member, IDBI Nominee & Independent
- Sri R.S.Agarwal – Member, Non-Executive & Independent
- Sri K Sunil kumar (resigned on 28.9.2010) – Member, Non-Executive & Independent

c. Meetings and attendance during the year

During the financial year March 31, 2011 - Four Audit Committee Meetings were held on 15.05.2010, 16.07.2010, 16.10.2010 & 28.01.2011

Name	No. of meetings attended
R.S. Agarwal	4
R. Surender Reddy	4
Sunil Kumar K. (upto 28.9.2010)	2
B. Rama Rao	4

### 4. Remuneration Committee

a) Brief description of terms of reference.

To formulate a remuneration policy and approve the remuneration or revision in the remuneration payable to the Executive Directors.

b) Composition, Name of members and Chairperson

- Sri Navrang - Chairman - Non-Executive – Independent  
Lal Tibrewal
- Sri B. Rama Rao - Member - IDBI Nominee – Independent
- Sri R.S. Agarwal - Member - Non-Executive – Independent
- Sri Sunil Kumar K. - Member - Nominee – Equity Investor (upto 28.9.2010)

c) Attendance during the year

During the financial year March 31, 2011, two Remuneration Committee Meetings were held on 15.05.2010 & 28.01.2011

d) Remuneration policy

To periodically review the remuneration package of wholtime Directors and recommend suitable revision to the Board.

e) Details of remuneration to all the Directors, as per format in main report.

(During 01.04.2010 to 31.03.2011)

Name	Designation	Salary and commission (₹)	Perquisites (₹)	Total (₹)
L N Agarwal	Chairman & Managing Director	66,19,354	12,67,807	7887161
Paritosh K Agarwal	Managing Director	64,08,871	12,97,373	7706244
H.L.Ralhan	Director & Chief Executive (Denim Division)	19,40,960	2,97,450	2238410

## Sitting fees

Name	Designation	Amount (₹)
R.Surender Reddy	Director	22,500
Navrang Lal Tibrewal	Director	25,000
Dr. A.Nageswara Rao	Director	20,000
R.S.Agarwal	Director	35,000
Sunil Kumar K.	Director	7,500
B.Rama Rao	Nominee – IDBI	35,000
V.S.V.Rao	Nominee (IFCI)	20,000

The Company does not have any stock option plan or performance linked incentive for the Executive Directors. The appointments are made for a period of five years on terms and conditions in the respective resolution passed by the members in General Meetings, which do not provide for severance fees.

## 5. Shareholders' / Investors' Grievance Committee

- Name of Non-Executive Director heading the Committee  
Shri Navrang Lal Tibrewal
- Name and designation of Compliance Officer.  
Shri E.V.S.V.Sarma, Company Secretary.
- No. of Complaints received for the Year ended 31st March 2011 – 5 Nos.
- Number not solved to the satisfaction of shareholders – NIL
- Number of pending share transfers – NIL

## 6. General Body Meetings

a) Location and time, where last three AGMs held.

Financial year	Date	Venue	Time
2007-2008	29/09/2008	Rajdhani Hall, 1st Floor, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	11.00 A.M.
2008-2009	30/09/2009	Rajdhani Hall, 1st Flr, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	11.30 AM
2009-2010	29/09/2010	Rajdhani Hall, 1st Flr, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	10.30 AM

b) Special resolutions passed at the last 3 Annual General Meetings

1. At the AGM held on 29.09.2008 – Approving the revision in the remuneration of Sri H L Ralhan, wholetime Director.

2. At the AGM held on 30.09.2009 – Approving the reappointment of Sri L N Agarwal, Chairman and Managing Director.

3. At the AGM held on 29.09.2010 –  
i. Revising the remuneration to Sri L N Agarwal.

- ii. Revising the remuneration to Shri Paritosh K Agarwal
- iii. Resolution giving consent to holding of Office or place of profit by Mrs. Padmini Agarwal.
- iv. Revising the remuneration payable to Sri H L Ralhan.

c) Extraordinary General Meeting held on 25.11.2010 at Rajdhani Hall, 1st floor, Lions Bhavan, Behind LIC & HDFC Bank, Near Paradise Circle, S D Road, Secunderabad – 3.

Special resolutions passed during EGM were :

- i. Approving the issue of securities upto ₹60 Crores by GDRs/ADRs/FCCB.
- ii. Approving the issue of 11,60,000 Warrants on preferential basis to Promoters.

- iii. Revising the limits under Sec 293(1)(d) of Companies Act, 1956.

d) Whether Special resolutions were put through postal ballot last year, details of voting pattern. Special resolutions passed through postal ballot for :

- i. Insertion of new Clause 18 A in Memorandum of Association for generation etc of electricity.
- ii. Insertion of new Clause 18 B in Memorandum of Association for carrying out Mining.
- iii. Insertion of new Clause 18 C to carry on the business of manufacturing of Steel.
- iv. For commencing of the new business activity mentioned above.

#### Details of voting pattern :

Particulars	Number of Members	Number of Votes	Percentage of Votes
Total Postal ballots Received	235	85,71,239	100%
Postal Ballots – Invalid/Neutral	3	260	0.00%
Postal Ballots – in favour of the Resolution	227	85,70,534	99.99%
Postal Ballots – against the Resolution	5	445	0.01%

The Special Resolution Nos. i, ii, iii, iv as set out in the Notice of postal ballot dated 16th July, 2010 were accordingly carried by the requisite majority.

a) Person who conducted the postal ballot exercise.

Shri K V Chalama Reddy, Practising Company Secretary (Scrutinizer).

b) Whether any resolutions are proposed to be conducted through postal ballot.

Provisions of Companies Act, 1956 regarding passing of resolutions through postal ballot shall be complied with whenever necessary.

c) Procedure for postal ballot.

Prescribed procedure shall be complied with whenever necessary.

## 7. Disclosures

a) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives, among others, that may have potential conflict with the interests of the Company at large.

Name of the party	Relationship	Nature of transaction	Current Year Amount (₹)
Shri L.N Agarwal Chairman & Managing Director	Key Management	a) Remuneration b) Interest c) Commission	57,77,484 2,23,924 21,09,677
Shri P K Agarwal Managing Director	Key Management	a) Remuneration b) Interest c) Commission	55,69,954 1,59,945 21,36,290
Shri L N Agarwal (HUF)	Key Management	Interest	1,31,436
Shri H L Ralhan Director	Key Management	Remuneration	22,38,410
Smt Sathyabhamabai	Wife of Shri L N Agarwal	Interest	20,97,947
Smt Padmini Agarwal	Wife of Shri P K Agarwal	Interest	11,89,766
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	Interest	3,87,372
Master Vedanth Agarwal	Son of Shri P K Agarwal	Interest	4,93,261
M/s Suryalata Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Purchase of Rawmaterial	28,59,818
M/s Suryakiran International Ltd.,	Subsidiary	Sale of Fabric Others	12,58,69,574 7,61,322
M/s Suryajyothi Spinning Mills Ltd.,	Enterprise in which the relatives of Key Management personnel are interested	Sale of Yarn Sale of Fabric Purchase of Fabric	38,880 18,000 2,71,58,533
M/s Suryavanshi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of P S F	45,341
M/s Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	Cotton purchases	3,89,19,484
M/s Jayman Dealers Pvt. Ltd	Enterprise in which the relatives of Key Management personnel are interested	Claim on Fabric	8,50,000
M/s SVP Distributors Pvt. Ltd.,	Enterprise in which the relatives of Key Management personnel are interested	Interest (gross)	19,88,068

#### b) CEO / CFO Certification

In terms of Clause 49(V) of the Listing Agreement, the Certificate duly signed by Managing Director and Vice President (Finance) of the Company was placed before the Board of Directors along with the financial statements for the year ended 31.03.2011, at its meeting held on 07.05.2011.

c) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

NIL

d) Details of compliance with mandatory requirements and adoption of non-mandatory requirements.

Mandatory requirements: All complied with.

Non-mandatory requirements:

i) The Board : The Board is headed by an Executive Chairman.

(ii) Remuneration Committee : Please refer to the Clause 4 above.

(iii) Shareholder Rights : Half-yearly reports is not being sent to each household of shareholders as shareholders are intimated through the press and the Company's Website [www.suryalakshmi.com](http://www.suryalakshmi.com).

(iv) Audit qualifications : There are no audit qualifications in the report.

(v) Training of Board members : The Company shall work out a plan for training its Board members.

(vi) Mechanism for evaluating non-executive Board members : Not yet evolved.

(vii) Whistle Blower Policy : Not yet established.

## 8. Means of communication

a) Quarterly results.

Quarterly report is not being sent to each household of shareholders as shareholders are intimated through the press and the Company's Website [www.suryalakshmi.com](http://www.suryalakshmi.com)

b) Quarterly results are normally published in which newspapers.

The Quarterly results are usually published in Financial Express and Andhra Prabha.

c) Any website, where displayed  
[www.suryalakshmi.com](http://www.suryalakshmi.com)

d) & e) Whether it also displays official news releases and the presentations made to institutional investors or to the analysts.

The website shall be used for this purpose, when the occasion arises.

## 9. General shareholder information

### a) AGM : Date, time and venue

Date : 29th September, 2011

Time : 10.30 a.m.

Venue : "Triveni", Kamat Lingapur Hotel,  
1-10-44/2 Chikoti Gardens  
Begumpet, Hyderabad - 500016

### b) Financial year

1st April to 31st March following

### c) Date of book closure

22nd September, 2011 to 29th September, 2011

### d) Dividend payment date

On or after 5th October, 2011

### e) Listing on stock exchanges and stock code

The Company's shares are listed in the following stock exchanges

Name of the stock exchange	Code	Address
The National Stock Exchange	SURYALAXMI	Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (E) Mumbai – 400 051
Bombay Stock Exchange Limited	521200	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001

f) Market Price Data : High, Low during each month in last financial year and Performance in comparison to broad – based indices such as BSE Sensex, CRISIL index, etc.

Month	National Stock Exchange		The Stock Exchange, Mumbai			
	Share price (₹)		Share price (₹)		Sensex	
	High	Low	High	Low	High	Low
April, 2010	61.75	54.50	61.70	54.70	18,047.86	17,276.80
May, 2010	69.95	56.85	69.80	57.30	17,536.86	15,960.15
June, 2010	84.85	62.25	84.85	65.00	17,919.62	16,318.39
July, 2010	106.00	79.10	103.05	80.10	18,237.56	17,395.58
August, 2010	110.75	90.10	110.00	91.70	18,475.27	17,819.99
September, 2010	141.90	100.20	141.90	100.10	20,267.98	18,027.12
October, 2010	146.90	124.40	147.20	127.30	20,854.55	19,768.96
November, 2010	137.85	110.20	149.60	110.15	21,108.64	18,954.82
December, 2010	129.90	101.00	140.00	98.15	20,552.03	19,074.57
January, 2011	130.40	102.75	129.35	102.10	20,664.80	18,038.48
February, 2011	110.00	86.20	108.05	89.00	18,690.97	17,295.62
March, 2011	104.70	82.00	95.00	82.00	19,575.16	17,792.17

#### g) Registrar and Transfer Agents

M/s. Sathguru Management Consultants Pvt.Ltd.,  
Plot No.15, Hindi Nagar, Behind Saibaba Temple,  
Punjagutta, Hyderabad - 500 034  
Phone No : 040-30160333  
Fax No : 040-40040554

#### h) Share transfer system

The share transfers are processed and the share certificates are returned to the shareholders within a maximum period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects.

#### i) Shareholding pattern as on 31.03.2011.

Particulars	No. of shares	% of holding
Promoters	8166889	61.12
Mutual Funds	8300	0.06
Banks & Financial Institutions	160857	1.20
FII's	270000	2.02
Private Corporate Bodies	1582613	11.84
NRI's	62758	0.47
Indian Public	3110873	23.29
<b>Total</b>	<b>13362290</b>	<b>100.00</b>

## Distribution of shareholding

As on 31/03/2011

Nominal value	Holders		Amount	
	Number	% to total	In ₹	% to total
Upto 5000	6626	86.09	8866890	6.64
5001 – 10000	518	6.73	4151770	3.11
10001 – 20000	258	3.35	3946880	2.95
20001 – 30000	89	1.16	2319090	1.74
30001 – 40000	36	0.47	1276340	0.96
40001 – 50000	35	0.45	1658810	1.24
50001 – 100000	68	0.88	4901850	3.67
100001 and above	67	0.87	106501270	79.70
<b>Total</b>	<b>7697</b>	<b>100.00</b>	<b>133622900</b>	<b>100.00</b>

### j) Dematerialisation of shares and liquidity

The Company's shares are available for dematerialisation on both the Depositories i.e, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) 12799582 shares amounting to 95.79 % of the Capital have been dematerialised by investors as on 31st March, 2011.

ISIN : INE713B01026

Address of Registrars for Dematerialisation of Shares.

M/s. Sathguru Management Consultants Pvt. Ltd,  
Plot No.15, Hindi Nagar, Behind Saibaba Temple,  
Punjagutta, Hyderabad - 500 034.

Phone No : 040-30160333

Fax No : 040-40040554

### k) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

Share warrants outstanding: 11,60,000 (issued to promoters)

Conversion date: On or before 19.06.2012

Likely impact on Equity: If converted fully equity capital will be ₹14.52 crores (increase from ₹13.32 crores).

### l) Plant Locations

#### Yarn Division

Amanagallu

Mahabubnagar Dist.

Andhra Pradesh - 509 321

### Denim Division

Ramtek Mauda Road

Village Nagardhan, Tehsil Ramtek, Nagpur.

Maharashtra - 440 010

### m) Address for correspondence :

i) for transfer / dematerialisation of share, change of address of members and other queries relating to the shares of the Company:

M/s. Sathguru Management Consultants Pvt.Ltd.,  
Plot No.15,Hindi Nagar,Behind Saibaba Temple,  
Punjagutta,Hyderabad - 500 034.

Phone No : 040-30160333

Fax No : 040-40040554

ii) any queries relating to dividend, annual reports, etc.

The Company Secretary,  
Suryalakshmi Cotton Mills Limited,  
6th Floor, Surya Towers, 105, S.P.Road,  
Secunderabad – 500 003.

Phone No(s) : 040-27819856 / 57/ 58, 040-30571600.

Fax No : 040-27846854.

Email ID : cs@suryalakshmi.com

The above report has been approved by the Board of Directors in their meeting held on 07.05.2011

## Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with Suryalakshmi Cotton Mills Limited Code of Conduct for the year ended March 31, 2011.

for **Suryalakshmi Cotton Mills Limited**

Secunderabad  
07.05.2011

**L.N. Agarwal**  
*Chairman and Managing Director*

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## Auditors' Certificate on compliance of Corporate Governance

**To the members of Suryalakshmi Cotton Mills Limited, Secunderabad, A.P.**

We have examined the compliance of conditions of Corporate Governance by SURYALAKSHMI COTTON MILLS LIMITED, for the year ended 31.3.2011 as stipulated in Clause 49 of the listing agreement of the said Company with the Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **Brahmayya & Co.,**  
*Chartered Accountants*

Place: Hyderabad  
Date : 07.05.2011

**K.S. Rao**  
*Partner*  
(Membership no.15850)

# Auditors' Report

To the Members of  
Suryalakshmi Cotton Mills Limited  
Secunderabad

1. We have audited the attached Balance Sheet of SURYALAKSHMI COTTON MILLS LIMITED, SECUNDERABAD, (A.P) as at 31st March, 2011 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 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 written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2011 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, 2011;
    - b) in the case of the profit and loss account, of the Profit of the Company for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

for **Brahmayya & Co.**  
*Chartered Accountants*  
Firm Registration No. 0005135

**K. S. Rao**  
*Partner*

Place: Hyderabad  
Date : May 7, 2011

Membership No.15850

## Annexure

Re: Suryalakshmi Cotton Mills Ltd., 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) The plant and machinery disposed off during the year by the Company is not substantial and hence, it has not affected the going concern status of the Company.
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 taken unsecured loans from 5 parties covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the year was ₹120.75 Lakhs.
- 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 and 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. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
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 in respect of yarn and fabric and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. a) According to the records 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, 2011 for a period of more than six months from the date they became payable.
- c) According to the records of the Company and the information and explanations given to us, the dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of any dispute are as follows.

Nature of amount	Amount in ₹	Period to which the amount relates	Forum where dispute is pending
Excise Duty	78,50,277	2004-05	Customs, Excise, Service Tax Appellate Tribunal, Mumbai
Excise Duty	32,88,688	2005-06	CESTAT, Mumbai
Sales Tax	58,74,266	2005-06 & 2006-07	Dy Asst. Commissioner (CT), Hyderabad
Sales Tax	28,81,750	2001-02	STAT, AP, Hyderabad
TPS	38,07,32,778	2004-05	Jt.DGFT, Hyderabad
TPS	10,59,37,210	2004-05	DRI, Hederabad

10. The Company has no accumulated losses as at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and 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 chit fund 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 given Guarantee for ₹5.00 crores to its subsidiary M/s. Suryakiran International Ltd., for the loan taken from State Bank of India.
16. In our opinion and according to the information and explanation 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*  
 Firm Registration No. 0005135

**K. S. Rao**  
*Partner*

Place: Hyderabad  
 Date : May 7, 2011

Membership No.15850

## Balance Sheet As at 31st March, 2011

(Amount in ₹)

	Schedule Reference	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Share Holders' Funds</b>			
Share Capital	1	296,813,158	218,513,158
Reserves and Surplus	2	1,254,620,397	945,513,478
		1,551,433,555	1,164,026,636
<b>Loan Funds</b>			
Secured Loans	3	2,765,229,521	2,296,703,409
Unsecured Loans	4	107,954,549	129,315,632
		2,873,184,070	2,426,019,041
Deferred Tax Liability		235,792,361	188,776,624
<b>Total</b>		<b>4,660,409,986</b>	<b>3,778,822,301</b>
<b>APPLICATION OF FUNDS:</b>			
<b>FIXED ASSETS:</b>			
	5		
Gross Block		4,125,556,335	3,813,947,892
Less : Depreciation		1,683,217,891	1,467,467,492
Net Block		2,442,338,444	2,346,480,400
Add : Capital Work in Progress		101,569,268	5,113,246
		2,543,907,712	2,351,593,646
<b>Investments</b>	6	47,105,450	46,916,565
<b>Current Assets, Loans and Advances</b>			
Inventories	7	1,198,603,933	897,524,280
Sundry Debtors	8	763,946,272	552,779,665
Cash and Bank Balances	9	97,016,925	19,020,477
Loans and Advances	10	675,609,739	408,386,289
		2,735,176,869	1,877,710,711
Less :Current Liabilities and Provisions	11	671,957,294	512,366,590
Net Current Assets		2,063,219,575	1,365,344,121
Miscellaneous Expenditure (To the extent not written off or adjusted)	12	6,177,249	14,967,969
<b>Total</b>		<b>4,660,409,986</b>	<b>3,778,822,301</b>
Notes on Accounts	22		
Significant Accounting Policies	23		

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  
Membership No.15850

Place : Hyderabad  
Date : 07.05.2011

**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

## Profit and Loss Account For the year ended 31st March, 2011

(Amount in ₹)

	Schedule Reference	Year ended 31.03.2011	Year ended 31.03.2010
<b>INCOME</b>			
Sales	13	6,009,397,512	4,101,302,133
Other Income	14	123,068,367	77,138,882
<b>Total</b>		<b>6,132,465,879</b>	<b>4,178,441,015</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	15	3,542,752,888	2,402,042,129
Purchase of Traded Goods		32,192,359	16,191,029
Other Manufacturing Expenses		12,531,379	7,846,629
Stores Consumed	16	489,623,467	364,098,785
Power and Fuel	17	446,091,386	377,414,701
Payments & Benefits to Employees	18	268,771,079	206,618,207
Other Expenses	19	335,559,299	283,374,385
Finance Charges	20	232,628,559	216,309,598
Managerial Remuneration		17,831,815	6,689,400
Depreciation	5	220,454,115	207,041,202
Miscellaneous Expenses Written off	12	8,790,720	8,790,720
Decrease in stocks	21	16,468,658	74,973
<b>Total</b>		<b>5,623,695,724</b>	<b>4,096,491,758</b>
<b>Profit before adjustments</b>		<b>508,770,155</b>	<b>81,949,257</b>
Less: Provision for Taxation : for the Year		102,500,000	15,000,000
: for earlier years		11,192,864	10,013,699
: Deferred tax		47,015,737	13,429,676
<b>Profit after Tax</b>		<b>348,061,554</b>	<b>43,505,882</b>
Add: Profit brought forward from last year		95,564,481	77,718,513
		<b>443,626,035</b>	<b>121,224,395</b>
<b>APPROPRIATIONS</b>			
Interim Dividend on Equity Shares		13,362,290	–
Proposed Dividend : on Equity Shares		20,043,435	13,362,290
: on Preference Shares		67,160	67,160
Corporate Dividend Tax		5,481,750	2,230,464
Preference Capital Redemption Reserve		12,160,000	10,000,000
General Reserve		40,000,000	–
Surplus Carried to Balance Sheet		352,511,400	95,564,481
<b>Total</b>		<b>443,626,035</b>	<b>121,224,395</b>
Earnings Per Share (Face value ₹10) (Basic and Diluted)		26.04	3.25
Notes On Accounts	22		
Significant Accounting Policies	23		

The schedules referred to above form an integral part of Profit and Loss Account.

per Our Report of even date

 for **Brahmayya & Co**  
 Chartered Accountants

 K. S. Rao  
 Partner  
 Membership No.15850  
 Place : Hyderabad  
 Date : 07.05.2011

 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 Accounts

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,00,000 [2,50,00,000] Equity Shares of ₹10/- each	250,000,000	250,000,000
6,72,000 0.1% Cumulative Redeemable Preference Shares of ₹100/- each	67,200,000	67,200,000
	<b>317,200,000</b>	<b>317,200,000</b>
<b>Issued</b>		
1,98,91,556 [1,98,91,556] Equity Shares of ₹10/- each	198,915,560	198,915,560
6,72,000 0.1% Cumulative Redeemable Preference Shares of ₹100/- each	67,200,000	67,200,000
	<b>266,115,560</b>	<b>266,115,560</b>
<b>Subscribed and Paid up</b>		
1,33,62,290 [1,33,62,290] Equity Shares of ₹10/- each fully paid	133,622,900	133,622,900
6,71,600 0.1% Cumulative Redeemable Preference Shares of ₹100/- each	67,160,000	67,160,000
Add : Forfeited Shares	17,730,258	17,730,258
Share Warrants Application Money	78,300,000	–
	<b>296,813,158</b>	<b>218,513,158</b>

- Note:** 1) Of the above 20,000 equity shares of ₹10/- each are allotted as fully paid up without payment being received in cash.  
 2) 80,32,267 Equity Shares of ₹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 ₹100/- each are allotted as fully paid up without payment being received in cash as per the scheme of arrangement with IDBI/ IFCI.  
 4) 11,60,000 Convertible Share Warrants issued to the Promoters at a premium of ₹125/- per warrant.

	Balance as at 01.04.2010	Additions during the year	Deductions during the year	Balance as at 31.03.2011	Balance as at 31.03.2010
<b>SCHEDULE 2 RESERVES &amp; SURPLUS</b>					
Capital Redemption Reserve	208,780			208,780	208,780
Security Premium	540,451,525			540,451,525	540,451,525
Investment Allowance Reserve(Utilised)	10,941,200			10,941,200	10,941,200
Export Allowance Reserve	266,670			266,670	266,670
Preference Capital Redemption Reserve	55,000,000	12,160,000		67,160,000	55,000,000
Special capital incentive	3,000,000			3,000,000	3,000,000
General Reserve	240,080,822	40,000,000		280,080,822	240,080,822
Surplus in Profit & Loss account	95,564,481	352,511,400	95,564,481	352,511,400	95,564,481
<b>Total</b>	<b>945,513,478</b>	<b>404,671,400</b>	<b>95,564,481</b>	<b>1,254,620,397</b>	<b>945,513,478</b>

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 3 SECURED LOANS</b>		
<b>A. Term Loans</b>		
i) Rupee Term Loans		
Under Textile Modernisation Fund scheme from		
a) Industrial Development Bank of India - TUF Scheme-I	15,401,569	25,001,569
b) Industrial Development Bank of India-1	7,218,750	8,043,750
c) Industrial Development Bank of India-2	56,141,517	62,557,717
d) Industrial Development Bank of India- TUF Scheme-II	603,900,000	644,525,000
e) Industrial Development Bank of India - 3	6,257,937	6,994,165

## Schedules forming part of the Accounts

(Amount in ₹)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 3 SECURED LOANS (Contd.)</b>		
f) I F C I Ltd.,-II	8,134,000	24,402,000
g) State Bank of India -TUF Scheme-I	248,875,000	267,600,000
h) State Bank of India -TUF Scheme-II	373,125,000	401,287,000
i) State Bank of Mysore - TUF Scheme	88,100,000	88,800,000
j) Andhra Bank - TUF Scheme	126,418,442	–
<b>Sub Total (A)</b>	<b>1,533,572,215</b>	<b>1,529,211,201</b>
<b>B. Working Capital Loans From</b>		
State Bank of India - Cash Credit	534,933,979	292,942,253
- Packing Credit	206,919,814	62,105,157
- SLC	40,000,000	50,652,565
State Bank of Hyderabad - Cash Credit	87,696,811	71,062,666
- Packing Credit	75,369,415	47,815,576
- SLC	30,008,296	–
State Bank of Mysore - Cash Credit	119,511,767	123,213,029
State Bank of Indore - Cash Credit	–	83,208,707
- Packing Credit	–	35,273,101
IDBI Bank Ltd. - Cash Credit	84,366,438	–
- Packing Credit	50,000,000	–
<b>Sub Total (B)</b>	<b>1,228,806,520</b>	<b>766,273,054</b>
<b>C. Vehicle Hire Purchase Loan From</b>	<b>2,850,786</b>	<b>1,219,154</b>
Kotak Mahindra Prime Limited		
<b>Total (A+B+C)</b>	<b>2,765,229,521</b>	<b>2,296,703,409</b>

### Notes:

- The Loans referred at (a) to (f), (h) to (i) 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 Loan referred at (j) above is secured by mortgage of the fixed assets created by virtue of proposed term loan for the present movable and immovable properties of the Company on first charge pari passu basis.
- 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.
- 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) movable & 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.

<b>SCHEDULE 4 UNSECURED LOANS</b>		
a) From Directors	3,600,000	3,687,702
b) Fixed Deposits	49,850,000	57,403,299
c) Inter Corporate Deposits	33,950,000	47,670,082
d) Deferred Sales tax Liability	20,554,549	20,554,549
<b>Total</b>	<b>107,954,549</b>	<b>129,315,632</b>

## Schedules forming part of the Accounts

### SCHEDULE 5 FIXED ASSETS

(Amount in ₹)

Description of the Assets	Gross Block			Depreciation			Net Block			
	Cost as at 01.04.2010	Additions during the year	Deductions during the year	Cost as at 31.03.2011	Upto 31.03.2010	For the Year	On Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	10,666,762	21,152,152	-	31,818,914	-	-	-	-	31,818,914	10,666,762
Factory Buildings	452,625,581	36,785,378	-	489,410,959	91,903,351	15,564,528	-	107,467,879	381,943,080	360,722,230
Non-Factory Buildings	146,716,595	13,023,764	-	159,740,359	19,081,394	2,406,006	-	21,487,400	138,252,959	127,635,201
Town Ship	36,920,319	8,673,205	-	45,593,524	2,067,017	602,188	-	2,669,205	42,924,319	34,853,302
Work Shop Equipment	705,288	11,157	-	716,445	172,755	30,096	-	202,851	513,594	532,533
Plant And Machinery	2,872,306,227	217,779,330	4,553,798	3,085,531,759	1,260,549,586	186,367,426	4,388,709	1,442,528,303	1,643,003,456	1,611,756,641
Testing Equipment	31,325,050	260,792	-	31,585,842	7,980,390	1,484,325	-	9,464,715	22,121,127	23,344,660
Electrical Installations	199,559,632	10,493,178	-	210,052,810	59,386,748	9,546,176	-	68,932,924	141,119,886	140,172,884
Weighing Machines	2,661,408	27,646	-	2,689,054	1,275,749	112,565	-	1,388,314	1,300,740	1,385,659
Water Works	17,432,692	253,310	-	17,686,002	2,396,681	293,545	-	2,690,226	14,995,776	15,036,011
Furniture & Fixtures	19,072,542	2,679,537	-	21,752,079	10,943,879	1,258,432	-	12,202,311	9,549,768	8,128,663
Vehicles	11,587,210	3,480,578	458,587	14,609,201	3,857,493	1,230,345	315,007	4,772,831	9,836,370	7,729,717
Data Processing Equipment	12,368,586	2,000,801	-	14,369,387	7,852,449	1,558,483	-	9,410,932	4,958,455	4,516,137
<b>Total</b>	<b>3,813,947,892</b>	<b>316,620,828</b>	<b>5,012,385</b>	<b>4,125,556,335</b>	<b>1,467,467,492</b>	<b>220,454,115</b>	<b>4,703,716</b>	<b>1,683,217,891</b>	<b>2,442,338,444</b>	<b>2,346,480,400</b>
Capital Work In Progress	5,113,246	413,076,850	316,620,828	4,227,125,603	-	-	-	-	101,569,268	5,113,246
	3,819,061,138	729,697,678	321,633,213	4,227,125,603	1,467,467,492	220,454,115	4,703,716	1,683,217,891	2,543,907,712	2,351,593,646
Less: Internal Transfers		316,620,828	316,620,828	-						
<b>Total</b>	<b>3,819,061,138</b>	<b>413,076,850</b>	<b>5,012,385</b>	<b>4,227,125,603</b>	<b>1,467,467,492</b>	<b>220,454,115</b>	<b>4,703,716</b>	<b>1,683,217,891</b>	<b>2,543,907,712</b>	<b>2,351,593,646</b>
Previous Year	3,749,423,733	80,052,541	10,415,136	3,819,061,138	1,268,818,169	207,041,202	8,391,879	1,467,467,492	2,351,593,646	2,480,605,564

## Schedules forming part of the Accounts

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 6 INVESTMENTS - (LONG TERM, at Cost)</b>		
<b>(1) Unquoted - Non Trade</b>		
(a) National Savings Certificates (1992) (Pledged as security with Central Excise Department)	1,000	1,000
(b) National Saving Certificates (1987) (Pledged as security with Sales Tax Department)	10,000	10,000
<b>(2) Subsidiary Company:</b>		
<b>(at cost-non trade)</b>		
22,69,860 (2269860) Equity Shares of ₹10 each in Suryakiran International Ltd.	44,797,200	44,797,200
<b>(3) Others [ At cost -Traded - quoted]</b>		
1,02,100 Equity shares of ₹10 each in Suryavanshi Spinning Mills Ltd. [Aggregate market value of Quoted investments ₹22,97,250/- (previous year ₹21,08,365/-)]	10,519,000	10,519,000
	55,327,200	55,327,200
Less: Net Diminution in the value of Investments	8,221,750	8,410,635
<b>Total</b>	<b>47,105,450</b>	<b>46,916,565</b>

### SCHEDULE 7 INVENTORIES

(Valued and certified by the Management)		
(Valued at lower of cost and net realisable value unless otherwise stated)		
Raw materials	653,189,465	306,140,901
Stores and Spares	96,029,297	125,529,550
Finished Goods	197,525,239	253,306,138
Stock-in-process	249,542,650	210,528,877
Cotton & PV Waste (at realisable value)	2,317,282	2,018,814
<b>Total</b>	<b>1,198,603,933</b>	<b>897,524,280</b>

## Schedules forming part of the Accounts

(Amount in ₹)

		As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 8 SUNDRY DEBTORS</b>			
(Unsecured)			
Due over six months - Considered good		14,242,196	42,000,073
- Considered Doubtful	6,026,946		6,026,946
Less: Provision for Bad and Doubtful debts	6,026,946	-	-
Others Considered good		749,704,076	510,779,592
<b>Total</b>		<b>763,946,272</b>	<b>552,779,665</b>

<b>SCHEDULE 9 CASH AND BANK BALANCES</b>			
Cash & Cheques on Hand		2,093,934	562,850
With Scheduled Banks:			
In Current Accounts		4,038,392	3,182,047
In Margin Money Deposits		21,888,460	11,527,760
In fixed deposits		68,995,139	3,746,820
With Post Office Saving Bank		1,000	1,000
(Kept as security with Central Excise Department)			
(maximum balance ₹1,000)			
<b>Total</b>		<b>97,016,925</b>	<b>19,020,477</b>

<b>SCHEDULE 10 LOANS AND ADVANCES</b>			
(Unsecured considered good, recoverable in cash or in kind or for value to be received)			
Advances for Purchases		216,812,835	63,723,447
TED refund receivable		21,967,619	9,012,543
Interest subsidy receivable		62,052,471	54,530,837
Advances to Staff		2,717,992	2,610,674
Deposits recoverable		90,052,450	39,987,731
Claims/Other Receivable		116,159,370	115,848,558
Export Benefit Entitlement Receivable		63,322,762	28,740,617
Pre-paid expenses		3,962,419	4,776,849
Excise Duty Refund Receivable		20,729,369	7,466,907
Balance With Central Excise Department		1,236,945	5,717,371
Accrued interest		2,902,573	2,277,821
Other advances		73,692,934	73,692,934
<b>Total</b>		<b>675,609,739</b>	<b>408,386,289</b>

## Schedules forming part of the Accounts

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 11 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors for Raw Material & Stores/Capital goods		
Due to Micro and Small Enterprises	8,661,964	8,302,063
Others	436,068,533	328,280,443
Creditors : for Expenses	164,364,771	120,581,606
: for other Finance	12,086,992	6,973,108
Unclaimed Dividend*	1,078,124	706,572
Advances received against sales	16,489,329	31,377,229
<b>Total</b>	<b>638,749,713</b>	<b>496,221,021</b>
<b>B. Provisions</b>		
For Preference Dividend	67,160	67,160
Proposed Dividend -Equity	20,043,435	13,362,290
Corporate Dividend Tax	3,262,441	2,230,464
Income Tax (Net)	9,834,545	348,844
Fringe Benefit Tax (Net)	–	136,811
<b>Total</b>	<b>33,207,581</b>	<b>16,145,569</b>
<b>Total (A+B)</b>	<b>671,957,294</b>	<b>512,366,590</b>

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

<b>SCHEDULE 12 MISCELLANEOUS EXPENDITURE</b>				
(To the extent not written off or adjusted)				
Preliminary & Capital issue expenses				
Opening Balance	4,383,049		6,887,649	
Less : written off during the year	2,504,600	1,878,449	2,504,600	4,383,049
Deferred Revenue Expenses				
Opening Balance	10,584,920		16,871,040	
Less:Written off during the year	6,286,120	4,298,800	6,286,120	10,584,920
<b>Total</b>		<b>6,177,249</b>		<b>14,967,969</b>

## Schedules forming part of the Accounts

(Amount in ₹)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>SCHEDULE 13 SALES</b>		
Yarn	2,300,745,386	1,486,621,028
Fabric	3,653,878,919	2,578,428,968
Waste	54,773,207	36,252,137
<b>Total</b>	<b>6,009,397,512</b>	<b>4,101,302,133</b>

<b>SCHEDULE 14 OTHER INCOME</b>		
Interest-earned, [TDS ₹5,01,503/-(previous year ₹3,57,855/-)]	3,681,347	3,436,238
Export Benefit Entitlement	103,534,311	59,680,473
Excess Provisions written back	84,927	261,716
Foreign Exchange Fluctuations (Net)	5,425,738	2,002,455
Packing & Forwarding Collection Charges	1,842,420	1,894,427
Scrap Sales	1,690,400	2,197,320
Profit on sale of Assets	1,813,111	5,432,357
Increase in value of Investments	188,885	1,428,846
Miscellaneous Receipts	4,807,228	805,050
<b>Total</b>	<b>123,068,367</b>	<b>77,138,882</b>

<b>SCHEDULE 15 RAW MATERIALS CONSUMED</b>		
Opening Stocks	306,140,901	131,642,966
Add : Purchases	3,895,430,985	2,610,410,817
	4,201,571,886	2,742,053,783
Less : Cost of Raw materials sold	5,629,533	33,870,753
Less : Closing Stocks	653,189,465	306,140,901
<b>Total</b>	<b>3,542,752,888</b>	<b>2,402,042,129</b>

<b>SCHEDULE 16 STORES CONSUMED</b>		
Consumable Stores	67,502,690	49,798,295
Dyes and Chemicals	378,410,811	279,939,377
Packing Material Consumed	43,709,966	34,361,113
<b>Total</b>	<b>489,623,467</b>	<b>364,098,785</b>

<b>SCHEDULE 17 POWER &amp; FUEL</b>		
Electricity Charges	364,160,649	319,449,833
Fuel Consumed	81,930,737	57,964,868
<b>Total</b>	<b>446,091,386</b>	<b>377,414,701</b>

## Schedules forming part of the Accounts

(Amount in ₹)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>SCHEDULE 18 PAYMENTS AND BENEFITS TO EMPLOYEES</b>		
Salaries, Wages and Bonus	236,401,344	180,866,058
Contribution to Provident Fund & other funds	17,523,164	13,892,559
Welfare Expenses	14,846,571	11,859,590
<b>Total</b>	<b>268,771,079</b>	<b>206,618,207</b>

<b>SCHEDULE 19 OTHER EXPENSES</b>		
Rent	790,365	553,724
Security Charges	1,869,143	1,838,222
Rates & Taxes	45,892,063	29,947,028
Printing & Stationery	2,699,314	2,247,184
Postage, Telegrams & Telephones	6,209,669	7,150,198
Travelling & Conveyance	13,119,909	14,521,079
Directors' Sitting fees & Travelling expenses	571,215	477,514
Advertisements	1,504,817	344,716
Expenses on Sales	89,417,993	66,213,662
Commission on Sales	30,765,780	19,453,667
Insurance	7,830,343	6,004,668
Auditors' Remuneration	321,525	310,053
Legal & Professional Charges	8,328,286	6,592,909
Repairs to : Buildings	4,662,670	4,496,729
: Machinery	75,934,053	58,673,193
: Other Assets	2,683,553	4,876,321
Vehicle Maintenance	2,662,003	2,106,322
Miscellaneous Expenses	35,068,827	25,484,847
Donations	1,551,107	413,843
Loss on sale of assets	17,358	607,230
Bad debts and Debit Balances written off	226,078	7,364
Derivative Loss	–	4,587,941
Investments written off	–	75,000
Claims written off	3,433,228	26,390,971
<b>Total</b>	<b>335,559,299</b>	<b>283,374,385</b>

## Schedules forming part of the Accounts

(Amount in ₹)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>SCHEDULE 20 FINANCE CHARGES</b>		
Interest on Term Loans	108,263,967	109,668,898
Interest on others	98,073,198	90,415,972
Bank Charges	26,291,394	16,224,728
<b>Total</b>	<b>232,628,559</b>	<b>216,309,598</b>

<b>SCHEDULE 21 DECREASE IN STOCKS</b>		
<b>Opening Stocks:</b>		
Yarn	67,483,475	44,198,908
Fabric	185,822,663	203,332,115
Work-in-process	210,528,877	216,757,249
Cotton Waste	2,018,814	1,640,530
<b>SUB-TOTAL</b>	<b>465,853,829</b>	<b>465,928,802</b>
<b>CLOSING STOCKS:</b>		
Yarn	57,022,697	67,483,475
Fabric	140,502,542	185,822,663
Work-in-process	250,333,540	210,528,877
Cotton Waste	1,526,392	2,018,814
<b>SUB-TOTAL</b>	<b>449,385,171</b>	<b>465,853,829</b>
<b>DECREASE IN STOCKS</b>	<b>16,468,658</b>	<b>74,973</b>

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS

Notes forming part of Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on that date.

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>1 Contingent Liabilities not provided for</b>		
a) Contracts to be executed on capital accounts.	1,153,239,045	130,279,355
b) Against Foreign & Inland Letters of Credit	9,643,815	4,533,043
c) Against Bank Gaurantees	12,966,600	466,940
d) Against Bills discounted	448,984,388	191,313,664
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.	–	28,534,563
f) Demand from Central Excise Department in connection with the clearance of the goods disputed by the Company and allowed by the Commissioner Appeals, Nagpur in Company's favour. However the department has preferred an appeal against the Commissioner's order.	7,850,277	7,850,277
g) Demand against Reversal of Excise duty on Finished goods and Cenvat Credit involved in the stock of inputs while opting for the Central Excise Notification No.30/2004. Company's appeal was allowed by Appellate Commissioner of Customs & Central Excise, Nagpur. However, the Central Excise Department has filed an appeal against the above Order with CESTAT	3,288,688	3,288,688
h) Disputed demand from sales tax department on Input tax credit, Appeal remanded by Appellate Dy. Commissioner (CT). Pending for verification & orders with Dy./Asst. Commissioner (CT), Begumpet Division, Hyderabad	5,874,266	5,874,266
i) Disputed demand from sales tax department on subjecting the turnover of unit at Maharashtra to tax along with the turnover of Andhra Pradesh and set off. The company has filed appeal before STAT(A.P),Hyderabad against the revised demand issued by the DC(CT), Begumpet Division, Hyderabad.	2,881,750	2,163,938
j) Interest charged U/s.234B of the Income Tax Act,1961 - Interest waiver Petition filed before Hon'ble Chief Commissioner of Income Tax-I, Hyderabad	–	11,866,089

2 The legal proceedings against M/s Rajvir Industries Ltd., for the recovery of the balance outstanding in the books of the company of ₹2,36,92,934/- (Previous Year ₹2,36,92,934/-) are pending.

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 ₹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 totaling to ₹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.

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

5 An order has been received from the office of DGFT Hyderabad for alleged violation of Target plus scheme (TPS) and to recover ₹38.07 crores including interest and penalties. Apart from this a penalty of ₹25 lakhs each on CMD and MD and ₹5 lakhs on some other directors of the company has been imposed. A show cause notice on the same issue for Rs. 10.59 crores was issued by DRI The company has been advised that no liability is likely to arise under the notice as the allegations are unfounded and the company is taking adequate steps to defend itself. However, the Company has paid ₹5 crores to DRI in this connection.

#### 6 Licensed and Installed Capacity:

Licensed Capacity : No of Spindles	60,864	48,240
No of Looms	221	221
Installed Capacity : No of Spindles	60,864	48,240
No of Looms	201	201

(The figures have been certified by management and not verified by the Auditors being technical matter)

#### 7 Production and Sales

(Amount in ₹)

		Current year	Previous year
a) Production			
Yarn	Kgs	30,101,436	27,457,197
(Captive consumption out of the above			
Current Year	Kgs	13,758,167	
Previous Year	Kgs	13,062,248	
Denim & Bottom Weight Fabric	Mtrs	30,396,973	28,509,034
b) Purchase of Traded Goods			
Yarn	Kgs	–	70,956
Fabric	Mtrs	285,868	77,399
		<b>32,192,359</b>	<b>16,191,029</b>
c) Sales including Traded goods			
Yarn	Kgs	16,536,406	2,300,745,386
Denim Fabric	Mtrs	31,377,400	3,653,878,919
Waste	Kgs	4,469,135	54,773,207
		<b>6,009,397,512</b>	<b>4,101,302,133</b>

**Note :** Nil Kgs. Of Yarn (Previous year 10103 Kgs.) and 42721 mts of Fabric (previous year 157146 Mtrs of fabric) issued for reprocess, samples and free replacements.

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 8 Opening and Closing Stocks

(Amount in ₹)

			Current year		Previous year
a) Opening Stocks					
Yarn	Kgs	740,611	67,483,475	524,660	44,198,908
Denim Fabric	Mtrs	1,992,873	185,822,663	2,460,464	203,332,115
Waste	Kgs	92,147	2,018,814	98,025	1,640,530
			255,324,952		249,171,553
b) Closing Stocks					
Yarn	Kgs	547,474	57,022,697	740,611	67,483,475
Denim Fabric	Mtrs	1,255,593	140,502,542	1,992,873	185,822,663
Waste	Kgs	68,203	1,526,392	92,147	2,018,814
			199,051,631		255,324,952

#### 9 Stock of Raw materials

a) Opening Stocks					
Cotton	Kgs	3,766,374	231,335,449	1,605,563	96,786,850
Yarn	Kgs	414,587	46,066,927	162,404	15,364,866
Polyster Staple Fibre	Kgs	283,059	21,762,807	242,390	14,709,282
Viscose Staple Fibre	Kgs	54,004	6,975,718	49,877	4,781,968
			306,140,901		131,642,966
b) Closing Stocks					
Cotton	Kgs	4,510,884	500,201,862	3,766,374	231,335,449
Yarn	Kgs	532,385	83,903,826	414,587	46,066,927
Polyster Staple Fibre	Kgs	643,137	64,661,752	283,059	21,762,807
Viscose Staple Fibre	Kgs	29,490	4,422,025	54,004	6,975,718
			653,189,465		306,140,901

#### 10 Purchase of Raw materials

Cotton	Kgs	18,691,787	1,562,781,662	18,759,617	1,030,079,139
Yarn	Kgs	5,999,223	839,840,581	5,787,069	598,985,077
Polyster Staple Fibre	Kgs	15,344,674	1,336,426,588	12,679,639	833,050,555
Viscose Staple Fibre	Kgs	1,087,300	156,027,352	1,177,842	137,424,936
Grey Fabric	Mtrs	5,140	354,802	183,233	10,871,110
<b>Net Purchases</b>			<b>3,895,430,985</b>		<b>2,610,410,817</b>

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 11 Cost of Rawmaterial Sold

(Amount in ₹)

			Current year		Previous year
Cotton	Kgs	0	0	595,529	31,569,668
Yarn	Kgs	26,539	5,585,936	16,370	2,301,085
Polyster Staple Fibre	Kgs	401	43,597	0	0
		26,940	5,629,533	611,899	33,870,753

#### 12 Rawmaterial consumed

Cotton	Kgs	17,947,277	1,293,884,779	16,003,277	863,960,872
Yarn	Kgs	5,854,886	796,417,746	5,518,516	565,981,931
Polyster Staple Fibre	Kgs	14,984,195	1,293,514,516	12,638,970	825,997,030
Viscose Staple Fibre	Kgs	1,111,814	158,581,045	1,173,715	135,231,186
Grey Fabric	Mtrs	5,140	354,802	183,233	10,871,110
			3,542,752,888		2,402,042,129

#### 13 Rawmaterial consumed

Indigenous	%	99.64	3,530,106,909	94.55	2,271,233,933
Imported	%	0.36	12,645,979	5.45	130,808,196
		100	3,542,752,888	100	2,402,042,129

#### 14 Spare parts and components consumed

Indigenous	%	75.85	338,236,588	78.54	258,979,646
Imported	%	24.15	107,676,913	21.46	70,758,026
		100	445,913,501	100	329,737,672

#### 15 Managerial Remuneration

a) Shri L N Agarwal (Chairman & Managing Director)					
Salary			4,509,677		2,400,000
Perquisites			1,267,807		0
Commission			2,109,677		0
			7,887,161		2,400,000
b) Shri P K Agarwal (Managing Director)					
Salary			4,272,581		2,400,000
Perquisites			1,297,373		0
Commission			2,136,290		0
			7,706,244		2,400,000
c) Shri H L Ralhan (Director)					
Salary			1,940,960		1,550,640
Perquisites			297,450		338,760
			2,238,410		1,889,400
			17,831,815		6,689,400

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 16 Computation of profits in accordance with Sec.349 of the Companies Act, 1956 :

(Amount in ₹)

	Current year	Previous year
Profit for the year before taxation as per Profit and Loss Account	508,770,155	81,949,257
Add : Sitting Fee	185,000	160,000
Add : Loss on sale of Assets	17,358	607,230
Add : Managerial Remuneration	17,831,815	6,689,400
	526,804,328	89,405,887
Less : Credit Balances written back	10,342	3,684
Less : Profit on sale of Assets	1,813,111	5,432,357
	524,980,875	83,969,846
Excess of expenditure over Income brought forward from previous year set off -	(56,974,998)	(140,944,844)
<b>Net profit in accordance with Sec.349 of the Companies Act of 1956</b>	<b>468,005,877</b>	<b>(56,974,998)</b>
Maximum Remuneration to whole time Directors in accordance with Sec.198 of the Companies Act,1956		
Maximum Commission @ 1% of Net Profit to each of the eligible working Directors.	9,360,118	–
Restricted to 50% of the salary	4,245,967	–

Note : Due to inadequacy of profits during the financial year 2009-10, minimum remuneration was paid to the Wholetime Directors.

#### 17 Auditors Remuneration

Statutory Audit	165,450	165,450
Tax Audit	55,150	55,150
Certification	85,925	74,453
Other services	15,000	15,000
	321,525	310,053

#### 18 Expenditure in Foreign Currency during the year on account of :

i) Plant and Machinery - Imported (CIF Value)	87,821,736	4,246,210
ii) Raw materials (CIF Value)	10,814,502	126,333,269
iii) Stores and Spares (CIF Value)	111,363,043	81,699,543
iv) Repayment of Loans	–	31,681,463
v) Interest	–	1,468,058
vi) Commission on Export Sales	10,292,426	14,484,441
vii) Foreign Travel (Excluding tickets purchased in India)	1,345,849	2,005,387
viii) Foreign Technical & Consultancy services	2,395,317	2,638,022
	224,032,873	264,556,393

#### 19 Interest paid, payable or accrued and due to Micro & Small Enterprises

Nil

Nil

#### 20 Earnings in Foreign Exchange

FOB Value of Exports	1,396,304,584	729,115,796
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## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 21 Composition of Net Deferred Tax Liability

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>Deferred Tax Liabilities</b>		
Depreciation	236,366,409	275,041,353
Deferred Revenue Expenses	1,427,954	3,597,814
	<b>237,794,363</b>	<b>278,639,167</b>
<b>Deferred Tax Assets</b>		
Carried forward losses / Depreciation	–	87,813,984
Provision for Doubtful Debts & Others	2,002,002	2,048,559
	<b>2,002,002</b>	<b>89,862,543</b>
<b>Deferred Tax Liability (Net)</b>	<b>235,792,361</b>	<b>188,776,624</b>

#### 22 Information about Business Segments

<b>1 Segment Revenue</b>		
Spinning	2,306,316,495	1,492,703,683
Denim	3,703,081,017	2,608,598,450
<b>Total</b>	<b>6,009,397,512</b>	<b>4,101,302,133</b>
<b>2 Segment Results</b>		
Spinning	338,393,694	142,855,687
Denim	403,005,020	155,403,168
<b>Total</b>	<b>741,398,714</b>	<b>298,258,855</b>
<b>3 Interest</b>	<b>232,628,559</b>	<b>216,309,598</b>
<b>4 Profit before Tax</b>	<b>508,770,155</b>	<b>81,949,257</b>
<b>5 Other Information</b>		
Segment Assets		
Spinning	1,932,909,291	1,343,013,090
Denim	3,273,513,561	2,933,207,832
Power Project & Others	119,767,179	–
<b>Total</b>	<b>5,326,190,031</b>	<b>4,276,220,922</b>
<b>6 Segment Liabilities</b>		
Spinning	179,341,028	168,275,833
Denim	491,647,379	344,090,757
Power Project & Others	968,887	–
<b>Total</b>	<b>671,957,294</b>	<b>512,366,590</b>
<b>7 Capital Expenditure</b>		
Spinning	245,704,992	45,792,612
Denim	70,915,836	31,270,975
<b>Total</b>	<b>316,620,828</b>	<b>77,063,587</b>
<b>8 Depreciation</b>		
Spinning	55,981,222	47,788,515
Denim	164,472,893	159,252,687
<b>Total</b>	<b>220,454,115</b>	<b>207,041,202</b>
<b>9 Non Cash Expenditure Other than Depreciation</b>		
Spinning	916,838	916,838
Denim	7,873,882	7,873,882
<b>Total</b>	<b>8,790,720</b>	<b>8,790,720</b>

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### Other Disclosures

Allocation of Corporate Office expenses to segment 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

a) Spinning

b) Denim

c) Power Project & Others

#### Type of Product

Cotton Yarn, Combed Yarn and P V Yarn

Denim Fabric

Power

### 23 Related Party Disclosure

Related party disclosure as required by AS-18 "Related party disclosure" are given under:

#### a) Transactions during the year

Name of the party	Relationship	Nature of Transaction	Current Year Amount (₹)	Previous Year Amount (₹)
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	5,777,484	2,400,000
		b) Interest	223,924	56,844
		c) Commission	2,109,677	–
Shri P K Agarwal Managing Director	Key Management	a) Remuneration	5,569,954	2,400,000
		b) Interest	159,945	40,602
		c) Commission	2,136,290	–
Shri L N Agarwal (HUF)	Key Management	Interest	131,436	79,625
Shri H L Ralhan Director	Key Management	Remuneration	2,238,410	1,889,400
Smt Sathyabhamabai	Wife of Shri L N Agarwal	Interest	2,097,947	1,278,875
Smt Padmini Agarwal	Wife of Shri P K Agarwal	Interest	1,189,766	784,545
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	Interest	387,372	235,625
Master Vedanth Agarwal	Son of Shri P K Agarwal	Interest	493,261	299,000
M/s Suryalata Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Purchase of Raw Material	2,859,818	9,605,329
M/s Suryakiran International Ltd.,	Subsidiary	Sale of Fabric	125,869,574	89,837,536
		Others	761,322	931,211
M/s Suryajyothi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Yarn	38,880	13,597,477
		Sale of Fabric	18,000	–
		Purchase of Fabric	27,158,533	–
M/s Suryavanshi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Purchase of Raw Material	–	403,451
		Raw Cotton Sales	–	31,584,738
		Sale of P S F	45,341	–
M/s Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	Cost of Machinery	–	392,994
		Cotton Purchases	38,919,484	–
M/s Jayman Dealers Pvt. Ltd	Enterprise in which the relatives of Key Management personnel are interested	Claim of Fabric	850,000	–
		Sales Return-Fabric	–	1,210,400
		Purchase of Fabric	–	7,115,349
M/s SVP Distributors Pvt. Ltd.	Enterprise in which the relatives of Key Management personnel are interested	Interest (Gross)	1,988,068	1,407,000

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### b) Payable as at 31-03-2011

Name of the party	Relationship	Nature of Transaction	Current Year Amount (₹)	Previous Year Amount (₹)
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration (Net)	249,800	159,800
		b) Interest (Net)	75,185	51,160
		c) Unsecured Loan	2,100,000	2,100,000
		d) Commission	2,109,677	–
Shri P K Agarwal Managing Director	Key Management	a) Remuneration (Net)	234,800	–
		b) Interest (Net)	53,703	36,542
		c) Unsecured Loan	1,500,000	1,500,000
		d) Commission	2,136,290	–
Shri L N Agarwal (HUF)	Key Management	a) Interest (Net)	44,590	71,662
		b) Deposits	2,050,000	1,225,000
Shri H L Ralhan Director	Key Management	Remuneration (Net)	129,800	92,240
Smt Sathyabhamabai	Wife of Shri L N Agarwal	a) Interest (Net)	704,415	1,150,988
		b) Deposits	19,675,000	19,675,000
Smt Padmini Agarwal	Wife of Shri P K Agarwal	a) Interest (Net)	405,972	706,090
		b) Deposits	16,050,000	11,050,000
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	a) Interest (Net)	130,539	212,062
		b) Deposits	4,475,000	3,625,000
Master Vedanth Agarwal	Son of Shri P K Agarwal	a) Interest (Net)	167,177	269,100
		b) Deposits	7,400,000	4,600,000
M/s SVP Distributors Pvt. Ltd.	Enterprise in which the relatives of Key Management personnel are interested	a) Interest (Net)	1,789,261	1,266,300
		b) Deposits	33,950,000	25,000,000

#### c) Receivable as at 31-03-2011

M/s Suryakiran International Ltd.,	Subsidiary	Sale of Fabric	78,947,666	75,027,191
		For others (Payables)	18,848,292	(482,506)
M/s Suryajyothi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Raw Material	–	415,133
M/s Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Raw Material	1,080,516	–
M/s Jayman Dealers Pvt. Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Fabric	–	365,425
		Claim of Fabric	850,000	–

#### 24 Employee Benefits : Gratuity

Consequent to the adoption of Accounting Standard on Employees Benefits (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made as required by the Standard for Actuarial valuation of Gratuity

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

(Amount in ₹)

	As on 31.03.2011	As on 31.03.2010
<b>1 Table showing changes in present value of obligations</b>		
Present value of obligations as at beginning of year	113,170,368	11,693,122
Interest cost	1,053,629	935,450
Current Service Cost	2,249,630	2,027,697
Benefits Paid	(838,238)	(1,562,756)
Actuarial gain / (Loss) on obligations	2,497,825	76,855
Present value of obligations as at end of year	18,133,214	13,170,368
<b>2 Table showing changes in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	4,190,050	4,659,915
Expected return on plan assets	476,407	344,436
Contributions	4,299,462	748,455
Benefits Paid	838,238	(1,562,756)
Actuarial gain / (Loss) on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	8,127,681	4,190,050
<b>3 Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of year	4,190,050	4,659,915
Actual return on plan assets	476,407	344,436
Contributions	4,299,462	748,455
Benefits Paid	(838,238)	(1,562,756)
Fair value of plan assets at the end of year	8,127,681	4,190,050
Funded status	(10,005,533)	(8,980,318)
Excess of Actual over estimated return on plan assets	Nil	Nil
(Actual rate of return = Estimated rate of return as ARD falls on 31st March)		
<b>4 Assumptions</b>		
Discount rate	8%	8%
Salary Escalation	4%	4%

#### Employee Benefits : Actuarial valuation of Leave encashment

Consequent to the adoption of Accounting Standard on Employees Benefits (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made as required by the Standard for Actuarial valuation of Leave encashment.

#### Profit & Loss Account

(Amount in ₹)

	2010-11	2009-10
Current Service cost	570,777	466,143
Interest Cost on benefit obligation	299,242	174,102
Expected return on plan assets	Nil	Nil
Net Actuarial (gain). Loss recognised in the year	2,645,937	2,111,994
Past service cost	Nil	Nil
Net Benefit expense	3,515,956	2,752,239
<b>Actual return on Plan assets</b>		
<b>Balance Sheet</b>		
<b>Details of provision for Leave</b>		
<b>Change in the present value of the defined benefit obligation are as follows :</b>		
Opening defined benefit obligation	3,740,521	2,176,280
Interest Cost	299,242	174,102
Current Service cost	570,777	466,143
Benefits Paid	(1,600,598)	(1,187,998)
Actuarial (gains) / losses on obligation	2,645,937	2,111,994
Closing defined benefit obligation	5,655,879	3,740,521

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

The principal assumptions used in determining leave and post employment medical benefit Obligations for the Company's plans are shown below :

	2010-11	2009-10
<b>Assumptions</b>	%	%
Salary Rise	14	4
Discount rate	8	8
Attrition Rate	1	1

#### 25 Basic Earnings per share as per Accounting Standard No.20

(Amount in ₹)

	Current year	Previous year
Profit after Tax	348,061,554	43,505,882
Less : Dividend on Preference Share Capital with dividend tax there on	78,055	78,315
	347,983,499	43,427,567
Weighted average Number of Equity Shares	13,362,290	13,362,290
Basic Earnings per share	26.04	3.25

#### 26 The Sales tax deferment liability amounting to ₹2,05,54,549/-- shown under unsecured loans is due for repayment from the year 2011.

Year	Amount ₹	Date of Repayment
1997-1998	538,636	15.06.2011
1998-1999	511,508	01.04.2012
1999-2000	2,987,995	01.04.2013
2000-2001	2,872,845	01.04.2014
2001-2002	2,228,483	01.04.2015
2002-2003	2,052,402	01.04.2016
2003-2004	785,011	01.04.2017
2004-2005	326,756	01.04.2018
2006-2007	513,700	01.04.2020
2007-2008	41,280	01.04.2021
2008-2009	1,956,093	01.04.2022
2009-2010	5,739,840	01.04.2023
<b>Total</b>	<b>20,554,549</b>	

27 Pursuant to Scheme of restructuring package of Term Loans the Company has allotted 0.1% Cumulative Redeemable Preference Shares of ₹100/- each on 28th October, 2002 to IDBI and IFCI and the same will be redeemed to IDBI in March, 2012 (₹400 lacs) and to IFCI in July, 2011 (₹271.60 Lacs)

28 The amount of CRPS of ₹671.60 lakhs payable on redemption to IDBI and IFCI as stated in note No.27 is treated as deferred revenue expenditure, to be written off over the term of the CRPS.

29 During the year 2005-06 the Company has incurred an amount of ₹12,523,000/- being the expenditure incurred for raising equity. The same will be amortised over a period of 5 Years from the date of commencement of operations, i.e. from the financial year 2006-07.

## Schedules forming part of the Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

- 30 In the opinion of the Board, the current assets and loans & advances have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated.
- 31 Vide Notification No.30/09.07.2004 of the Central Excise Department we can opt for zero rate of duty by not taking Cenvat credit on Inputs and vide Tariff rate (Previous year under Notification No.29/09.07.2004) of Central Excise Department option can be exercised for payment of duty on Final products by taking credit on inputs and capital items. Accordingly in case of Denim Fabric and Cotton yarn the Company has opted for Zero rate of duty and not availed Cenvat credit on the purchase of inputs and capital items, where as in case of Polyester yarn we have taken cenvat credit on part of the raw material which are used for production of polyester yarn meant for export, and cleared the material for export on payment of duty.
- 32 There was a major fire accident in spinning department of denim division at Ramtek, Nagapur district, Maharashtra state during January, 2008, in which the Building, Plant & Machinery, Electrical Installations and stocks were totally damaged. The factory was fully insured under reinstatement policy for fixed assets and under declaration policy for stocks. The Company's Insurance claim is processed and settled partly. The Company received an amount of ₹26.09 crores from the Insurance Company including salvage. The part claim of ₹4.90 crores which is still to be settled by the Insurance Company is shown under Claims receivable
- 33 The company has given corporate guarantee to its subsidiary M/s Surya Kiran International Limited, to the extent of ₹5 crores.
- 34 Previous year's figures have been regrouped where ever necessary. Paise have been rounded off to the nearest rupee. Previous year Figures are shown in brackets.

### SCHEDULE 23 SIGNIFICANT ACCOUNTING POLICIES

- 1 **Accounting Convention :**  
The financial statements are prepared under historical cost convention and on accrual basis in accordance with the generally accepted accounting principles.
- 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 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.
- 3 **Inventories :**  
Rawmaterial and Stores and Spares valued at cost on weighted average basis. Stock-in-process and Finished Goods are valued at lower of cost or net realisable value.  
  
The Excise Duty payable on finished / Saleable goods is accounted for on clearance of goods from the factory premises.
- 4 **Investments :**  
Investments are stated at cost and diminution in the value, which is permanent in nature, is provided for.
- 5 **Contingent Liabilities and Provisions :**  
All Contingent liabilities are indicated by way of a note and will be paid / provided on crystallisation.

## Schedules forming part of the Accounts

### SCHEDULE 23 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

#### 6 Retirement Benefits :

Provident Fund contribution is charged to the Profit and Loss Account as and when the contributions are due. 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. Leave encashment provision is made as per actuarial valuation.

#### 7 Foreign Exchange Transactions :

- a) 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.
- b) Earnings in foreign currency other than export sales are accounted for at the rate of conversion on the date of realisation.
- c) Imports of material / capital equipment are accounted at the rates at which the actual payments are made.
- d) 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.

#### 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 of recoverable amount.

#### 9 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.

#### 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.

### Signatures to Schedules 1 to 23

per Our Report of even date

for **Brahmayya & Co**  
*Chartered Accountants*

**K. S. Rao**  
*Partner*  
Membership No.15850

Place : Hyderabad  
Date : 07.05.2011

For and on behalf of the Board

**L. N. Agarwal**  
*Chairman & Managing Director*

**P. K. Agarwal**  
*Managing Director*

**P. S. Subramanyam**  
*Vice President (Finance)*

**E.V.S.V. Sarma**  
*Company Secretary*

**Navrang Lal Tibrewal**  
*Director*

## Balance Sheet Abstract and Company's General Business Profile

(As required under Part IV of the amended Schedule VI of Companies Act, 1956)

### I. Registration Details

Registration No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 9 2 3	State Code	<input type="text"/> 0 <input type="text"/> 1
Balance Sheet Date	<input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 1 <input type="text"/> 1		

### II. Capital including Share Premium raised during the year (Amount in ₹ Thousands)

Public Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Rights Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Bonus Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Private Placement	<input type="text"/> <input type="text"/> <input type="text"/> 7 8 3 0 0

### III. Position of mobilisation/deployment of funds (Amount in ₹ Thousands)

Total Liabilities	<input type="text"/> 4 <input type="text"/> 6 <input type="text"/> 6 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 1 <input type="text"/> 0	Total Assets	<input type="text"/> 4 <input type="text"/> 6 <input type="text"/> 6 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 1 <input type="text"/> 0
<b>Sources of Funds :</b>			
Paid up Capital	<input type="text"/> <input type="text"/> 2 9 6 8 1 3	Reserves & Surplus	<input type="text"/> 1 2 5 4 6 2 0
Secured Loans	<input type="text"/> 2 7 6 5 2 3 0	Unsecured Loans	<input type="text"/> <input type="text"/> 1 0 7 9 5 5
Deferred Tax Liability	<input type="text"/> <input type="text"/> 2 3 5 7 9 2		
<b>Application of Funds</b>			
Net Fixed Assets	<input type="text"/> 2 5 4 3 9 0 8	Investments	<input type="text"/> <input type="text"/> 4 7 1 0 5
Net Current Assets	<input type="text"/> 2 0 6 3 2 2 0	Misc. Expenditure	<input type="text"/> <input type="text"/> 6 1 7 7

### IV. Performance of the Company (Amount in ₹ Thousands)

Turnover	<input type="text"/> 6 1 3 2 4 6 6	Total Expenditure	<input type="text"/> 5 6 2 3 6 9 6
Profit before Tax	<input type="text"/> <input type="text"/> 5 0 8 7 7 0	Profit after Tax	<input type="text"/> <input type="text"/> 3 4 8 0 6 2
Earning per share (₹)	<input type="text"/> <input type="text"/> 2 6 . 0 4	Dividend Rate %	<input type="text"/> <input type="text"/> 2 5 %

### V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Product Description	C O T T O N Y A R N	Item Code (ITC Code)	<input type="text"/> <input type="text"/> 5 2 0 3 0 0
	P V Y A R N		<input type="text"/> <input type="text"/> 5 5 0 9 0 0
	D E N I M F A B R I C		<input type="text"/> <input type="text"/> 5 2 0 7 0 0

per Our Report of even date

for **Brahmayya & Co**  
Chartered Accountants

**K. S. Rao**  
Partner  
Membership No.15850

Place : Hyderabad  
Date : 07.05.2011

For and on behalf of the Board

**L. N. Agarwal**  
Chairman & Managing Director

**P. K. Agarwal**  
Managing Director

**Navrang Lal Tibrewal**  
Director

**P. S. Subramanyam**  
Vice President (Finance)

**E.V.S.V. Sarma**  
Company Secretary

## Cash Flow Statement For the year ended 31st March 2011

(Amount in ₹)

	2010-2011	2009-2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net : Profit /(Loss) before Tax	508,770,155	81,949,257
Adjustment for		
Add: Depreciation	220,454,115	207,041,202
Interest	206,337,165	200,084,870
Debit balance written off	226,078	7,364
Miscellaneous expenses written off	8,790,720	8,790,720
Loss on sale of assets	17,358	607,230
Investments Written Off	–	75,000
	944,595,591	498,555,643
Less: Interest received	3,681,347	3,436,238
Excess provision written back	84,927	261,716
Profit on sale of assets	1,813,111	5,432,357
Increase in value of Investments	188,885	1,428,846
	5,768,270	10,559,157
<b>Operating profit before working capital changes</b>	<b>938,827,321</b>	<b>487,996,486</b>
Adjustment for changes in :		
Inventories	(301,079,653)	(174,715,406)
Receivable	(211,307,758)	17,799,284
Loans and advances	(266,618,699)	169,049,250
Current liabilities	138,202,058	161,193,489
<b>Cash generated from Operations</b>	<b>298,023,269</b>	<b>661,323,103</b>
Income tax paid net of refunds	(104,343,974)	(21,810,887)
<b>Net cash from operating ACTIVITIES (A)</b>	<b>193,679,295</b>	<b>639,512,216</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Sale of fixed assets	2,104,422	6,848,384
Interest received	3,056,595	2,941,036
Increase in fixed assets	(413,076,849)	(80,052,541)
<b>Net cash used in Investing activities (B)</b>	<b>(407,915,832)</b>	<b>(70,263,121)</b>

## Cash Flow Statement For the year ended 31st March 2011 (Contd.)

(Amount in ₹)

	2010-2011	2009-2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Warrant Application Money	78,300,000	–
Increase in secured loans	126,418,442	–
Increase in bank borrowings	462,533,466	–
Increase in Hire purchase loan	2,592,513	1,219,154
Increase in Unsecured loans	27,075,000	12,645,786
Repayment of Term Loan	(122,057,428)	(335,726,220)
Repayment of Hire Purchase loan	(960,881)	–
Repayment of unsecured loans	(48,436,083)	(30,000,000)
Interest paid	(202,362,083)	(196,346,262)
Dividend/Tax on dividend	(30,869,961)	(79,287)
Decrease in bank borrowing	–	(20,198,180)
<b>Net cash generated/(used) in Financing Activities (C)</b>	<b>292,232,985</b>	<b>(568,485,009)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>77,996,448</b>	<b>764,086</b>
Cash/Cash Equivalents at the Beginning of the year	19,020,477	18,256,391
Cash/Cash Equivalents at the end of the period	97,016,925	19,020,477

per Our Report of even date

 for **Brahmayya & Co**  
*Chartered Accountants*
**K. S. Rao**  
*Partner*  
 Membership No.15850

 Place : Hyderabad  
 Date : 07.05.2011

**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*

## Statement pursuant to section 212 of the Companies Act., 1956 relating to Subsidiaries

1	Name of the Subsidiary	Suryakiran International Ltd
2	Financial year of the Subsidiary ended on	31st March 2011
3	Shares of the Subsidiary held by the Company on the above date:	
	a) Number of shares	22,69,860
	Face Value	Equity shares of ₹10 each
	b) Extent of Holding	50.92%
4	Net aggregate amount of profits/(losses) of the Subsidiary for the above financial year so far as they concern members of the Company	
	a) dealt with in the accounts of the Company for the year ended 31st March, 2011	NIL
	b) not dealt with in the accounts of the Company for the year ended 31st March 2011	₹34.57 Lakhs
5	Net aggregate amount of profits / (losses) for previous years of the Subsidiary, since it became a subsidiary so far as they concern members of the Company	
	a) Dealt with in the accounts of the Company for the year ended 31st March 2010	NIL
	b) Not dealt with in the accounts of the Company for the year ended 31st March 2010	₹ (204.47) Lakhs
6	Change in the interest of the Company in the subsidiary between the end of the financial year of the subsidiary and that of the Company.	NIL
7	Material changes between the end of the financial year of the Subsidiary and end of the financial year of the Company in respect of the Subsidiary's fixed assets, investments, lending and borrowing for the purpose other than meeting their current liabilities.	NIL
8	Remarks	NIL

For and on behalf of the Board

**L. N. Agarwal**  
*Chairman & Managing Director*

**P. S. Subramanyam**  
*Vice President (Finance)*

**P. K. Agarwal**  
*Managing Director*

Place : Hyderabad  
Date : 07.05.2011

**E.V.S.V. Sarma**  
*Company Secretary*

**Navrang Lal Tibrewal**  
*Director*

## Consolidated Auditors' report

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, 2011, the Consolidated Profit and Loss Account and 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 Mill 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:

- 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, 2011;
- 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*  
Firm Registration No. 0005135

Place: Hyderabad  
Date : May 7, 2011

**K. S. Rao**  
*Partner*  
Membership No.15850

# Consolidated Balance Sheet As at 31st March 2011

(Amount in ₹)

	Schedule Reference	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Share Holders' Funds</b>			
Share Capital	1	316,813,158	238,513,158
Reserves & Surplus	2	1,237,630,184	925,066,063
		1,554,443,342	1,163,579,221
Minority Interest	2A	27,162,690	23,830,313
<b>Loan Funds:</b>			
Secured Loans	3	2,935,161,914	2,470,516,982
Unsecured Loans	4	137,177,025	156,746,251
		3,072,338,939	2,627,263,233
Deferred Tax Liability (Net)		235,792,361	188,776,624
<b>Total</b>		<b>4,889,737,332</b>	<b>4,003,449,391</b>
<b>APPLICATION OF FUNDS:</b>			
<b>Fixed Assets:</b>			
	5		
Gross Block		4,401,569,804	4,082,673,665
Less : Depreciation		1,726,888,394	1,500,325,206
Net Block		2,674,681,410	2,582,348,459
Add : Capital Work in Progress		101,569,268	5,642,562
		2,776,250,678	2,587,991,021
Investments	6	2,308,250	2,119,365
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	1,329,148,085	975,397,451
Sundry Debtors	8	701,615,480	501,336,251
Cash & Bank Balances	9	98,313,170	22,110,993
Loans & Advances	10	678,003,177	428,008,000
		2,807,079,912	1,926,852,695
Less : Current Liabilities & Provisions	11	719,209,766	548,487,622
Net Current Assets		2,087,870,146	1,378,365,073
Miscellaneous Expenditure (to the extent not written off or adjusted)	12	23,308,258	34,973,932
<b>Total</b>		<b>4,889,737,332</b>	<b>4,003,449,391</b>
Notes on Accounts		22	
Significant Accounting Policies		23	

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  
Membership No.15850

Place : Hyderabad  
Date : 07.05.2011

**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

## Consolidated Profit and Loss Account For the year ended 31st March 2011

(Amount in ₹)

	Schedule Reference	Year ended 31.03.2011	Year ended 31.03.2010
<b>INCOME</b>			
Sales	13	6,170,821,716	4,238,354,075
Other Income	14	137,003,698	94,434,457
<b>Total</b>		<b>6,307,825,414</b>	<b>4,332,788,532</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	15	3,550,887,319	2,400,309,613
Purchase of Yarn / Fabric -Trading		32,192,359	16,191,029
Other Manufacturing Expenses		19,714,479	9,624,731
Stores Consumed	16	559,918,557	420,645,456
Power and Fuel	17	452,645,438	382,478,101
Payments & Benefits to Employees	18	324,879,983	252,495,904
Other Expenses	19	374,615,979	315,151,083
Finance Charges	20	249,562,531	232,074,897
Managerial Remuneration		18,939,880	6,689,400
Depreciation	5	231,266,904	217,382,687
Miscellaneous Expenses Written off	12	11,665,674	11,665,673
(Increase) in stocks	21	(34,023,423)	(4,949,713)
<b>Total</b>		<b>5,792,265,680</b>	<b>4,259,758,861</b>
<b>Profit before prior year adjustments</b>		<b>515,559,734</b>	<b>73,029,671</b>
<b>Profit for the year before Tax</b>		<b>515,559,734</b>	<b>73,029,671</b>
Less: Provision for Taxation : for the Year (MAT)		102,500,000	15,000,000
: for earlier Year		11,192,864	10,013,699
: Deferred tax		47,015,737	13,429,676
<b>Profit after Tax</b>		<b>354,851,133</b>	<b>34,586,296</b>
Less: Minority Interest		3,332,377	(4,377,801)
Add: Profit brought forward from last year		75,117,066	61,812,883
		<b>426,635,822</b>	<b>100,776,980</b>
<b>APPROPRIATIONS</b>			
Interim Dividend on Equity Shares		13,362,290	–
Proposed Dividend : on Equity Shares		20,043,435	13,362,290
: Preference Shares		67,160	67,160
Corporate Dividend Tax		5,481,750	2,230,464
Preference Capital Redemption Reserve		12,160,000	10,000,000
General Reserve		40,000,000	–
Balance carried forward to Balance Sheet		335,521,187	75,117,066
<b>Total</b>		<b>426,635,822</b>	<b>100,776,980</b>
Earnings Per Share (Face value ₹10) (Basic and Diluted)		26.30	2.91
Notes on Accounts	22		
Significant Accounting Policies	23		

The schedules referred to above form an integral part of Profit and Loss Account.

per Our Report of even date

 for **Brahmayya & Co**  
 Chartered Accountants

 K. S. Rao  
 Partner  
 Membership No.15850

 Place : Hyderabad  
 Date : 07.05.2011

 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

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,00,000 [2,50,00,000] Equity Shares of ₹10/- each	250,000,000	250,000,000
6,72,000 0.10% Cumulative Redeemable Preference Shares of ₹100/- each	67,200,000	67,200,000
2,00,000 5.00% Non Cumulative Redeemable Preference Shares of ₹100/- each	20,000,000	20,000,000
	<b>337,200,000</b>	<b>337,200,000</b>
<b>Issued</b>		
1,98,91,556 [1,98,91,556] Equity Shares of ₹10/- each	198,915,560	198,915,560
6,72,000 0.1% Cumulative Redeemable Preference Shares of ₹100/- each	67,200,000	67,200,000
2,00,000 5.00% Non Cumulative Redeemable Preference Shares of ₹100/- each	20,000,000	20,000,000
	<b>286,115,560</b>	<b>286,115,560</b>
<b>Subscribed and Paid up</b>		
1,33,62,290 [1,33,62,290] Equity Shares of ₹10/- each fully paid	133,622,900	133,622,900
6,71,600 0.1% Cumulative Redeemable Preference Shares of ₹100/- each	67,160,000	67,160,000
Add : Forfeited Shares	17,730,258	17,730,258
2,00,000 5.00% Non Cumulative Redeemable Preference Share of ₹100/-	20,000,000	20,000,000
Share Warrants Application Money	78,300,000	–
	<b>316,813,158</b>	<b>238,513,158</b>

- Note: 1) Of the above 20,000 equity shares of ₹10/- each are allotted as fully paid up without payment being received in cash.
- 2) 80,32,267 Equity Shares of ₹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 ₹100/- each are allotted as fully paid up without payment being received in cash.as per scheme of arrangement with IDBI/IFCI.
- 4) 2,00,000 5.00% Non Cumulative Redeemable Preference Share of ₹100/-each are allotted as fully paid up.
- 5) 11,60,000 Convertible Share Warrants issued to the promoters at a premium of ₹125/- per warrant.

	Balance as at 01.04.2010	Additions during the period	Deductions during the period	Balance as at 31.03.2011	Balance as at 31.03.2010
<b>SCHEDULE 2 RESERVES &amp; SURPLUS</b>					
Capital Redemption Reserve	208,780			208,780	208,780
Security Premium	540,451,525			540,451,525	540,451,525
Investment Allowance Reserve(Utilised)	10,941,200			10,941,200	10,941,200
Export Allowance Reserve	266,670			266,670	266,670
Preference Capital Redemption Reserve	55,000,000	12,160,000		67,160,000	55,000,000
Special capital incentive	3,000,000			3,000,000	3,000,000
General Reserve	240,080,822	40,000,000		280,080,822	240,080,822
Surplus in Profit & Loss account	75,117,066	335,521,187	75,117,066	335,521,187	75,117,066
<b>Total</b>	<b>925,066,063</b>	<b>387,681,187</b>	<b>75,117,066</b>	<b>1,237,630,184</b>	<b>925,066,063</b>

## Schedules forming part of the Consolidated Accounts

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 2A MINORITY INTEREST</b>		
Share Capital	21,879,050	21,879,050
Security Premium	21,359,050	21,359,050
Profit/(Loss)	(16,075,410)	(19,407,787)
<b>Total</b>	<b>27,162,690</b>	<b>23,830,313</b>

### SCHEDULE 3 SECURED LOANS

<b>A. Term Loans</b>		
i) Rupee Term Loans		
Under textile modernisation Fund scheme from		
a) Industrial Development Bank of India - TUF Scheme-I	15,401,569	25,001,569
b) Industrial Development Bank of India-1	7,218,750	8,043,750
c) Industrial Development Bank of India-2	56,141,517	62,557,717
d) Industrial Development Bank of India- TUF Scheme-II	603,900,000	644,525,000
e) Industrial Development Bank of India-3	6,257,937	6,994,165
f) I F C I Ltd., - II	8,134,000	24,402,000
g) State Bank of India -TUF Scheme-I	248,875,000	267,600,000
h) State Bank of India -TUF Scheme-II	373,125,000	401,287,000
i) State Bank of Mysore - TUF Scheme	88,100,000	88,800,000
j) State Bank of India	132,900,000	133,600,000
k) Andhra Bank	126,418,442	–
	<b>1,666,472,215</b>	<b>1,662,811,201</b>
<b>B. Working Capital Loans From</b>		
State Bank of India - Cash Credit	568,369,459	292,942,253
- Packing Credit	210,516,727	102,318,730
- SLC	40,000,000	50,652,565
State Bank of Hyderabad - Cash Credit	87,696,811	71,062,666
- Packing Credit	75,369,415	47,815,576
- SLC	30,008,296	–
State Bank of Mysore - Cash Credit	119,511,767	123,213,029
State Bank of Indore - Cash credit	–	83,208,707
- Packing Credit	–	35,273,101
IDBI Bank Ltd. - Cash Credit	84,366,438	–
- Packing Credit	50,000,000	–
	<b>1,265,838,913</b>	<b>806,486,627</b>
<b>C. Vehicle Hire Purchase Loans from Kotak Mahindra Prime Ltd</b>	<b>2,850,786</b>	<b>1,219,154</b>
<b>Total (A+B+C)</b>	<b>2,935,161,914</b>	<b>2,470,516,982</b>

## Schedules forming part of the Consolidated Accounts

### Notes:

1. The Loans referred at (a) to (f ) and (h) to (i) 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.
2. 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.
3. The Loan referred at (j) above is secured by mortgage of present and future movable and immovable properties of the subsidiary Company and guaranteed by two Directors of the Company.
4. The Loan referred at (k) above is secured by mortgage of the fixed assets created by virtue of proposed term loan for the present movable and immovable properties of the Company on first charge paripassu basis.
5. 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 and its subsidiary on pari-passu basis and further guaranteed by two Directors of the company,in their personal capacities.
6. Hire purchase loans referred at (D) above are secured by hypothecation of the respective assets and Guaranteed by one of the directors of the Company.

### SCHEDULE 4 UNSECURED LOANS

a) From Directors	7,119,973	7,118,575
b) Fixed Deposits	49,850,000	57,403,299
c) Inter Corporate Deposits	59,652,503	71,669,828
d) Deferred Sales Tax Liability	20,554,549	20,554,549
	<b>137,177,025</b>	<b>156,746,251</b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 5 FIXED ASSETS

(Amount in ₹)

Description of the Assets	Gross Block			Depreciation			Net Block as at			
	Cost as at 01.04.2010	Additions during the year	Deductions during the year	Cost as at 31.03.2011	Upto 31.03.2010	For the year	On Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Land	15,970,237	21,152,152	-	37,122,389	-	-	-	-	37,122,389
Factory Buildings	505,955,158	37,157,044	-	543,112,202	97,347,736	17,348,933	-	114,696,669	428,415,533	408,607,422
Non-Factory Buildings	193,770,438	15,321,595	-	209,092,033	20,995,577	3,200,666	-	24,196,243	184,895,790	172,774,861
Town Ship	36,920,319	8,673,205	-	45,593,524	2,067,017	602,188	-	2,669,205	42,924,319	34,853,302
Work Shop Equipment	705,288	11,157	-	716,445	172,755	30,096	-	202,851	513,594	532,533
Plant And Machinery	3,001,366,609	221,428,448	4,553,798	3,218,241,259	1,280,132,602	192,598,108	4,388,709	1,468,342,001	1,749,899,258	1,721,234,006
Testing Equipment	31,325,050	260,792	-	31,585,842	7,980,390	1,484,325	-	9,464,715	22,121,127	23,344,660
Electrical Instalations	223,096,691	10,775,850	-	233,872,541	63,058,335	10,669,350	-	73,727,685	160,144,856	160,038,356
Weighing Machines	2,661,408	27,646	-	2,689,054	1,275,749	112,565	-	1,388,314	1,300,740	1,385,659
Water Works	18,276,336	253,310	-	18,529,646	2,425,608	307,296	-	2,732,904	15,796,742	15,850,728
Furniture & Fixtures	24,805,395	2,818,632	-	27,624,027	11,970,524	1,625,960	-	13,596,484	14,027,543	12,834,872
Office Equipments	1,172,876	102,515	-	1,275,391	319,312	77,093	-	396,405	878,986	853,563
Vehicles	12,551,921	3,480,578	458,587	15,573,912	3,984,285	1,321,992	315,007	4,991,270	10,582,642	8,567,636
Data Processing Eqpt	14,095,939	2,445,600	-	16,541,539	8,595,316	1,888,332	-	10,483,648	6,057,891	5,500,624
<b>Total</b>	<b>4,082,673,665</b>	<b>323,908,524</b>	<b>5,012,385</b>	<b>4,401,569,804</b>	<b>1,500,325,206</b>	<b>231,266,904</b>	<b>4,703,716</b>	<b>1,726,888,394</b>	<b>2,674,681,410</b>	<b>2,582,348,459</b>
Capital Work In Progress	5,642,562	419,835,230	323,908,524	101,569,268	-	-	-	-	101,569,268	5,642,562
<b>Total</b>	<b>4,088,316,227</b>	<b>743,743,754</b>	<b>328,920,909</b>	<b>4,503,139,072</b>	<b>1,500,325,206</b>	<b>231,266,904</b>	<b>4,703,716</b>	<b>1,726,888,394</b>	<b>2,776,250,678</b>	<b>2,587,991,021</b>
Less : Internal Transfers	-	323,908,524	323,908,524	-	-	-	-	-	-	-
<b>Total</b>	<b>4,088,316,227</b>	<b>419,835,230</b>	<b>5,012,385</b>	<b>4,503,139,072</b>	<b>1,500,325,206</b>	<b>231,266,904</b>	<b>4,703,716</b>	<b>1,726,888,394</b>	<b>2,776,250,678</b>	<b>2,587,991,021</b>
Previous Year	3,999,982,110	99,399,074	11,064,957	4,088,316,227	1,291,552,240	217,382,687	8,609,721	1,500,325,206	2,587,991,021	2,708,429,870

## Schedules forming part of the Consolidated Accounts

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 6 INVESTMENTS - (LONG TERM, at Cost)</b>		
1) Unquoted - Non Trade		
(a) National Savings Certificates (1992) (Pledged as security with Central Excise Department)	1,000	1,000
(b) National Saving Certificates (1987) (Pledged as security with Sales Tax Department)	10,000	10,000
(2) Others [At cost -Traded - quoted]		
(a) 1,02,100 Equity shares of ₹10 each. in Suryavanshi Spinning Mills Ltd, [Aggregate market value of quoted investments ₹22,97,250/- (Previous Year ₹21,08,365/-)]	10,519,000	10,519,000
	10,530,000	10,530,000
Less: Net Diminution in the value of Investments	8,221,750	8,410,635
	<b>2,308,250</b>	<b>2,119,365</b>

<b>SCHEDULE 7 INVENTORIES</b>		
(Valued and certified by the Management)		
Valued at lower of cost and net realisable value unless otherwise stated		
Raw materials	671,564,443	321,149,056
Stores and Spares	108,901,814	139,589,990
Finished Goods	232,893,484	269,524,239
Stock-in-process	313,471,062	243,115,352
Cotton Waste (at realisable value)	2,317,282	2,018,814
	<b>1,329,148,085</b>	<b>975,397,451</b>

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 8 SUNDRY DEBTORS</b>		
(Unsecured)		
Due over six months - Considered good	15,651,146	46,334,603
- Considered Doubtful	6,026,946	6,026,946
Less: Provision for Bad and Doubtful debts.	6,026,946	6,026,946
Others	685,964,334	455,001,648
	<b>701,615,480</b>	<b>501,336,251</b>

## Schedules forming part of the Consolidated Accounts

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 9 CASH AND BANK BALANCES</b>		
Cash on Hand	2,212,258	623,373
With Scheduled Banks:		
In Current Accounts	4,816,313	4,068,562
In SBI CC Accounts	–	1,743,478
In Margin Money Deposits	22,288,460	11,927,760
In fixed deposits	68,995,139	3,746,820
With Post Office Saving Bank (Kept as security with Central Excise Department)	1,000	1,000
(Maximum balance ₹1000/-)		
	98,313,170	22,110,993

[Balance in current accounts include unpaid dividend accounts]

### SCHEDULE 10 LOANS AND ADVANCES

(Unsecured considered good, recoverable in cash or in kind or for value to be received)		
Advances for Purchases	200,848,133	67,683,986
TED refund receivable	21,967,619	9,012,543
Interest subsidy receivable	68,707,142	59,548,993
Advances to Staff	2,877,072	2,833,924
Deposits recoverable	91,225,827	41,161,108
Claims/Other Receivable	120,429,069	120,257,616
Export Benefit Entitlement Receivable	68,924,079	32,879,471
Pre-paid expenses	4,387,429	5,428,747
Excise Duty Refund Receivable	20,729,369	7,466,907
Balance With Central Excise Department	1,236,945	5,717,371
Accrued interest	2,977,560	2,324,400
Other advances	73,692,934	73,692,934
	678,003,177	428,008,000

## Schedules forming part of the Consolidated Accounts

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE 11 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors for R M & Stores/Capital goods		
Due to small scale Industrial undertakings	13,605,607	10,713,221
Others	452,826,129	346,801,335
Creditors : for Expenses	183,613,349	133,072,566
: for other Finance	12,324,412	7,210,528
Unclaimed Dividend*	1,078,124	706,572
Advances received against sales	22,671,805	33,953,139
<b>Total</b>	<b>686,119,426</b>	<b>532,457,361</b>
<b>B. Provisions</b>		
For Preference Dividend	67,160	67,160
For Proposed Dividend - Equity	20,043,435	13,362,290
For Corporate Dividend Tax	3,262,441	2,230,464
For Income Tax ( Net )	9,699,809	216,041
For Fringe Benefit Tax	17,495	154,306
<b>Total</b>	<b>33,090,340</b>	<b>16,030,261</b>
<b>Total (A+B)</b>	<b>719,209,766</b>	<b>548,487,622</b>

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

### SCHEDULE 12 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)				
Preliminary & Capital issue expenses	4,443,454		6,968,192	
Less : written off during the year	2,524,738	1,918,716	2,524,738	4,443,454
Preoperative Expenses	28,619		38,157	
Less: written off during the year	9,537	19,082	9,538	28,619
c) Trail Run Expenses	19,916,939		22,762,216	
Less: written off during the year	2,845,279	17,071,660	2,845,277	19,916,939
Deferred Revenue Expenses				
Opening Balance	10,584,920		16,871,040	
Less:Written off during the year	6,286,120	4,298,800	6,286,120	10,584,920
		<b>23,308,258</b>		<b>34,973,932</b>

## Schedules forming part of the Consolidated Accounts

(Amount in ₹)

	Current Year	Previous Year
<b>SCHEDULE 13 SALES</b>		
Yarn	2,300,745,386	1,486,621,028
Fabric	3,528,009,345	2,488,591,432
Waste	54,773,207	36,252,137
Garments	287,293,778	226,889,478
	<b>6,170,821,716</b>	<b>4,238,354,075</b>

<b>SCHEDULE 14 OTHER INCOME</b>		
Interest-earned	3,762,386	4,084,848
Profit on sale of assets	1,813,111	5,432,357
Export Benefit Entitlement	114,461,646	74,269,288
Excess Provisions written back	232,786	438,524
Foreign Exchange Fluctuations (net)	5,470,914	2,002,455
Packing & Forwarding Charges	1,842,420	1,894,427
Scrap Sales / waste fabric sales	3,483,796	4,064,308
Miscellaneous Receipts	5,747,754	819,404
Increase in value of Investments	188,885	1,428,846
	<b>137,003,698</b>	<b>94,434,457</b>

<b>SCHEDULE 15 RAW MATERIALS CONSUMED</b>		
Opening Stocks	321,149,056	140,976,242
Add : Purchases	3,906,932,239	2,614,353,180
	<b>4,228,081,295</b>	<b>2,755,329,422</b>
Less : Cost of Raw materials sold	5,629,533	33,870,753
Less : Closing Stocks	671,564,443	321,149,056
	<b>3,550,887,319</b>	<b>2,400,309,613</b>

<b>SCHEDULE 16 STORES CONSUMED</b>		
Consumable Stores	119,037,768	83,224,398
Dyes and Chemicals	386,825,709	286,433,939
Packing Material Consumed	54,055,080	50,987,119
	<b>559,918,557</b>	<b>420,645,456</b>

<b>SCHEDULE 17 POWER &amp; FUEL</b>		
Electricity Charges	370,073,244	323,468,218
Fuel Consumed	82,572,194	59,009,883
	<b>452,645,438</b>	<b>382,478,101</b>



## Schedules forming part of the Consolidated Accounts

(Amount in ₹)

	Current Year	Previous Year
<b>SCHEDULE 20 FINANCE CHARGES</b>		
Interest on Term Loans	120,222,330	119,707,523
Interest on others	102,622,865	95,589,229
Bank Charges	26,717,336	16,778,145
	<b>249,562,531</b>	<b>232,074,897</b>

<b>SCHEDULE 21 (INCREASE) IN STOCKS</b>		
<b>Opening Stocks:</b>		
Yarn	67,483,475	44,198,908
Fabric	185,822,663	203,332,115
Garments	16,218,101	18,346,664
Work-in-process	243,115,352	242,190,475
Cotton Waste	2,018,814	1,640,530
	<b>514,658,405</b>	<b>509,708,692</b>
<b>Closing Stocks:</b>		
Yarn	57,022,697	67,483,475
Fabric	140,502,542	185,822,663
Garments	35,368,245	16,218,101
Work-in-process	314,261,952	243,115,352
Cotton Waste	1,526,392	2,018,814
	<b>548,681,828</b>	<b>514,658,405</b>
<b>(Increase) in stocks</b>	<b>(34,023,423)</b>	<b>(4,949,713)</b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS

Notes forming part of Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on that date.

(Amount in ₹)

	As at 31.03.2011	As at 31.03.2010
<b>1 Contingent Liabilities not provided for</b>		
a) Contracts to be executed on capital accounts.	1,153,239,045	130,279,355
b) Against Foreign Letters of Credit & Inland Letter of Credit	9,643,815	4,533,043
c) Against Bank Gaurantees	13,366,600	2,066,940
d) Against Bills discounted	448,984,388	191,313,664
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	–	28,534,563
f) Demand from Central Excise Department in connection with the clearance of the goods disputed by the Company and allowed by the Commissioner Appeals, Nagpur in Company's favour. However the department has preferred an appeal against the Commissioner's order	7,850,277	7,850,277
g) Demand against Reversal of Excise Duty on Finished Goods and Cenvat Credit involved in the stock of inputs while opting for the Central Excise Notification No. 30/2004. Company's appeal was allowed by Appellate Commissioner of Customs & Central Excise, Nagpur. However, the Central Excise Department has filed an appeal against the above Order with CESTAT	3,288,688	3,288,688
h) Disputed demand from sales tax department on input tax credit, Appeal remanded by Appellate Dy. Commissioner, (CT). Pending for verification & orders with Dy./Asst. Commissioner (CT), Begumpet Division, Hyderabad	5,874,266	5,874,266
i) Disputed demand from sales tax department on subjecting the turnover of unit at Maharashtra to tax along with the turnover of Andhra Pradesh and setoff. The appeal filed before STAT(A.P) by the Company was partly allowed and the balance was remanded for verification by the department	2,881,750	2,163,938
j) Interest charged u/s.234B of the Income Tax Act,1961 - Interest waiver Petition filed before Hon'ble Chief Commissioner of Income Tax-I, Hyderabad	–	11,866,089

2 The legal proceedings against M/s Rajvir Industries Ltd., for the recovery of the balance outstanding in the books of the company of ₹2,36,92,934/- (Previous Year ₹2,36,92,934/-) are pending

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 ₹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 ₹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 A order has been received from the office of DGFT Hyderabad for alleged violation of Target Plus Scheme (TPS) to recover ₹38.07 Crores including interest and penalties. Apart from this a penalty of ₹25 Lakhs each on CMD and MD and ₹5 Lakhs on some other Directors of the Company has been imposed. A show cause notice on the same issue for ₹10.59 crores was issued by DRI. The Company has been advised that no liability is likely to arise under the notice as the allegations are unfounded and the company is taking adequate steps to defend itself. However, we have paid ₹5 Crores to DRI in this connection.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 6 Other Disclosures

Allocation of Corporate Office expenses to segment 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) Power Project & others	Power
d) Garments	Garments

#### 7 Related Party Disclosure

Related party disclosure as required by AS-18 "Related party disclosure" are given under:

##### a) Transactions during the year

Name of the party	Relationship	Nature of Transaction	Current Year Amount (₹)	Previous Year Amount (₹)
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	5,777,484	2,400,000
		b) Interest	283,924	638,310
		c) Commission	2,109,677	–
Shri P K Agarwal Managing Director	Key Management	a) Remuneration	5,569,954	2,400,000
		b) Interest	198,945	426,082
		c) Commission	2,136,290	–
Shri L N Agarwal (HUF)	Key Management	Interest	131,436	79,625
Shri H L Ralhan Director	Key Management	Remuneration	2,238,410	1,889,400
Smt Sathyabhamabai	Wife of Shri L N Agarwal	Interest	2,097,947	1,278,875
Smt Padmini Agarwal	Wife of Shri P K Agarwal	a) Interest	1,189,766	784,545
		b) Remuneration	1,108,065	–
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	Interest	387,372	235,625
Master Vedanth Agarwal	Son of Shri P K Agarwal	Interest	493,261	299,000
Smt Sabita Jain	Daughter of Shri LN Agarwal	Office Rent	419,520	419,520
M/s Suryalata Spinning Mills Ltd	Enterprises in Which the relatives of key management personnel are interested	Purchase of Raw Material	2,859,818	9,605,329
M/s. Suryajyothi Spinning Mills Ltd.,	Enterprises in Which the relatives of key management personnel are interested	Sale of Yarn	38,880	13,597,477
		Sale of Fabric	18,000	–
		Purchase of Fabric	27,158,533	–
M/s. Suryavanshi Spinning Mills Ltd.,	Enterprises in Which the relatives of key management personnel are interested	Purchase of Raw Material	–	403,451
		Raw Cotton Sales	–	31,584,738
		Sale of PSF	45,341	–
M/s. Suryavanshi Industries Ltd.,	Enterprises in Which the relatives of key management personnel are interested	Cost of Machinery	–	392,994
		Cotton Purchases	38,919,484	–
M/s Jayman Dealers Pvt. Ltd	Enterprise in which the relatives of Key Management personnel are interested	Claim of Fabric	850,000	–
		Sales Return-Fabric	–	1,210,400
		Purchase of Fabric	–	7,115,349
M/s SVP Distributors Pvt. Ltd.	Enterprise in which the relatives of Key Management personnel are interested	Interest (Gross)	3,324,465	2,718,000

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### b) Balance as at 31-03-2011 (Payable)

Name of the party	Relationship	Nature of Transaction	Current Year Amount (₹)	Previous Year Amount (₹)
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	249,800	159,800
		b) Interest (Net)	1,192,407	1,133,282
		c) Unsecured Loan	2,750,000	2,750,000
		d) Commission	2,109,677	–
Shri P K Agarwal Managing Director	Key Management	a) Remuneration	234,800	–
		b) Interest (Net)	806,454	735,293
		c) Unsecured Loan	2,500,000	2,500,000
		d) Commission	2,136,290	–
Shri L N Agarwal (HUF)	Key Management	a) Interest (Net)	44,590	71,662
		b) Deposits	2,050,000	1,225,000
Shri H L Ralhan Director	Key Management	Remuneration	129,800	92,240
Smt Sathyabhamabai	Wife of Shri L N Agarwal	a) Interest (Net)	704,415	1,150,988
		b) Deposits	19,675,000	19,675,000
Smt Padmini Agarwal	Wife of Shri P K Agarwal	a) Interest (Net)	405,972	706,090
		b) Remuneration	946,962	–
		c) Deposits	16,050,000	11,050,000
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	a) Interest (Net)	130,539	212,062
		b) Deposits	4,475,000	3,625,000
Master Vedanth Agarwal	Son of Shri P K Agarwal	a) Interest (Net)	167,177	269,100
		b) Deposits	7,400,000	4,600,000
Smt Sabita Jain	Daughter of Shri LN Agarwal	Office Rent	188,784	326,471
M/s SVP Distributors Pvt. Ltd.	Enterprise in which the relatives of Key Management personnel are interested	a) Interest (Net)	5,141,764	3,416,046
		b) Deposits	56,300,000	47,350,000

#### c) Receivable as at 31-03-2011

M/s. Suryajyothi Spinning Mills Ltd.	Enterprise in which the relatives of Key Management personnel are interested	Sale of Raw Material	–	415,133
M/s. Suryavanshi Industries Ltd.	Enterprise in which the relatives of Key Management personnel are interested	Sale of Raw Material	1,080,516	–
M/s Jayman Dealers Pvt. Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Fabric	–	365,425
		Claim on Fabric	850,000	–

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

- 8 The Sales tax deferment liability amounting to ₹2,05,54,549/- shown under unsecured loans is due for repayment from the year 2011.

Year	Amount ₹	Date of Repayment
1997-1998	538,636	15.06.2011
1998-1999	511,508	01.04.2012
1999-2000	2,987,995	01.04.2013
2000-2001	2,872,845	01.04.2014
2001-2002	2,228,483	01.04.2015
2002-2003	2,052,402	01.04.2016
2003-2004	785,011	01.04.2017
2004-2005	326,756	01.04.2018
2006-2007	513,700	01.04.2020
2007-2008	41,280	01.04.2021
2008-2009	1,956,093	01.04.2022
2009-2010	5,739,840	01.04.2023
<b>Total</b>	<b>20,554,549</b>	

- 9 Pursuant to Scheme of restructuring package of Term Loans the Company has allotted 0.1% Cumulative Redeemable Preference Shares of ₹100/- each on 28th October, 2002 to IDBI and IFCI and the same will be redeemed to IDBI in March, 2012 (₹400 lacs) and to IFCI in July, 2011 (₹271.60 Lacs)
- 10 The amount of CRPS of ₹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 During the year 2005-06 the Company has incurred an amount of ₹12523000/- being the expenditure incurred for raising equity. The same will be amortised over a period of 5 years from the date of commencement of operations, i.e., from the financial year 2006-07.
- 12 In the opinion of the Board, the current assets and loans & advances have a value on realisation to the ordinary course of business atleast equal to the amount at which they are stated.
- 13 Vide Notification No.30/09.07.2004 of the Central Excise Department we can opt for zero rate of duty by not taking Cenvat credit on Inputs and vide Tariff rate (Previous year under Notification No.29/09.07.2004) of Central Excise Department we can opt for payment of duty on Final products by taking credit on inputs and capital items. Accordingly in case of Denim Fabric and cotton yarn we have opted for Zero rate of duty and not availed Cenvat credit on the purchase of inputs and capital items, where as in case of Polyester yarn we have taken cenvat credit on part of the raw material which are used for production of polyester yarn meant for export, and cleared the material for export on payment of duty.
- 14 There was a major fire accident in spinning department of Denim Division at Ramtek, Nagpur District, Maharashtra State during January, 2008, in which the Building, Plant & Machinery, Electrical Installations and stocks were totally damaged. The factory was fully insured under reinstatement policy for fixed assets and under declaration policy for stocks. The Company's Insurance claim is processed and settled partly. The Company received an amount of ₹26.09 crores from the Insurance Company including salvage. The part claim of ₹4.90 crores which is still to be settled by the Insurance Company is shown under Claims receivable.
- 15 Repayment of 2,00,000 - 5% Non-Cumulative redeemable Preference Shares of ₹100/- each redeemable on 21st December, 2021.
- 16 Trial Run Expenditure of ₹2,84,52,771/- treated as Deferred Revenue Expenditure, to be written of in 10 years.
- 17 Previous year's figures have been regrouped where ever necessary. Parse have been rounded off to the nearest rupee. Previous Year figures are shown in brackets

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 23 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 its 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 diminution / increase 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 crystallisation.

#### 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.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 23 SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT(Contd.)

#### 8 Foreign Exchange Transactions :

- a) 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.
- b) Earnings in foreign currency other than export sales are accounted for at the rate of conversion on the date of realisation.
- c) Imports of material / capital equipment are accounted at the rates at which the actual payments are made.
- d) 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.

#### 12 Miscellaneous Expenditure

Miscellaneous Expenses is written off over a period of 10 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 23

per Our Report of even date

for **Brahmayya & Co**  
Chartered Accountants

**K. S. Rao**  
Partner  
Membership No.15850

Place : Hyderabad  
Date : 07.05.2011

**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

## Consolidated Cash Flow Statement For the year ended 31st March 2011

(Amount in ₹)

	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before Tax	515,559,734	73,029,671
Adjustment for		
Add: Depreciation	231,266,904	217,382,687
Interest	222,845,195	215,296,752
Debit balance written off	227,051	7,364
Miscellaneous expenses written off	11,665,674	11,665,673
Loss on sale of assets	17,358	607,230
Investment Written Off	–	75,000
	981,581,916	518,064,377
Less: Interest Received	3,762,386	4,084,848
Excess provision written back	84,927	261,716
Profit on sale of assets	1,813,111	5,432,357
Increase in Value of Investments	188,885	1,428,846
	5,849,309	11,207,767
<b>Operating profit before working capital changes</b>	<b>975,732,607</b>	<b>506,856,610</b>
Adjustment for changes in :		
Current Liabilities	148,444,067	161,603,849
Inventories	(353,750,634)	(178,140,413)
Receivables	(200,421,353)	33,094,483
Loans and Advances	(247,298,183)	171,805,884
<b>Cash generated from Operations</b>	<b>322,706,504</b>	<b>695,220,413</b>
Income tax paid net of refunds	(104,345,907)	(21,886,002)
<b>Net cash from operating activities (A)</b>	<b>218,360,597</b>	<b>673,334,411</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Sale of fixed assets	2,104,422	6,848,384
Interest received	1,547,898	4,308,431
Increase in fixed assets	(419,835,230)	(98,967,094)
<b>Net cash used in Investing activities (B)</b>	<b>(416,182,910)</b>	<b>(87,810,279)</b>

## Consolidated Cash Flow Statement For the year ended 31st March 2011 (Contd.)

(Amount in ₹)

	Current Year	Previous Year
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Preference Share Capital	–	20,000,000
Share Warrant Application Money	78,300,000	–
Increase in Secured Loans	126,418,442	–
Increase in Bank Borrowings	459,352,286	–
Increase in Hire Purchase Loan	2,592,513	1,219,154
Increase in Unsecured Loans	29,010,397	14,923,732
Repayment of Term Loan	(122,757,428)	(341,426,220)
Repayment of Hire Purchase Loan	(960,881)	(73,320)
Repayment of Unsecured Loans	(48,579,623)	(50,227,799)
Interest paid	(218,481,255)	(211,526,936)
Dividend/Tax on dividend	(30,869,961)	(79,287)
Decrease in Bank Borrowing	–	(18,732,837)
<b>Net cash generated/(used) in Financing Activities (C)</b>	<b>274,024,490</b>	<b>(585,923,513)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>76,202,177</b>	<b>(399,381)</b>
Cash/Cash Equivalents at the Beginning of the year	22,110,993	22,510,374
Cash/Cash Equivalents at the end of the year	98,313,170	22,110,993

per Our Report of even date

for **Brahmayya & Co**  
Chartered Accountants

**K. S. Rao**  
Partner  
Membership No.15850  
Place : Hyderabad  
Date : 07.05.2011

**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

## Information relating to subsidiary, i.e., Suryakiran International Limited

(Pursuant to Circular No.2/2011 of Ministry of Corporate Affairs dated : 08.02.2011)

As at and for the period ended on 31st March, 2011

(Amount in ₹)

Sl.	Particulars	As at 31.03.2011	As at 31.03.2010
a)	<b>Share Capital :</b>		
	<b>Authorised :</b>		
	5,000,000 (Previous year 5,000,000) Equity Shares of ₹10/- each	50,000,000	50,000,000
	200,000 (Previous Year 200,000) - 5% Non-Cumulative Redeemable Preference shares of ₹100/- each	20,000,000	20,000,000
		<b>70,000,000</b>	<b>70,000,000</b>
	<b>Issued :</b>		
	4,457,765 (Previous year 4,457,765) Equity Shares of ₹10/- each	44,577,650	44,577,650
	200,000 (Previous Year 200,000) - 5% Non-Cumulative Redeemable Preference shares of ₹100/- each	20,000,000	20,000,000
		<b>64,577,650</b>	<b>64,577,650</b>
	<b>Subscribed and Paid Up :</b>		
	4,457,765 (Previous year 4,457,765) Equity Shares of ₹10/- each (of the above 2,269,860 Equity shares (Previous year 2,269,860 Equity shares) are held by the Holding Company Suryalakshmi Cotton Mills Ltd.)	44,577,650	44,577,650
	200,000 (Previous Year 200,000) - 5% Non-Cumulative Redeemable Preference shares of ₹100/- each	20,000,000	20,000,000
	<b>TOTAL :</b>	<b>64,577,650</b>	<b>64,577,650</b>
b)	<b>Reserves and Surplus :</b>		
	Security Premium	43,457,650	43,457,650
	<b>TOTAL :</b>	<b>43,457,650</b>	<b>43,457,650</b>
c)	<b>Total Assets :</b>		
	Total Assets of the Subsidiary	307,190,169	309,279,492
d)	<b>Total Liabilities :</b>		
	Total Liabilities of the Subsidiary	307,190,169	309,279,492
e)	<b>Investments :</b> (Other than of Subsidiaries)		
f)	<b>Turnover (Net sales &amp; Other Income) :</b>	301,229,109	244,531,861
g)	<b>Profit before taxation :</b>	6,789,579	(8,919,586)
h)	<b>Provision for taxation :</b>	-	-
i)	<b>Profit after taxation :</b>	6,789,579	(8,919,586)
j)	<b>Proposed Dividend :</b>	-	-

# National ECS / Electronic Clearing Service (ECS) for payment of dividend

## To the shareholders

The Company has introduced NECS / 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 branchwise 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 NECS/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 NECS/ECS facility, wherever the said facility is available.

Presently, NECS/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 ₹5 lacs.

Shareholders holding shares in physical form wishing to participate in this scheme may please fill in the NECS/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 NECS/ECS Mandate Form.

The shareholders holding shares in electronic form in the depository system are requested to forward the NECS/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 LTD.

Regd. Office : Surya Towers, 6th Floor, 105, S.P.Road, Secunderabad-500 003

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 photocopy 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 :

Signature of the Shareholder \*

(\*as per specimen signature)

### Banker's Certification

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

Banker's Seal

Signature of the Authorised

Date :

Official of the Bank







## SURYALAKSHMI COTTON MILLS LTD.

Regd. Office : Surya Towers, 6th Floor, 105, S.P.Road, Secunderabad-500 003

### ATTENDANCE SLIP

48th Annual General Meeting, 29th September, 2011, at 10.30 a.m.

Regd Folio No	
No of Shares Held	

* DP ID	
* Client ID	

Name of the Shareholder	
Name of Proxy	
Signature of Member / Proxy	

I hereby record my presence at 48th Annual General Meeting of the Company at "Triveni", Kamat Lingapur Hotel, 1-10-44/2 Chikoti Gardens, Begumpet, Hyderabad - 500016.

Signature of the member or the Proxy Attending the meeting

\_\_\_\_\_   
 If Member, please sign here

\_\_\_\_\_   
 If Proxy, please sign here

**Note:** This form should be signed and handed over at the Meeting Venue. No duplicate Attendance Slip will be issued at the Meeting Hall. You are requested to bring copy of the Annual Report to the Meeting.

\* Applicable for investors holding shares in electronic form.



## SURYALAKSHMI COTTON MILLS LTD.

Regd. Office : Surya Towers, 6th Floor, 105, S.P.Road, Secunderabad-500 003

### PROXY FORM

Folio No:	
-----------	--

* DP ID	
* Client ID	

I/We \_\_\_\_\_   
 Of \_\_\_\_\_ being a member / member(s) of   
 SURYALAKSHMI COTTON MILLS LIMITED hereby appoint \_\_\_\_\_ of   
 \_\_\_\_\_ or failing him \_\_\_\_\_ of   
 \_\_\_\_\_ as my/our proxy to attend and vote for me/us on   
 my/our behalf at the 48th Annual General Meeting of the Company to be held on 29th September, 2011 and at any adjournment   
 thereof.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signed by the said \_\_\_\_\_

Affix 30 paise   
 Revenue   
 Stamp

**Note:** The proxy form must be deposited at the registered Office of the Company, not less than 48 hours before the time for holding meeting.

