



International brands like
VF Corporation, Levi's, Wal-Mart,
Perry Ellis, Jones International,
M&S, C&A, ASDA, George, Next,
Miss Sixty, Mango, Otto, Carrefour
and Sainsbury have dozens of
eligible international denim
vendors to select from. They
prefer to work with one.
Suryalakshmi Cotton Mills Limited.
The brand behind the brand.

Suryalakshmi Cotton Mills Limited is a leading integrated textile company in India, enjoying decades of stakeholder trust and respect.

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.

Mission

The mission of Suryalakshmi Cotton Mills is to empower the dominance of the organisation in the Indian market while it expands and develops a strong presence in the international market.

Suryalakshmi’s products, operations and services, are globally benchmarked against the best.

Parentage

- Incorporated in 1962; promoted by Mr. L. N. Agarwal (Chairman and Managing Director)
- Captured the extensive value chain from the manufacture of cotton yarn to denim fabric to garments
- Recognised as an export house by the Government of India
- Promoter’s stake of 61.12% in the Company’s equity capital
- Market capitalisation of Rs. 76.3 crore as on 31st March 2010

Presence

- Headquartered in Secunderabad (Andhra Pradesh), India
- Denim manufacturing facility in Ramtek (Maharashtra) and two spinning units of polyester cotton and synthetic yarn in Amanagallu (Andhra Pradesh)
- Products marketed in India and more than 20 countries such as, Israel, Panama, Egypt, Bangladesh, Sri Lanka, Indonesia, Mauritius, Singapore, UK, Guatemala, Syria, Taiwan, Turkey and USA, among others
- Shares listed and traded on the Bombay Stock Exchange and National Stock Exchange.

Pride

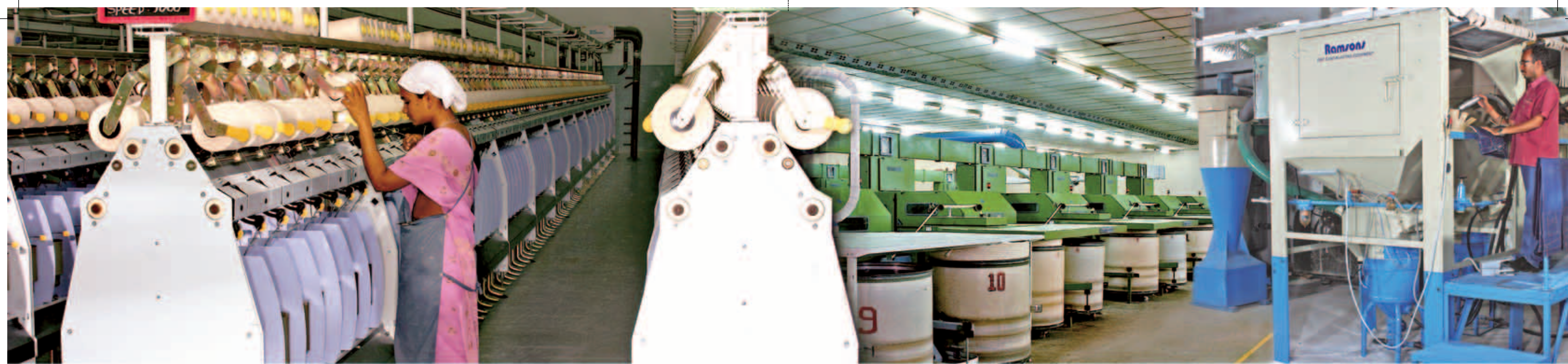
- Manufacturing units certified for ISO 9001:2000
- Certified with Global Organic Textile Standard (GOTS) for organic cotton and organic exchange.
- Certified for Oeko Tex Standard 100 Product Class II up to 31st December, 2010.

Partners

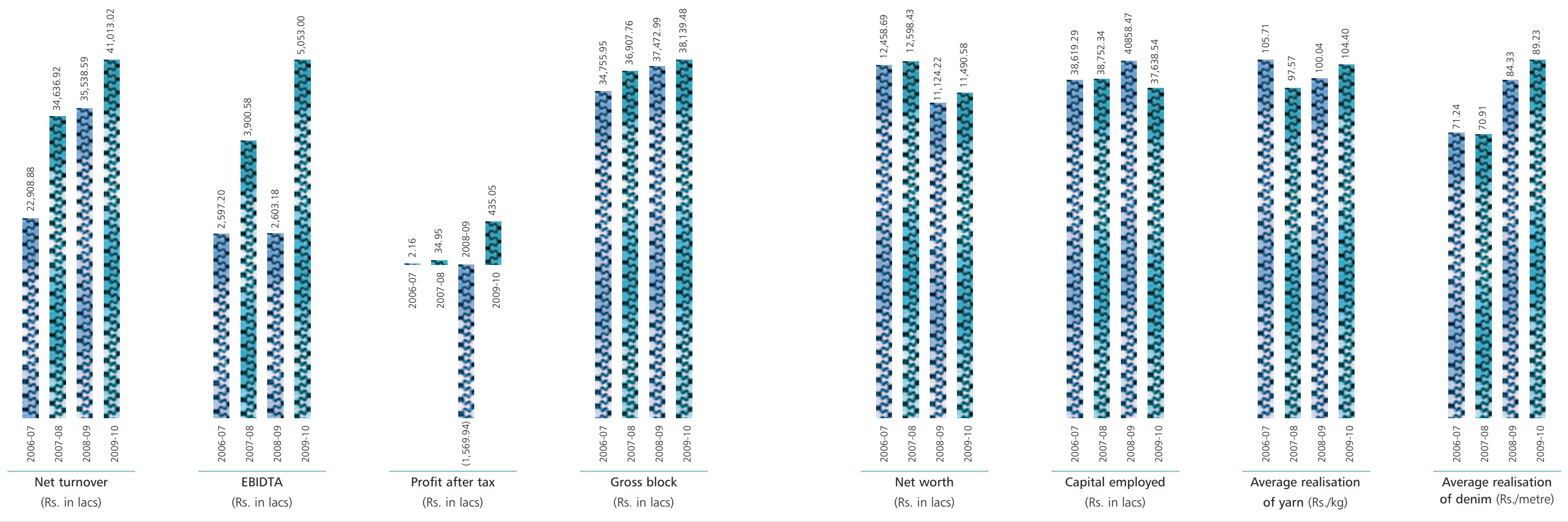
- The Company caters to reputed brands like VF Corporation, Levi’s, Wal-Mart, Perry Ellis, Jones International, M&S, C&A, ASDA, George, Next, Miss Sixty, Mango, Carrefour, Sainsbury, Mothercare, Li & Fung and Woolworth, among others.

Products

Yarn division	Fabric division	
	Denim fabric	Bottom weight
<ul style="list-style-type: none">● 100% spun polyester yarn.● Polyester cotton blended yarn (combed/carded).● Polyester/viscose blended yarn.● Ne 6 to Ne 40● Single/Double	<ul style="list-style-type: none">● Products category includes 100% cotton, cotton stretch, slubs, mixed counts, cotton warp with poly micro weft● Mercerised denim● Coated denim● Colour denim	<ul style="list-style-type: none">● Product weaves includes bull denims, twills, drills, herring bone canvas shoe ducks, Oxfords broken twills, satin pique cords, dobbies and rib stops● Special finishes like wrinkle free, water repellant, coating, silky finish and paper finish● Cotton stretch



Our growing numbers, 2009-10



Chairman’s overview



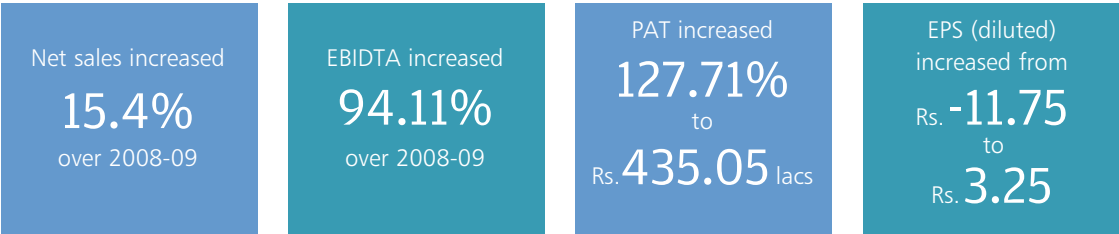
L. N. Agarwal, Chairman and Managing Director

“We will capitalise on the industry turnaround through a Rs. 500 crore turnover in 2010-11 and fresh investments to sustain our growth over the coming years.”

Dear Shareholders,

I am pleased to report a favourable year during which the textile industry emerged from the global slowdown faster than most other sectors and your Company reported a rapid turnaround with the prospect of reporting robust sustainable growth over the foreseeable future.

Our performance for the year under review is given in the following numbers:



Last quarter, 2009-10

However, I must caution shareholders that these numbers appear muted only because the first two quarters of the financial year under review were subdued for the industry (the Company reported a loss after tax of Rs. 404.47 lacs for the first half) and the full potential of a rebound was only fully reflected in the last quarter.

Hence a comparison of what the Company reported for the first three quarters with what it reported in the last quarter would be advisable for a fair insight into the Company’s prospects for the current financial year.

- Average quarterwise net sales of Rs. 9,754.76 lacs for the first three quarters compared with Rs. 11,748.75 lacs net sales in the last quarter of 2009-10
- Average quarterwise EBIDTA of Rs. 1,095.51 lacs for the first three quarters compared with Rs. 1,766.47 lacs EBIDTA in the last quarter of 2009-10
- Average quarterwise PAT of Rs. 7.42 lacs for the first three quarters compared with Rs. 412.80 lacs PAT in the last quarter of 2009-10

Industry overview

The global textiles sector turned around vigorously after an extended downtrend, one of the most visible sectors to emerge from the international slowdown. This turnaround was reflected in robust offtake and an increase in realisations, strengthening the prospects of manufacturing companies. The revival was on account of a structural global industry shift, a global cotton shortage (strengthened raw material costs and end product realisations), revival in US demand and robust offtake from within Asia.

World man-made fibre production strengthened in 2009; output increased 7.8% to 41.6 mn tonnes following a 6.5 % drop in 2008, synthetic fibres

accounting for most of the increase. Indian manmade fibre output rose by 10.2% after a 7.2% drop in 2008. The optimism for the textile industry is derived from the supply of US raw cotton being threatened on account of a growing pressure on US to reduce the subsidy for its cotton growers, which will in turn reduce US cotton supply and strengthen prospects of cotton product manufacturers in other countries.

India retained its position as the world’s second largest cotton producer, with cotton acreage crossing a record 10 mn hectares in 2009 despite poor monsoons at a time when other countries suffered from a paucity of raw material.

India's cotton area, production and yield

Year	Area in lac hectares	Production in lac bales (1 bale : 170 kg)
2006-07	91.44	280.00
2007-08	94.14	307.00
2008-09	94.06	290.00
2009-10	101.71	292.00

(Source: Cotton Corporation of India)



The Indian Government encouraged the export of raw cotton in 2009-10, which strengthened synthetic yarn realisations. China withdrew export incentives, so the supply of synthetic yarn into India was restricted. The result: month-on-month realisations were higher, strengthening prospects. The Indian consumption of textile products outperformed global sectoral growth for the following reasons: increase in incomes, demographic dividend, growing aspirations, stronger spending and progressive correction of decades of under-consumption. The Indian textiles industry capitalised on low labour cost, large market, increased offtake of quality products, domestic offtake being higher than export and receptivity to newly introduced varieties.

Strengths

The Company reported a sharp swing in its profits and margins on account of a number of strengths that had been invested in the Company across the years.

Over the years, the Company invested in cutting-edge technologies resulting

in high product quality and process efficiency. The Company consciously prioritised value over volume. The Company selected to work on value-added product segments, whether in yarn or denim fabric. The Company selected to work with large quality-respecting brands. The Company graduated from one-off transactions to extended supply contracts resulting in revenue and profit predictability.

This is how these strengths have played out in the Company: a majority of our business comprises sales to prominent brands and companies. The Company’s fabric exports grew 58% and the value of yarn exports grew by 50% in 2009-10 despite a tentative global environment. The Company’s export realisations strengthened in fabric and yarn in a hesitant industry environment.

Segment wise performance

Yarn division: The yarn division progressively switched from cotton yarn to polyester blends in view of improved realisations in the latter. As a result, the product mix evolved from 8:92 for cotton: blends in 2008-09 to 0:100

during 2009-10. As a result, the division reported a 4.36% increase in average per kg realisations and strengthened capacity utilisation from 95.74% in 2008-09 to 97.43% in 2009-10.

Denim division: The division focused on value-added products and stronger brands. The division introduced organic denim, among the few companies in India to manufacture this niche product. As a result, the division reported a 5.81% increase in average per metre realisations and strengthened capacity utilisation from 88% in 2008-09 to 92% in 2009-10. In view of this, the division accounted for 62.27% of the Company’s EBIDTA during the year under review compared with 49.06% in 2008-09.

Performance of Suryakiran International Ltd, a subsidiary: The subsidiary reported a net loss of Rs. 89.20 lacs in 2009-10, against Rs. 183.15 lacs in the previous year. Engaged in garment manufacturing, the Company, during the year, added major customer brands like Levi's, Perry Ellis, Otto-Germany, Woolworth S.A

and French Connection, among others. It also tied up with Levi's for a dedicated capacity not only for its domestic requirements but also international supplies. Moreover, the division diversified from Europe in to American markets.

Road ahead

The industry and national scenario augur well for the Company. While the uptrend in the global textile sector is expected to sustain, India is likely to capitalise on the industry rebound for the reasons indicated above. India is projected to report GDP growth of 9.2% in 2010-11 (source: CMIE). Besides, Indian household incomes are expected to treble in two decades leading to 2025 as the country raises its global consumption ranking from twelfth to fifth by 2025 (Source: McKinsey)

India’s per capita cotton consumption is low compared to the developed countries, which will progressively correct as rural consumption rises and the industry widens its product offering.

Cotton per capita consumption

Country	Per capita consumption (in kg)
India	5-6
China	14.6
North America	38
Thailand	19.8
World average	10.8

(Source: FICCI)

Strengthening our business

Suryalakshmi Cotton is strengthening its business model through the following initiatives:

- The Company is investing in an additional 12,624 spindles, which, when commissioned by August, 2010, will enhance the Company’s capacity to 60,864 spindles. At peak utilisation, the revenue potential from yarn sales (assuming that everything is marketed externally without captive consumption) would be an estimated Rs. 21,616 lacs in 2010-11 compared to Rs. 14,925 lacs in 2009-10. This expansion of the latest generation spindleage will increase production, revenues, value-addition and margins.
- The Company will enhance the utilisation of its denim production

capacity and scout for profitable acquisition opportunities.

- The Company intends to commission a 25 MW thermal power plant for Rs. 135 crore, leveraging the plant’s proximity to coal mines on the one hand, and a growing captive need for low cost power on the other. The power plant will provide for 100% of the Company’s power needs, the rest being exported to the state electricity grid. The project is likely to be funded through debt of Rs. 93 crore and internal accruals of Rs. 42 crore and expected to be commissioned in 2011-12. The attractively low cost of generation will enable the Company to strengthen its overall competitiveness, considering that power accounts for Rs. 22.63 crore, the largest cost component (8.67% of revenues) in the Company’s denim business.

The Company expects to grow its revenues to Rs. 60,000 lacs from a full year’s operation and to touch Rs. 100,000 lacs in the next three years after all its ongoing projects are commissioned, with room for wider margins, an attractive value-play that is intended to enhance value in the hands of all those who own shares in our Company.

Experience

The promoters of the Company have been engaged in the business of spinning and weaving for more than 50 years.

Integrated

The Company's facilities are integrated from raw cotton to denim fabric, resulting in value-addition and an EBITDA margin of 15.3% (last quarter, 2009-10). Nearly 70% of the Company's yarn requirement for the denim division was produced in-house.

Environment friendly

The effluent treatment plants make all the effluents worthy of being reused to water in-plant plantation areas. It is a zero-discharge unit.

Quality

The Company's products attained the highest quality level of Uster 5%. The Company's manufacturing units were certified for ISO 9000:2000. The Company's denim plant at Ramtek was approved and audited for social and technical compliance by well known international brands like Levi's and VF, among others. The Company's products were well below the challenging permissible norm of 20 DP points across 100 square yards, attracting industry respect.

Technology

The Company possesses automated state-of-the-art equipment sourced from high-end manufacturers like Trutzschler, Toyota, Nissan, Reed Chakwood Inc. and KTM USA, among others. A majority of the Company's spinning and weaving equipment were less than five years old as on 31 March 2010.

Our strengths

Raw material proximity

The Company sources all its coarse count cotton requirements from nearby areas in Vidharba while raw materials for the blended yarn units are procured from Reliance Industries.

Client portfolio

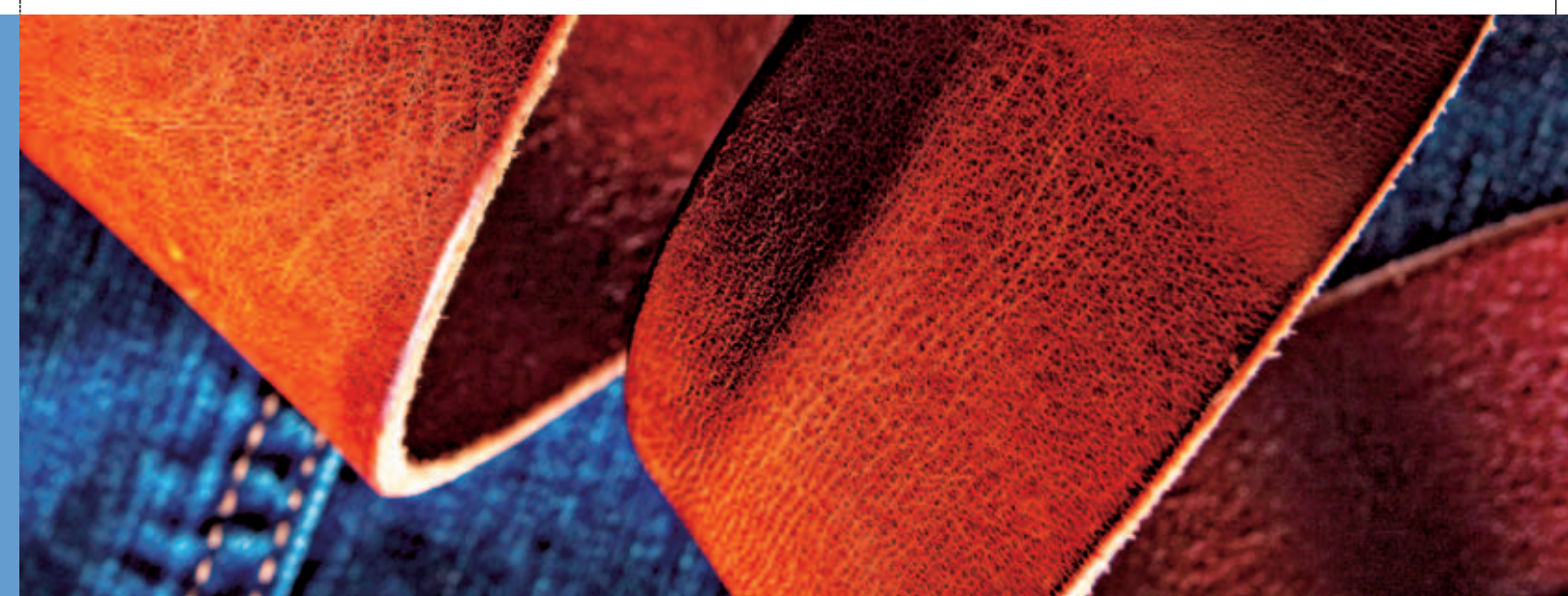
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Relationships

The Company is the core vendor for VF Corporation in India, the largest Indian supplier to Mother Care, one of the largest vendors for the European business of George (Wal-Mart, UK, brand) and one of two vendors of Wal-Mart from India. The Company is a major supplier of Levi's requirements for its Levi Signature brand.

Economies of scale

The yarn capacity of 60,864 spindles and denim capacity of 40 million metres per annum represent attractive economies of scale.



Growing demand from customers...

VF Corporation is one of the biggest global denim buyers. It is procuring only about 5% of its requirement from India and plans to raise it to 8-10% in a year's time, which can potentially catalyse growth for the Company.

Integrated denim division



The Indian textile industry



THE GLOBAL ECONOMY SHOWED SIGNS OF REVIVAL IN THE SECOND HALF OF 2009 WHEN A NUMBER OF ECONOMIES POSTED GROWTH IN GROSS DOMESTIC PRODUCTION. GOING AHEAD, GLOBAL GROWTH IS EXPECTED TO REBOUND FROM (0.8)% IN 2009 TO 3.9% IN 2010 AND A PROJECTED 4.3% IN 2011 (SOURCE: WORLD ECONOMIC OUTLOOK) WITH CORRESPONDING POSITIVE IMPLICATIONS FOR THE TEXTILE INDUSTRY.

The Indian economy grew 7.4% in 2009-10 – 8.6% in the fourth quarter – against 6.7% in 2008-09. The industrial and service sectors grew 8.2% and 8.7% in 2009-10 (Source: CSO). India's (1.16 billion people) GDP at purchasing power parity was around US\$ 3,548 billion in 2009, making it the world's fourth largest economy after the United States of America, China and Japan in purchasing power parity (Source: CIA World Fact Book).

Indian textile industry

The US\$ 52-bn Indian textile industry, the second largest domestic employment provider after agriculture, contributes 14% to industrial production, 4% to GDP and 16.63% to export earnings. Moreover, total textile exports increased to US\$ 18.6 billion during April 2009-January 2010, from US\$ 17.7 billion during the corresponding period of the previous year, registering an increase of 4.95% in rupee terms. The share of textile exports in India's total exports increased to 12.36% during April 2009-January 2010, according to the Ministry of Textiles.

As per the Index of Industrial Production (IIP) data released by the Central Statistical Organisation (CSO), cotton textiles registered a growth of 5.5% during 2009-10, wool, silk and man-made fibre textiles registered a growth of 8.2%, while textile products (including wearing apparel) registered a growth of 8.5% (Source: IBEF).

Growth drivers

- The Technology Upgradation Fund Scheme (TUFS) is referred to as the 'flagship' scheme of the Ministry of Textiles. The scheme, launched on 1 April 1999, provides funds to India's textile industry for upgrading technology and setting up new units. In the Eleventh Plan period (2007-12), Rs. 1,50,600 crore was earmarked for the scheme. According to the Ministry of Textiles, investment under the Technology Upgradation Fund Schemes (TUFS) increased steadily. During 2009-10, 1896 applications were sanctioned at a project cost of US\$ 5.23 billion.
- In May 2010, the Ministry of Textiles informed a parliamentary panel that it proposes to allocate US\$ 785.2 million

for the modernisation of the textile industry.

- The Scheme for Integrated Textile Parks (SITP) was approved in July 2005 to facilitate the setting up of textiles parks with world-class infrastructure. Some 40 textile park projects were sanctioned under the SITP. According to the Minister of State for Textiles, under the SITP a cumulative

expenditure of US\$ 204.3 million was incurred against the allocation of US\$ 220.7 million in the last three years.

- In the Union Budget 2010-11, the following proposals benefited the textile industry:
 - The central plan outlay for the industry was enhanced to US\$ 1.03 billion. Of this, US\$ 521.4 million was

on account of TUFS, US\$ 76 million for SITP, US\$ 80.2 million for handlooms, US\$ 69.3 million for handicrafts and US\$ 98.4 million for sericulture.

- Allocation for the textile and jute industry is US\$ 713.4 million.
- Launched a five-year extensive skill development programme for the textile industry where around 3 million people will be trained.

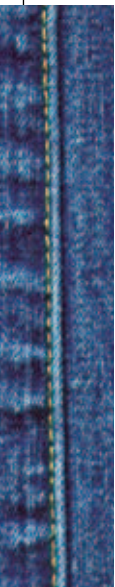
Production projections under the Eleventh Plan

Particulars	2006-07 achieved level	Assumed growth rate	Eleventh Plan projections	
			2007-08	2011-12
Cotton cloth (mn sq mtr)	26,238	14	28,810	49,629
Cotton spun yarn production (mn kg)	2,824	14	3,187	5,364
Raw cotton production (mn kg)	4,760	8	4,823	6,630

(Source: Report of the Working Group on Textiles & Jute Industry for Eleventh Plan)

Outlook

The industry targets US\$ 6 billion foreign direct investment (FDI) by 2015 to be invested in greenfield units in textiles machinery, fabric and garment manufacturing, as well as technical textiles. The industry is expected to create 12 million new jobs by 2012. As per FICCI's suggested textile policy, the Indian textile industry targets a 15% annual growth for the domestic industry and 20% annual growth for the export market, reaching US\$ 106 billion and US\$ 66 billion respectively by 2015.



Divisional analysis

Yarn division



Overview

Suryalakshmi Cotton went into business with a spinning unit of 6000 spindles. The Company now has two units with a capacity of 48,240 spindles to manufacture cotton, polyester and blended yarns. These products – carded and combed varieties with counts of 6s Ne to 40s Ne Single and Double

(two for one) – are used in the hosiery, knitting and weaving segments.

Over the years, the Company invested in cutting-edge equipment comprising Trutzschler blow-room lines and cards, Laxmi high-speed combers, auto-leveller draw frames and speed and ring frames. The Company imported Schlafhorst and Murata autoconers as

well as an Elgi Welker yarn conditioning unit. This complement translated into yarn of the highest quality.

The Company grew its domestic revenue 9.8% in 2009-10, marketing 12,680 MT within the country in 2008-09, 13,279 MT in 2009-10 and a targeted 18,800 MT in 2010-11.

Highlights, 2009-10

- Spindles reported capacity utilisation of 97% (95% in 2008-09)
- Switched the product mix from cotton yarn (8%) to polyester yarn (100%), owing to higher realisations and offtake for the latter.

- Increased yarn exports by 36% owing to improved prices and a buoyant market
- Adhered to stringent quality standards to enhance customer satisfaction
- Improved capacity utilisation by 200 bps over the previous year.

Outlook

The commissioning of 12,624 spindles in August 2010 is expected to increase revenues and product range.

Over the years, the Company invested in cutting-edge equipment that has translated into yarn of the highest quality

The commissioning of 12,624 spindles in August 2010 is expected to increase revenues and product range.

36%

Contribution to the total revenue

11%

Growth over previous year

12.8%

EBIDTA margin

1,906.44

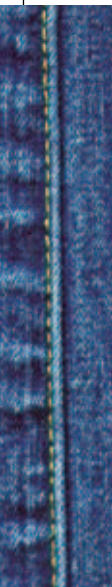
EBIDTA (Rs. in lacs)

48,240

Manufacturing capacity (spindles)

97%

Capacity utilisation



Divisional analysis

Fabric division



Overview

The Company established a state-of-the-art denim unit in 1997 as a forward extension from yarn manufacture. Gradually, the Company quadrupled capacity in 13 years to 40 million metres per annum as on 31 March 2010.

The denim manufacturing unit is integrated forward, making it possible to accelerate product development with a product mix benchmarked with evolving trends. The Company enlisted inputs from Europeans designers to

develop new patterns, facilitating the manufacture of contemporary products.

The Company's production increased by 11% to 285.09 lacs metres in 2009-10. The Company manufactures rope-dyed and sheet-dyed denim leveraging air-jet loom technology from Monforts and Nissan (Toyota), leveraging an experienced team and process control systems. 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. On the other hand, the Company also possesses a well equipped and consistent offline quality assurance laboratory. Quality management systems ensure consistency through the product life.

Input-output efficiency

Over the last four years, the Company has improved its input efficiency for fabric manufacturing through enhanced operational efficiencies.

Actual consumption of input materials per unit: Ramtek unit

Particulars	Actuals			
	2009-2010	2008-2009	2007-2008	2006-2007
Cotton per kg of yarn (kg)	1.14	1.19	1.18	1.17
Cotton per metre of fabric (kg)	0.72	0.72	0.75	0.86

Highlights, 2009-10

- Addressed regional demand through representative offices in Delhi, Mumbai, Bangalore and Kolkata
- Added new customers, namely prominent brands like VF, Mango and Wal-Mart
- Increased business exposure to customers like Levi's
- Added new finishing machines to enhance product quality
- Increased the share of value-added products in the product basket from 80% to 90%, strengthening realisations
- Introduced organic denim, emerging among the few suppliers in India and the largest supplier of this material to Wal-Mart.
- Received certification from the Global Organic Textile Standard for organic cotton manufacture
- Established a dedicated development team to track fashion trends and stay in touch with customers and designers
- Offered target customers dependable quality, contemporary fabric and timely delivery

Outlook

Going ahead, the Company intends to enhance value, output and quality in addition to probable acquisitions.

64%

Contribution to the total revenue

20%

Growth over previous year

12.1%

EBIDTA margin

3,146.56

EBIDTA (Rs. in lacs)

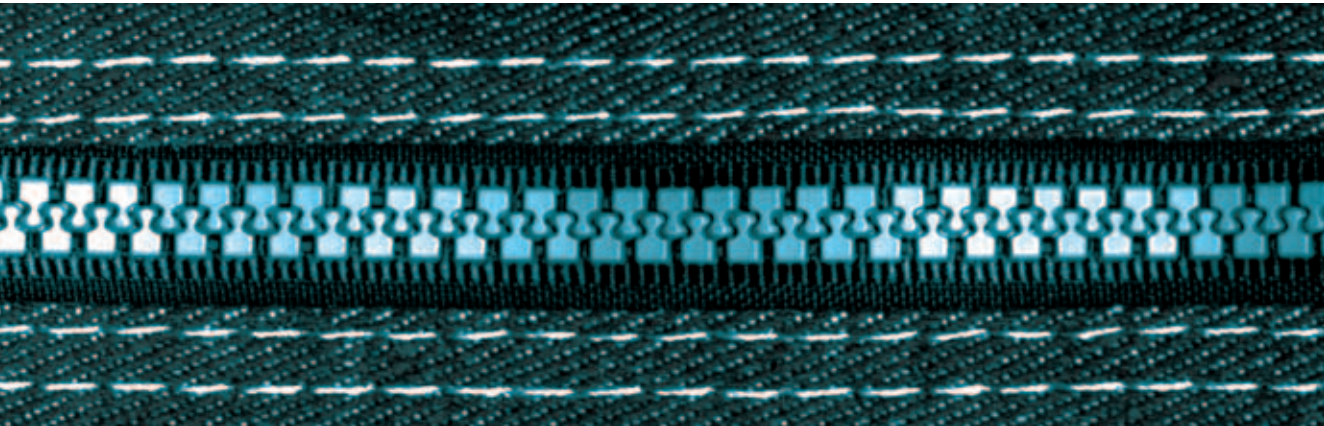
40

million metres of denim capacity per annum

92%

Capacity utilisation

Financial analysis



Revenue	EBIDTA	Profit after tax	EBIDTA margin
15.40%	94.11%	127.71%	484 bps
Growth over 2008-09	Growth over 2008-09	Growth over 2008-09	Growth over 2008-09

Revenue

Total revenues grew 15.40% from Rs. 35,538.59 lacs in 2008-09 to Rs. 41,013.02 lacs in 2009-10, owing to improved domestic and global demand and better market realisations. Other income registered a 61.12% growth from Rs. 478.76 lacs in 2008-09 to Rs. 771.39 lacs in 2009-10, owing to benefits from exports, asset sale profits and sale of scrap.

Revenue by division

Yarn division: Revenues from this division grew 11% from Rs. 13,395.19 lacs in 2008-09 to Rs. 14,924.59 lacs in 2009-10 owing to higher realisations and a growing demand for polyester blended yarn. The division contributed 36% to the total revenue of the Company.

Denim division: Revenues from this division grew 20% from Rs. 21,798.97 lacs in 2008-09 to Rs. 26,088.43 lacs in 2009-10 owing to increasing fabric demand and the Company's focus on value-added products (90% of the total sales in 2009-10 as against 80% in 2008-09). Revenues from this division accounted for 64% of the total revenue of the Company.

Revenue by geography

Exports: The Company's exports were Rs. 7,395.88 lacs in 2009-10 compared to Rs. 4,799.65 lacs in the previous year. Exports accounted for 18% of the Company's revenues (14% in 2008-09). Despite the rupee appreciating during the year under review, the Company recorded an increase in exports.

Domestic: Domestic revenues amounted to Rs. 33,617.14 lacs in 2009-10 against Rs. 30,394.51 lacs in 2008-09. Domestic revenues accounted for 82% of overall revenues in 2009-10.

Operating expenditure

Increased business volumes increased the total operating expenditure by 10.37% from Rs. 33,279.03 lacs in 2008-09 to Rs. 36,730.66 lacs in 2009-10. However, its proportion to the total income declined by 484 basis points as a result of improved efficiency and cost optimisation from 92.75% of revenues in 2008-09 to 87.91% in 2009-10.

Cost analysis (as a percent of total operating expenses)

Cost head	2008-09	2009-10
Raw material	66.29	65.4
Power and fuel	10.05	10.28
Stores consumed	11.06	9.91
Other expenses	6.35	7.71
Employee costs	5.39	5.63
Purchase of traded goods	0.13	0.44
Miscellaneous expenses	0.29	0.24
Other manufacturing expenses	0.25	0.21
Managerial remuneration	0.19	0.18
Total	100	100

Raw material consumption: Raw material consumption increased 8.89% from Rs. 22,058.99 lacs in 2008-09 to Rs. 24,020.42 lacs in 2009-10 in line with increased production. Raw material cost as a proportion of operating expenses declined 89 basis points when compared with the

previous year.

Power and fuel cost: This cost item grew 12.86% from Rs. 3,344.02 lacs in 2008-09 to Rs. 3,774.15 lacs owing to increased production. The cost of power per unit increased from Rs. 3.52 in 2008-09 to Rs. 3.76 in 2009-10.

Employee cost: The Company increased its employee base to strengthen its service, increasing employee costs by 15.24% from Rs. 1,792.98 lacs in 2008-09 to Rs. 2,066.18 lacs in 2009-10. EBIDTA per employee stood at Rs. 2.84 lacs in 2009-10 against Rs. 1.33 lacs in 2008-09.

Margins: Stronger revenues, superior coverage of fixed costs and cost control resulted in EBIDTA growth of 94% from Rs. 2,603.19 lacs in 2008-09 to Rs. 5,053 lacs in 2009-10. Profit after tax grew 127.71% from a loss of Rs. 1,569.94 lacs in 2008-09 to Rs. 435.05 lacs in 2009-10. Consequently, EBIDTA margin strengthened 484 bps from 7.25% in 2008-09 to 12.09% in 2009-10 and net profit margin improved from a negative 4.38% to 1.04%.

Sources of funds

Net worth	Return on capital employed	Debt-equity ratio	Book-value per share
3.29%	414%	1.33	Rs. 85.99
Growth over 2008-09	Growth over 2008-09	As on March 31, 2010	As on March 31, 2010

A prudent utilisation of resources strengthened return on capital employed by 612 bps from 1.48% as on 31st March, 2009 to 7.6% as on 31st March, 2010, although total capital employed declined by 7.88% owing to long-term debt repayment of

Rs. 3,899.18 lacs. Equity capital remained unchanged at Rs. 1,336.23 lacs (Rs.10 face value).

Net worth grew 3.29% from Rs. 11,124.22 lacs as on 31st March, 2009 to Rs. 11,490.58 lacs as on 31st

March, 2010, owing to an increase in profits. The effective utilisation of shareholders' funds is evident from an improved return on net worth, which grew from a negative 13.24% to 3.85%.

Overall loan portfolio declined 13.3% from Rs. 27,980.79 lacs as on 31st March, 2009 to Rs. 24,260.19 lacs as on 31st March, 2010 on account of debt repayment of Rs. 3,720.60 lacs.

Debt management: Overall loan portfolio declined 13.3% from Rs. 27,980.79 lacs as on 31st March, 2009 to Rs. 24,260.19 lacs as on 31st March, 2010 on account of debt repayment of Rs. 3,720.60 lacs. Long-term loans accounted for 63% of the overall debt book while working capital loans accounted for 31.6%. Long-term foreign currency loans were completely repaid. Nearly 93% of the Company's borrowings were under the TUF scheme entitled to a 5% subsidy. As a result, the average cost of debt was 8.92% in 2009-10 compared to a prevailing cost of 12% in the Indian economy.

Secured loans (94.67% of the overall loan portfolio) declined 13.38% from Rs. 26,514.09 lacs as on 31st March, 2009 to Rs. 22,967.03 lacs as on 31st March, 2010. Unsecured loans declined 11.83% from Rs. 1,466.7 lacs to Rs. 1,293.16 lacs; debt-equity ratio strengthened from 1.46 to 1.33.

Interest: Interest outflow increased 4.68% from Rs. 2,066.42 lacs as on 31st March, 2009 to Rs. 2,163.10 lacs as on 31st March, 2010. However, interest cover improved from 1.26 to 2.34 during the period.

Application of funds

Gross block expanded 1.78% from Rs. 37,473 lacs as on 31st March, 2009

to Rs. 38,139.48 lacs as on 31st March, 2010 owing to fresh capital investments; correspondingly provision for depreciation increased 2.8% from Rs. 2,013.98 lacs in 2008-09 to Rs. 2,070.41 lacs in 2009-10. Accumulated depreciation as a percentage of gross block stood at 38.48, reflecting asset newness.

Capital work-in-progress: Capital work-in-progress grew 140.73% from Rs. 21.24 lacs as on 31st March, 2009 to Rs. 51.13 lacs as on 31st March, 2010.

Investments: Investments grew 2.97% from Rs. 455.63 lacs as on 31st March, 2009 to Rs. 469.17 lacs as on 31st March, 2010.

Working capital: Net current assets contracted 12.46% from Rs. 15,596.79 lacs as on 31st March, 2009 to Rs. 13,653.44 lacs as on 31st March, 2010; current ratio declined from 5.7 to 3.66 in the same period. A rupee of working capital funded Rs. 4.52 of revenues in 2008-09; this increased to Rs. 5.35 in 2009-10.

Overall inventory increased 24.17% from Rs. 7,228.09 lacs as on 31st March, 2009 to Rs. 8,975.24 lacs as on 31st March, 2010 owing to a 132.55% rise in raw material stock from Rs. 1,316.43 lacs to Rs. 3,061.41 lacs. However, short-term loans and

advances declined 29.59% from Rs. 5,799.93 lacs as on 31st March, 2009 to Rs. 4,083.86 lacs as on 31st March, 2010, due to better terms of trade in projects. Similarly, sundry debtors declined 3.08% from Rs. 5,703.25 lacs as on 31st March, 2009 to Rs. 5,527.80 lacs as on 31st March, 2010 owing to a quicker collection of outstandings; the debtors' cycle declined from 53 days of turnover equivalent to 49 days as on 31st March, 2010.

Current liabilities and provisions grew 54.47% from Rs. 3,317.04 lacs as on 31st March 2009 to Rs. 5,123.67 lacs as on 31st March 2010. Current liabilities increased 49.78% from Rs. 3,312.90 lacs as on 31st March, 2009 to Rs. 4,962.21 lacs as on 31st March, 2010 owing to higher advances received against sales, reflecting buyer confidence and an optimistic demand outlook and increase in sundry creditors. Provisions grew from Rs. 4.14 lacs to Rs. 161.46 lacs owing to a provision for proposed dividend.

Tax

The Company's tax burden grew 314.58% from Rs. 92.73 lacs as on 31st March, 2009 to Rs. 384.44 lacs as on 31st March 2010 as the Company provided for MAT, provision for income tax of earlier years and deferred tax.

Risk management

Every business is susceptible to risks that might impact the Company's growth. The Company identifies, assesses and takes proactive measures to minimise potential risks and maximise returns.



Inability to keep pace with changing fashion trends can hamper growth	The Company has a dedicated team that is in regular touch with designers, staying abreast of changing fashion trends. The Company creates finishes and shades in line with prevailing trends.
Unavailability of raw materials can hinder production	The Company's Ramtek unit is proximate to cotton belts. The Company's raw material requirements are largely addressed by Cotton Corporation of India, which ensures timely availability at a reasonable cost. The Company's polyester blended yarns are supplied by Reliance Industries.
The sourcing of raw material for fabric manufacture can increase costs	The yarn produced by the Company is used to manufacture fabric. Nearly 48% of the yarn produced by the Company is consumed in-house. The quality systems are in place and the entire process is under vigilance, which ensures quality of the highest order. This integrated model helps to generate attractive savings.
Increasing power cost can lead to increased operating costs, reducing margins and profits	The Company plans to commission a 25MW thermal power plant, which will not only provide completely for the Company's captive needs but also leave an additional quantum for merchant sale to the state electricity grid. Proximity to coal mines will ensure an ease in meeting the input requirements of the power plant.
Inability to adapt to evolving technologies can affect profitability	The Company as a matter of policy, has always been upgrading the production facilities to keep pace with the technological developments.

Board of Directors

Sri L N Agarwal
Chairman & Managing Director

Sri Paritosh K Agarwal
Managing Director

Sri R Surender Reddy

Dr. A Nageswara Rao

Sri B Rama Rao

Sri Navrang Lal Tibrewal

Sri R S Agarwal

Sri K Sunil Kumar

Sri H L Ralhan

Sri V.S.V.Rao

L N Agarwal	Paritosh K Agarwal
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.	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 S Agarwal	B Rama Rao
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.	Sri B. Rama Rao, M.Tech., PGDBA, is Deputy General Manager with IDBI Ltd., Hyderabad. He is the Nominee Director of IDBI Limited.

R Surender Reddy	Dr. Akkineni Nageswara Rao	Navrang Lal Tibrewal
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 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.	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.

Sunil Kumar K	H L Ralhan	V.S.V. Rao
Sri Sunil Kumar K, is B.Tech., M.B.A., with wide experience in Capital Markets and Corporate Finance. He has been with UTI Ventures since 2003 and is their nominee on the Company's Board.	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.	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 47th Annual General Meeting of the members of Suryalakshmi Cotton Mills Limited will be held on **Wednesday, the 29th September, 2010 at Rajdhani Hall, 1st Floor, Lions Bhavan, Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad - 500003 at 11.30 a.m.** to transact the following business.

1. To receive, consider and adopt the Profit and Loss account for the year ended 31st March, 2010 and the 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, 2010
3. To declare dividend on equity shares of the Company for the year ended 31st March, 2010.
- 4 To appoint a Director in place of Sri R. Surender Reddy who retires by rotation and being eligible, offers himself for reappointment
5. To appoint a Director in place of Sri K. Sunil Kumar who retires by rotation and being eligible, offers himself for reappointment
6. To appoint auditors and fix their remuneration
7. To consider, and if thought fit, to pass the following resolution with or without modification(s) as a special resolution:

Resolved that in super session of the resolution passed by the members in the General Meeting held on 30th September, 2009 and subject to the provisions of Sections 198, 269, 309, 314 and other applicable provisions if any of the Companies Act, 1956 read with Schedule XIII thereof as amended up to date, and the consent of the Term Lenders, the consent of the Company be and is hereby accorded to revision in the remuneration payable to Sri L.N. Agarwal as Chairman and Managing Director for the remaining period of the term of his employment i.e., from 15th May, 2010 to 21st June, 2014 as under:

- i. Salary: Rs. 4,00,000 per month

ii. Commission

At the rate of 1% of the net profit of the Company or 50% of the annual salary whichever is lower.

iii. Perquisites

In addition to the salary and commission as stated above, Sri L.N. Agarwal shall be entitled to the following perquisites.

Category - A

(i) Housing

Rent-free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water, etc., or HRA to the extent of 30% of the salary.

(ii) Medical reimbursement

Expenses incurred for self and his family subject to a ceiling of one month’s salary per year or three months’ salary in a period of three years.

(iii) Leave travel concession

For self and family once in a year incurred accordance with the rules of the Company.

(iv) Club fees

Fees of clubs subject to a maximum of two clubs, admission and life membership fees not allowed

(v) Personal accident insurance

Of an amount the premium of which shall not exceed Rs. 4,000 per annum

Category – B

(i) Contributions by the Company to provident fund, superannuation fund or annuity 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 - C

(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 L. N. Agarwal 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 a special resolution

“RESOLVED THAT in supersession of the Resolution passed by the Members in the General Meeting held on 10th September, 2005 and subject to the provisions of sections 198, 269, 309, 314 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 revision in the remuneration payable to Sri Paritosh Agarwal as Managing Director for the remaining period of the term of his employment i.e, from 15th May 2010 to 20th June 2010 as under:

RESOLVED FURTHER THAT subject to the provisions of Sections 198, 269, 309, 314 and other applicable provisions if any, of the Companies Act, 1956 read with schedule XIII thereof as amended up to date and consent of the term lenders, the consent of the Company be and is hereby accorded to reappoint Sri Paritosh K. Agarwal as Managing Director for a period of five years w.e.f. 21st June, 2010 to 20th June, 2015 on the terms and conditions mentioned below:

I. Salary: Rs. 3,50,000 per month

II. Commission

At the rate of 1% of the net profit of the Company or 50% of annual salary whichever is lower.

III. Perquisites

In addition to the salary and commission as stated above Sri Paritosh K. Agarwal shall be entitled to the following perquisites

Category - A

(i) Housing

Rent free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water, etc., or HRA to the extent of 30% of the salary.

(ii) Medical reimbursement

Expenses incurred for self and his family subject to a ceiling of one month’s salary per year or three months’ salary in a period of three years

(iii) Leave travel concession

For self and family once in a year incurred accordance with the rules of the Company

(iv) Club fees

Fees of clubs subject to a maximum of two clubs, admission and life membership fees not allowed

(v) Personal accident insurance

Of an amount the premium of which shall not exceed Rs. 4,000 per annum

Category - B

i) Contributions by the Company to provident fund, superannuation fund or annuity 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 - C

i) The Company shall provide a car with driver and a telephone at the residence.

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 Paritosh K. Agarwal 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.

9. 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 314 and other applicable provisions if any, of the Companies Act, 1956, and consent of the Central Government and of the term lenders, the consent of the Company be and is hereby accorded to Smt. Padmini Agarwal, W/o. Sri Paritosh K. Agarwal (Managing Director of Suryalakshmi Cotton Mills Limited) to hold an office or place of profit, as Executive Director in the Company's subsidiary namely Suryakiran International Limited for a period of five years wef 15th May, 2010 to 14th May, 2015, on the following terms and conditions :

(i) Salary - Rs. 1,00,000 per month

Perquisites

- i) Contributions by the Company to provident fund, superannuation fund or annuity 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
- iii) The Company shall provide a car with driver and a telephone at the residence
- iv) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites

10.To consider, and if thought fit, to pass the following resolution with or without modification(s) as a special resolution

Resolved that in supersession of the resolution passed by the members in the General Meeting held on 31st July, 2006 and 29th September, 2008 and subject to the

provision of Sections 198, 269, 309, 314 and other applicable provisions if any of the Companies Act, 1956 read with Schedule XIII thereof as amended up to date, and the consent of the Term Lenders, the consent of the Company be and is hereby accorded to revision in the remuneration payable to Sri H. L. Ralhan as Director and Chief Executive –denim division for the remaining period of the term of his employment i.e. from 15th May, 2010 to 29th January, 2011 as under:

- a) Basic pay and allowances at Rs. 1,50,000/- 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, superannuation fund or annuity 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.

By order of the Board

E.V.S.V. Sarma
Company Secretary

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

Reappointment of Retiring Director

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

Item No. 4

SRI R. SURENDER REDDY

Sri R.Surender Reddy has wide experience in business and politics. He has been a member of Parliament for four terms and was a member of Andhra Pradesh Legislative assembly also for four terms. He has also been on the Boards of Andhra Bank and A.P. State Financial Corporation.

Names of the companies in which he is a Director

- 1. Suryalatha Spinning Mills Limited
- 2. Hyderabad race Club
- 3. Suryavanshi Spinning Mills Ltd
- 4. Suryakiran International Ltd
- 5. Suryaamba Spinning Mills Ltd
- 6. Surana Telecom Ltd
- 7. Bhagyanagar India Ltd
- 8. Lakshmi Finance & Industries Corpn Ltd
- 9. Pack Polymers Ltd

Number of shares held by Sri R. Surender Reddy in the Company - 28000

Item No. 5

SRI K SUNIL KUMAR

Sri Sunil Kumar K has been nominated by Unit trust of India Investment Advisory Services Limited (UTI-IAS).

Sri Sunil Kumar K is a Mechanical Engineer from IIT Chennai and an MBA from IIM, Ahmedabad. Sri Sunil Kumar K has been with UTI Ventures since 2003. He has 16 years of experience in capital Markets with extensive knowledge in corporate finance

and fund Management, along with a keen understanding of the technology sector. Formerly with Infosys Technologies, he was a Principal consultant in the financial securities domain. He has also worked with UTI Mutual fund in credit rating, primary market investments and as an offshore fund manager of the India IT Fund.

Names of the companies in which he is a Director

- 1. VKL Limited
- 2. NMS Software Work Pvt Ltd
- 3. Ind Barath Power Infra Ltd
- 4. Ambika Cotton Mills Ltd
- 5. PESCO Beam Environmental Solutions Pvt Ltd
- 6. Suryakiran International Ltd
- 7. Altius Capital India Pvt Ltd

Number of shares held in the Company -Nil

Item No. 7

SRI L.N. AGARWAL

Sri L.N.Agarwal, Chairman & Managing Director was re-appointed for a period of 5 years wef 22.06.2009 in the 46th General Meeting held on 30.09.2009 at the remuneration of Rs. 2 lac plus perquisites. Sri L.N.Agarwal is drawing this minimum remuneration for the past 3 years in view of the inadequacy of profits, though he was appointed with remuneration of Rs. 5 lac per month in the 42nd Annual General Meeting held on 10.09.2005. With the improvement of the Company's financial position, the Board felt that it is appropriate to revise Sri L.N.Agarwal's remuneration to Rs. 4 lacs per month plus perquisites subject to the consent of term lenders, and the consent of members in general meeting. The Board recommends the resolution for the approval of the members. This revision has been recommended by the Remuneration Committee.

Except Sri L.N.Agarwal and Sri Paritosh K.Agarwal, as his relative, no other Director is interested in this resolution. The above resolution may be treated as an abstract of the revision of terms of appointment of Sri L.N. Agarwal under Section 302 of the Companies Act 1956.

Item No. 8
SRI PARITOSH AGARWAL

Sri Paritosh Agarwal was appointed as Executive Director for a period of 5 years wef 21.06.2005 to 20.06.2010 and was redesignated as Managing director in the year 2006. In view of the inadequacy of profits, he has been drawing only the minimum remuneration of Rs. 2 lacs per month for the past 3 years. With the improvement of financial position of the Company, the Board of Directors revised his remuneration for the remaining period of his employment i.e. 15.05.2010 to 20.06.2010 and reappointed him as Managing Director for a period of 5 years from 21.06.2010 to 20.06.2015 on a remuneration of Rs. 3.5 lacs per month plus perquisites as detailed in the resolution. This reappointment has been approved by the Remuneration Committee.

Except Sri Paritosh K.Agarwal and Sri L.N.Agarwal as his relative, no other Director is interested in this resolution. The above resolution may be treated as an abstract of the terms of reappointment of Sri Paritosh Agarwal under Section 302 of the Companies Act 1956.

Item No. 9
SMT PADMINI AGARWAL

Smt Padmini Agarwal, W/o Sri Paritosh K.Agarwal (Managing Director of the Company) has been attending to the day to day functioning of the Garment Unit of the Company’s subsidiary

Suryakiran International Limited taking care of the General Admin, Marketing and procurement of material etc from 2006 onwards. The Board of Directors of the subsidiary felt that Smt Padmini Agarwal should be designated as Executive Director in view of the functions being discharged by her and also be paid a reasonable remuneration of Rs.1 lac per month plus perquisites. Smt Padmini Agarwal being related to Sri Paritosh Agarwal (wife) and Sri L.N. Agarwal (daughter-in-law) her holding the post of Executive Director with the aforesaid remuneration will attract the provisions of Sec 314 of the Companies Act 1956 requiring the approval of the members of the Company by a special resolution and the prior approval of the Central government.

Except Sri L.N.Agarwal and Sri Paritosh K.Agarwal, as her relatives, no other Director is interested in this resolution.

Item No. 10
SRI H.L. RALHAN

Sri H.L.Ralhan was appointed as a Director and Chief Executive Denim Devision with effect from 30.01.2006 on a remuneration of Rs. 72,000/- per month plus perquisites which was revised to Rs. 1,29,220/- from 28.06.2008. The Board of Directors in their meeting on 15.05.2010 felt this remuneration needs to be revised to Rs. 1,50,000 plus perquisites considering the various relevant factors. This proposed revision has been approved by the Remuneration Committee in its meeting held on 15.05.2010.

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.

NOTES:

- 1. The register of members and share transfer books will be closed from 22nd September 2010 to 29th September 2010 (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 Eduction & 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

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 shares held 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.

By order of the Board

Secunderabad
15th May, 2010

E.V.S.V. Sarma
Company Secretary

Directors' Report

To The Members

Your Directors are pleased to present their forty seventh annual report on the business and operations of the Company and the financial results for the year ended 31st March, 2010.

Financial results (Rs. in lacs)

	2009-10		2008-09	
Gross profit before interest and depreciation		5,053.00		2,603.18
Less : Interest	2,163.10		2,066.42	
: Depreciation	2,070.41	4,233.51	2,013.98	4,080.40
Profit/Loss before prior year adjustment		819.49		(1,477.22)
Prior year adjustment (net)		100.14		75.00
Profit /(Loss)before tax for the year		719.35		(1,552.22)
Less : Provision for income tax				
for the year (MAT)	150.00		–	
fringe benefit tax	–	150.00	12.50	12.50
LESS : Deferred tax liability		134.30		5.23
Profit / Loss after tax		435.05		(1,569.95)
ADD : Profit brought forward from last year		777.19		2,347.92
		1,212.24		777.97
Dividend on preference share capital		0.67		0.67
Dividend on equity share capital		133.62		–
Corporate dividend tax		22.30		0.11
Transferred to general reserve		–		–
Preference capital redemption reserve		100.00		
Profit transferred to balance sheet		955.65		777.19
		1,212.24		777.97

Operations

The Indian textile industry, which was badly hit by the global economic recession, has started showing signs of recovery during the year. The Company's operations have resulted in a turn over of Rs. 417.84 crores registering a handsome growth of 16% and in a profit after tax of Rs. 4.35 crores against a loss of Rs. 15.70 crores during the previous year.

The production at Denim division has shown a decent growth of 11% over the previous year. The Denim market has continued to be good showing growth over the previous year both in volumes and realisations. The export market has picked up though the realisation has remained stagnant. The rising price of cotton continues to be a source of worry.

The production in yarn division has shown a growth of 10% over the previous year. Yarn realisations has started improving both in domestic and export markets. The demand for yarn in domestic market is good. But the working of the yarn division was frequently affected by power cuts in A.P.

Dividend

The Directors are pleased to recommend a dividend of 10% (Rs. 1.00 per share) on the equity capital of the Company. This will absorb Rs. 1.34 crores.

Capital expenditure

During the year under review the Company has incurred capital expenditure of Rs. 770.64 lacs.

Exports

Exports during the year have grown by 54% to Rs. 73.96 crores. With the recovery of the US markets and improvement in the retail business, exports have picked up from the Country. The Company's efforts in the past in developing business with the leading brands has started yielding results and the share of the Company's business with such brands like C & A, Mango, Mothercare, George, Perry Ellis, VF, Levi's, Walmart etc. is on the rise. Organic denim has been successfully introduced in the export market and the volumes are expected to increase. The Company continues its efforts in introducing value added and fancy denims.

Future outlook

The Company proposes to set up a captive 25-MW thermal power plant at its denim division at Ramtek. After meeting the requirement of power in denim division, it is proposed to sell the surplus power for which there is very good demand in the Country now. This is expected to reduce cost of production and significantly improve the profitability of the Company.

The Company also proposes to add another 12,624 spindles at its Amanagallu yarn division which will increase the spindleage to 60,864 and contribute to the profitability. Further additions

to spindleage are also proposed in Ramtek which will reduce dependence on outside purchases and reduce cost of production.

The Company proposes to invest around Rs. 155 crores in the next year in these projects and the turnover is expected to cross Rs. 500 crores.

The Company's efforts at developing business with reputed international brands has already started yielding results and the Company is in the process of firming up contracts for supplies of fancy designs at good rates.

The recovery in the textile industry supported by a pick up in the export demand, the recent government stimulus and the optimism due to expectations of higher growth in the economy are expected to fuel further growth in the industry. The Garment manufacturers are reported to be enjoying a comfortable order book position.

Directors

Pursuant to the Articles of Association of the Company Sri R. Surender Reddy and Sri K. Sunil Kumar 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 of 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 31st March, 2010 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

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 31st March, 2010.

Employees

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

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

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 is 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

Annexure I 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	2009-10	2008-09
1. Electricity		
a) Purchased		
Units (000)	84,852	78,015
Total amount (Rs. in lacs)	3,194.00	2,749.00
Rate / Unit (Rs.)	3.76	3.52
b) Own Generation		
Units (000)	97	30
Unit per litre of diesel oil	2.38	2.54
Cost / Unit (Rs.)	15.62	16.05
2. Coal (Rs. in lacs)	539.00	562.00
3. Furnace oil	–	–
4. Others / Internal generators	41	33
B. Consumption per unit of production		
Electricity (no. of units)		
per kg/Yarn	2.40	2.57
per metre/Fabric	1.78	1.59
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	: 5,52,907.00
(ii) Recurring	: 36,13,945.00
(iii) Total	: 41,66,852.00
(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	: The Company had adapted indigenous technology and has innovated upon the same.
2. Benefits derived as a result of the above efforts e.g., improvement, cost reduction, product development, import substitution etc.	: Product improvement, increase in yield, production of high value added products, increase in exports and increase in profit margins.
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished	: No technology has been imported during the last five years.
(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	: Exports exploration activities mainly include development of exports to reputed brands like VF Corporation, Levi's, Walmart, etc and new markets and increasing exports to traditional markets.
---	---

g) Total foreign exchange used and earned	:	(Rs. in lacs)
	2009-10	2008-09
i) Foreign exchange earned		
FOB value of exports	7,291	4,546
CIF value of exports	7,396	4,800
ii) Foreign exchange used		
a) Commission on export sales	145	91
b) Foreign travel expenses	20	18
c) Raw material	1,263	969
d) Plant and machinery	42	1,669
e) Stores and spares	817	588
f) Repayment of loans	317	175
g) Interest	15	21
h) Product development exp.	–	–
i) Foreign technical and consul tancy services	26	–

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

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, 2010.

Name	Age (years)	Qualification	Date of employment	Designation	Remuneration (Rs.)	Experience (years)	Last employment
Sri L.N.Agarwal	76	Under graduate	22.06.2009	Chairman and Managing Director	24,00,000	49	Chairman and Managing Director, Suryalakshmi Cotton Mills Limited
Sri Paritosh K.Agarwal	37	Graduate	21.06.2005	Managing Director	24,00,000	17	Executive Director, Suryalakshmi Cotton Mills Limited

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

Industry structure, developments 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 Nagardhan, near Ramtek, Maharashtra.

Textile industry plays a pivotal role in the economic life of the Country. It contributes about 14% to industrial production, 4% to the GDP and 16% 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 textile industry is extremely complex and diversified ranging from small scale sector to highly sophisticated mills. The yarn industry comprises 3,044 mills (including SSI) with installed spindleage of about 39.50 million. Three-fourth of the production in the spinning industry is from the private sector and the balance from the cooperative / public sector units.

The Indian textile industry, which was badly hit by the global recession, has started showing signs of recovery supported by a pickup in the export demand, Government support and a stable economy. The recovery in the US retail markets has revived the demand for exports. However, the competition from China, Sri Lanka and Bangladesh continues to be intense.

Yarn

Yarn Division has turned out a better performance on account of improvement in the average realisations which in turn were due to spiraling gray cloth and raw cotton prices. The performance of the segment would have been better but for

the irregular power supply and shortage of trained labour.

Denim

The denim market has revived both within the Country and abroad. The revival in the global demand has been favourably influenced by the increased interest in denim. Now 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 of the US markets and improvement in the retail business, exports have picked up from the Country. The Company's efforts in the past in developing business with the leading brands has started yielding results and the share of the Company's business is on the rise with brands like C & A, Mango, Mothercare, George, Perry Ellis, VF, Levi's, Walmart etc. The Company has also moved out of basic denim. Organic denim has been successfully introduced in the export market and the volumes are expected to increase.

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 is also a growth driver.

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

Corporate Governance Report

The industry has realised that there is no substitute for innovation under all circumstances and also the need to keep abreast of the changing fashion trends. Within the domestic market there is distinct change in the way Indian youth is perceiving denim as can be seen from its increasing acceptance by girls / women and also as a semi-formal wear. It is now widely recognised that denim is not restricted to colleges only.

Among the problems that the industry is facing, are the irregular supply / high cost of power, shortage of trained workers, rigid employment laws etc.

The industry has to face competition from China, and other neighbouring countries who still enjoy better infrastructural support compared to Indian industry. Apart from the rigid labour laws which particularly affect the garment sector heavily dependent 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.

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 resource

area. The industrial relations have been generally satisfactory. The Company constantly reviews the man-power requirements and has a well equipped department to take care of the requirements. The total number of people employed by the Company is 1,781.

Discussion on financial performance

The Indian textile industry, which was badly hit by the global economic recession, has started showing signs of recovery during the year. The Company's operations have resulted in a turn over of Rs. 417.84 crores registering a handsome growth of 16% over and in a profit after tax of Rs. 4.35 crores against a loss of Rs. 15.70 crores during the previous year.

The production at denim division has shown a decent growth of 11% over the previous year. The denim market has continued to be good, showing growth over the previous year both in volume and realisation. The export market has picked up though the realisation remained stagnant. The rising price of cotton continues to be a source of worry.

The production in yarn division has shown a growth of 10% over the previous year. The yarn realisations started improving both in domestic and export market. The demand for yarn in domestic market is good. But the working of the yarn division was badly affected by power cuts.

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.

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

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

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

2. Board of Directors

a) Composition and category of Directors as on 31st March, 2010 / 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 and Managing Director–Promoter/ Executive	1	NIL	NIL
Paritosh K. Agarwal	Managing Director – Promoter/ Executive	1	NIL	NIL
R. Surender Reddy	Non-Executive – Independent	9	7	3
Dr. A. Nageswara Rao	Non-Executive – Independent	3	Nil	Nil
B. Rama Rao	Non-Executive – IDBI nominee – Independent	NIL	NIL	NIL
Navrang Lal Tibrewal	Non-Executive – Independent	1	NIL	NIL
R.S. Agarwal	Non-Executive – Independent	9	8	3
Sunil Kumar K.	Non-Executive – Nominee of UTI Venture Funds Management Co. Pvt. Ltd.,-equity investor	4	3	NIL
H.L. Ralhan	Executive – Non-promoter	NIL	NIL	NIL
V.S.V. Rao	IFCI nominee – Independent	Nil	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 01.04.2009 to 31.03. 2010	Attendance at the last Annual General Meeting held on 30.09.2009
L.N. Agarwal	4	Present
Paritosh K. Agarwal	4	Absent
R. Surender Reddy	3	Present
Dr. A. Nageswara Rao	4	Absent
Sri B. Rama Rao	4	Absent
Navrang Lal Tibrewal	4	Absent
R.S. Agarwal	3	Present
Sunil Kumar K.	1	Absent
H.L. Ralhan	2	Absent
N.D. Auddy	2 (Up to 30.07.2009)	Absent
V. S. V. Rao	2 (From 31.07.2009)	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.

Sri 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 a member of Andhra Pradesh Legislative assembly also for four terms. He has also been on the Boards of Andhra Bank and A.P. State financial Corporation.

Names of the companies in which he is a Director

1. Suryalatha Spinning Mills Limited
2. Hyderabad Race Club
3. Suryavamshi Spinning Mills Ltd
4. Suryakiran International Ltd
5. Suryaamba Spinning Mills Ltd
6. Surana Telecom Ltd
7. Bhagyanagar India Ltd
8. Lakshmi Finance & Industries Corpn Ltd
9. L Pack Polymers Ltd

Shares held by Sri R.Surender Reddy in the Company – 28,000

Sri K. Sunil Kumar

Sri Sunil Kumar K. has been nominated by Unit Trust of India Investment Advisory Services Limited (UTI-IAS).

Sri Sunil Kumar K is a Mechanical Engineer from IIT Chennai and an MBA from IIM, Ahmedabad. Sri Sunil Kumar K. has been with UTI Ventures since 2003. He has 16 years of experience in capital markets with extensive knowledge in corporate finance and fund management, along with a keen understanding of the technology sector. Formerly with Infosys Technologies, he was a Principal Consultant in the financial securities domain. He has also worked with UTI Mutual Fund in credit rating, primary market investments and as an offshore fund manager of the India IT Fund.

Names of companies in which he is a Director

1. VKL Limited
2. Ind Barath Power Infra Ltd
3. NMS Software Work Pvt Ltd
4. Ambika Cotton Mills Ltd
5. PESCO Beam Environmental Solutions Pvt Ltd
6. Suryakiran International Limited
7. Altius Capital India Pvt Ltd

Shares held by Sri Sunil Kumar K – Nil

c) Number of Board of Directors Meetings held, dates on which held

During the financial year ended 31st March, 2010, four Board Meetings were held on 25th May, 2009, 25th July, 2009, 31st October, 2009 and 19th January, 2010

3. Audit Committee

a. Brief description of terms of reference

i. Oversight of the Company’s financial reporting process and disclosureof financial information of financial information

ii. Review of financial statements before submission to the Board

iii. Review of adequacy of internal control systems and internal audit functions

iv. Review of the Company’s financial and risk management policies

b. Composition: name of members and Chairperson

1. Sri R. Surender Reddy	– Chairman, Non-Executive and Independent
2. Sri B. Rama Rao	– Member, IDBI Nominee and Independent
3. Sri R.S. Agarwal	– Member, Non-Executive and Independent
4. Sri Sunil Kumar K.	– Member, Nominee and Non-Executive

c. Meetings and attendance during the year

During the financial year ended 31st March, 2010, four Audit

Committee Meetings were held on 25th May, 2009, 25th July, 2009, 31st October, 2009, 19th January, 2010

Name	No. of meetings attended
R.S. Agarwal	3
R. Surender Reddy	3
Sunil Kumar K.	1
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

1. Sri Navrang Lal Tibrewal	- Chairman - Non-Executive – Independent
2. Sri B. Rama Rao	- Member - IDBI Nominee – Independent
3. Sri R.S. Agarwal	- Member - Non-Executive – Independent
4. Sri Sunil Kumar K.	- Member - Non-Executive – Nominee – Equity Investor

c) Attendance during the year

During the financial year 31st March, 2010, one Remuneration Committee Meeting was held on 25th May, 2009

d) Remuneration policy

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

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

(During 1st April, 2009 to 31st March, 2010)

Name	Designation	Salary and commission (Rs.)	Perquisites (Rs.)	Total (Rs.)
L.N.Agarwal	Chairman and Managing Director	24,00,000.00	–	24,00,000.00
Paritosh Agarwal	Managing Director	24,00,000.00	–	24,00,000.00
H.L. Ralhan	Director and Chief Executive (Denim Division)	13,84,701.00	–	13,84,701.00

Sitting fees

Name	Designation	Amount (Rs.)
Sri R. Surender Reddy	Director	22,500
Sri Navrang Lal Tibrewal	Director	20,000
Dr. A. Nageswara Rao	Director	20,000
Sri R.S. Agarwal	Director	22,500
Sunil Kumar K.	Director	7,500
B. Rama Rao	Nominee – IDBI	30,000
V.S.V. Rao	Nominee (IFCI)	10,000

The Company does not have any stock option plan or performance linked incentive for the Executive Directors. The appointments are made for a five-year period on the terms

and conditions in the respective resolution passed by the Members in the General Meetings, which do not provide for severance fees.

5. Shareholders’ / Investors’ Grievance Committee

- a) Name of the Non-Executive Director heading the Committee – Sri Navrang Lal Tibrewal
- b) Name and designation of the Compliance Officer – Sri E.V.S.V. Sarma, Company Secretary
- c) Number of shareholders complaints received so far – 23
- d) Number not solved to the satisfaction of shareholders – Nil
- e) Number of pending share transfers – Nil

6. General Body Meetings

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

Financial year	Date	Venue	Time
2006-2007	28.09.2007	Rajdhani Hall, 1st Flr, Lions Bhavan Behind LIC and HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	11:00 a.m.
2007-2008	29.09.2008	Rajdhani Hall, 1st Flr, Lions Bhavan Behind LIC and 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 and HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	11:30 a.m.

- b) Special resolutions passed at the last 3 Annual General Meetings
- (i) At the AGM held on 28.09.2007 – Nil
- (ii) At the AGM held on 29.09.2008 – Approving the revision in the remuneration of Sri H L Ralhan, whole time Director
- (iii) At the AGM held on 30.09.2009 – Approving the reappointment of Sri L N Agarwal, Chairman and Managing Director
- c) Whether special resolutions were put through postal ballot last year, details of voting pattern – No

- d) Person who conducted the postal ballot exercise – Not applicable
- e) 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.
- f) 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, etc., that may have potential conflict with the interests of the Company at large.

Name of the party	Relationship	Nature of transaction	Amount (Rs.)
Sri L.N. Agarwal, Chairman and Managing Director	Key Management	a) Remuneration	24,00,000.00
		b) Interest	56,844.00
Sri P.K. Agarwal, Managing Director	Key Management	a) Remuneration	24,00,000.00
		b) Interest	40,602.00
Sri L.N. Agarwal (HUF)	Key Management	Interest	79,625.00
Sri H.L. Ralhan, Director	Key Management	Remuneration	18,89,400.00
Smt. Sathyabhamabai	Wife of Sri L.N. Agarwal	Interest	12,78,875.00
Smt. Padmini Agarwal	Wife of Sri P.K. Agarwal	Interest	7,84,545.00
Kum Aparna Agarwal	Daughter of Sri P.K. Agarwal	Interest	2,35,625.00
Master Vedanth Agarwal	Son of Sri P.K. Agarwal	Interest	2,99,000.00
M/s. Suryakiran International Ltd	Subsidiary	a) Sale of fabric	8,98,37,536.00
		b) Others	9,31,211.00
M/s. Suryalatha Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Purchase of raw material	96,05,329.00
M/s. Suryajyothi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of yarn	1,35,97,477.00
M/s. Suryavanshi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	a) Purchase of RM	4,03,451.00
		b) Raw cotton sales	31,584,738.00
M/s. Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	Cost of machinery	3,92,994.00

- 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 31st March, 2010, at its meeting held on 15th May, 2010.
- 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) Whistle Blower Policy: The Company has not yet established a Whistle Blower Policy.

e) Details of compliance with mandatory requirements and adoption of nonmandatory requirements.

Mandatory requirements: All complied with

Non-mandatory requirements

i) The Board: Headed by an Executive Chairman

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

(iii) Shareholder rights: Half-yearly 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

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

(v) Training of the 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

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

d) & e) Whether it also displays official news releases and the presentations made to the 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 2010

Time : 11.30 A.M

Venue : Rajdhani Hall, 1st Floor, Lions Bhavan, Behind LIV & HDFC Bank, Near Paradise Circle, S.D.Road, Secunderabad-500003

b) Financial year

1st April to 31st March following

c) Date of book closure

22nd September 2010 to 29th September 2010 (both inclusive)

d) Dividend payment date

On or after 5th October 2010

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
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 – 400001

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		Stock Exchange, Mumbai			
	Share price (Rs.)		Share price (Rs.)		Sensex	
	High	Low	High	Low	High	Low
April, 2009	17.40	12.60	16.90	12.25	11,492.10	9,546.29
May, 2009	24.30	13.00	24.30	13.25	14,930.54	11,621.30
June, 2009	30.00	19.25	30.85	19.50	15,600.30	14,016.95
July, 2009	21.55	16.80	22.45	17.20	15,732.81	13,219.99
August, 2009	28.20	19.55	28.10	19.75	16,002.46	14,684.45
September, 2009	38.45	29.00	37.90	28.70	17,142.46	15,356.72
October, 2009	31.90	24.60	31.90	24.65	17,493.17	15,805.20
November, 2009	35.00	23.50	35.50	23.50	17,290.48	15,330.56
December, 2009	38.05	30.00	37.95	29.80	17,530.94	16,577.78
January, 2010	56.50	33.65	56.55	33.65	17,790.33	15,982.08
February, 2010	64.85	49.20	64.85	49.50	16,669.25	15,651.99
March, 2010	59.70	47.55	59.80	48.40	17,793.01	16,438.45

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(s) – 040-23356507, 23356975, 23350586,
Fax no - 040-23354042

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 31st March, 2010.

Particulars	No. of shares	% of holding
Promoters	81,66,889	61.12
Mutual Funds	2,800	0.02
Banks and financial institutions	1,81,932	1.36
FII's	0	0
Private corporate bodies	11,92,867	8.93
NRI's	81,220	0.61
Indian public	37,36,582	27.96
Total	1,33,62,290	100.00

Distribution of shareholding as on 31st March, 2010

Nominal value	Holders		Amount	
	Number	% to total	In Rs.	% to total
Up to 5,000	5,101	82.88	72,66,960	5.44
5,001 – 10,000	509	8.27	39,69,760	2.97
10,001 – 20,000	259	4.21	39,87,880	2.98
20,001 – 30,000	74	1.20	18,82,140	1.41
30,001 – 40,000	28	0.45	9,98,560	0.75
40,001 – 50,000	37	0.60	17,65,910	1.32
50,001 – 1,00,000	77	1.25	56,18,510	4.20
1,00,001 and above	70	1.14	10,81,33,180	80.93
Total	6,155	100.00	13,36,22,900	100.00

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) 5264432 shares amounting to 39.40 % of the capital have been dematerialised by investors as on 31st March, 2010.

ISIN: INE713B01026

Address of registrars for dematerialistion of shares
M/s. Sathguru Management Consultants Pvt.Ltd.,
Plot No.15, Hindi Nagar, behind Saibaba Temple,
Punjagutta, Hyderabad - 500 034
Phone no(s) – 040-23356507, 23356975, 23350586,
Fax no. - 040- 23354042

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

Not applicable, as the Company has not issued any of the above instruments

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 members’ address and other queries relating to the shares of the Compnay

M/s. Sathguru Management Consultants Pvt.Ltd.,
Plot no.15, Hindi Nagar, behind Saibaba Temple,
Punjagutta, Hyderabad - 500 034
Phone no(s) – 040-23356507, 23356975, 23350586
Fax no. - 040-23354042

ii) any queries related 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
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 15th May 2010

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 31st March , 2010.

for **Suryalakshmi Cotton Mills Limited**

Secunderabad
15th May 2010

L.N. Agarwal
Chairman and Managing Director

Auditors’ Certificate on compliance of Corporate Governance

To the members of Suryalakshmi Cotton Mills Limited, Secunderabad

We have examined the compliance of conditions of Corporate Governance by Suryalakshmi Cotton Mills Limited, for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the Company with 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 of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Place: Hyderabad
Date : 15th May 2010

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

Auditors' Report

Financial Section

To the Members of
Suryalakshmi Cotton Mills Limited
 Secunderabad

1. We have audited the attached Balance Sheet of SURYA LAKSHMI COTTON MILLS LIMITED, SECUNDERABAD, (A.P) as at 31st March, 2010 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, 2010 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2010 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, 2010;
 - 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

Place: Hyderabad
 Date : May 15, 2010

K. S. Rao
Partner
 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 2 parties covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the year was Rs. 36.00 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, 2010 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 the dues	Amount Rs.	Period to which the amount relates	Forum where the dispute is pending
Excise Duty	285,34,563	July 1999 to July 2004	Commissioner (Appeals) Central Excise, Nagpur
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	21,63,938	2001-02	-do-
Income -tax	118,66,089	2005-06 & 2006-07	Interest u/s.234B with Hon'ble Chief Commissioner of Income Tax, Hyderabad.

- 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 not given any guarantee for loans taken by others from banks or financial institutions.
- 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 15, 2010

Membership No.15850

Balance Sheet

As at 31st March, 2010

(Amount in Rupees)

	Schedule Reference	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Share Holders' Funds			
Share Capital	1	218,513,158	218,513,158
Reserves and Surplus	2	945,513,478	917,667,510
		1,164,026,636	1,136,180,668
Loan Funds:			
Secured Loans	3	2,296,703,409	2,651,408,655
Unsecured Loans	4	129,315,632	146,669,846
		2,426,019,041	2,798,078,501
Deferred Tax Liability		188,776,624	175,346,948
Total		3,778,822,301	4,109,606,117
APPLICATION OF FUNDS			
Fixed Assets:	5		
Gross Block		3,813,947,892	3,747,299,441
Less : Depreciation		1,467,467,492	1,268,818,169
Net Block		2,346,480,400	2,478,481,272
Add : Capital Work in Progress		5,113,246	2,124,292
		2,351,593,646	2,480,605,564
Investments	6	46,916,565	45,562,719
Current Assets, Loans and Advances			
Inventories	7	897,524,280	722,808,874
Sundry Debtors	8	552,779,665	570,324,597
Cash and Bank Balances	9	19,020,477	18,256,391
Loans and Advances	10	408,386,289	579,993,136
		1,877,710,711	1,891,382,998
Less : Current Liabilities and Provisions	11	512,366,590	331,703,853
Net Current Assets		1,365,344,121	1,559,679,145
Miscellaneous Expenditure	12	14,967,969	23,758,689
(To the extent not written off or adjusted)			
Total		3,778,822,301	4,109,606,117
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 and on behalf of the Board

for **Brahmayya & Co**
Chartered Accountants

L. N. Agarwal
Chairman & Managing Director

K. S. Rao
Partner
Membership No.15850

P. S. Subramanyam
Vice President (Finance)

P. K. Agarwal
Managing Director

Place : Hyderabad
Date : 15.05.2010

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

Profit and Loss Account

For the year ended 31st March, 2010

(Amount in Rupees)

	Schedule Reference	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales	13	4,101,302,133	3,553,858,934
Other Income	14	77,138,882	47,876,055
Total		4,178,441,015	3,601,734,989
EXPENDITURE			
Raw Materials Consumed	15	2,402,042,129	2,205,898,851
Purchase of Traded Goods		16,191,029	4,303,356
Other Manufacturing Expenses		7,846,629	8,333,119
Stores Consumed	16	364,098,785	368,122,100
Power and Fuel	17	377,414,701	334,402,478
Payments & Benefits to Employees	18	206,618,207	179,298,013
Other Expenses	19	283,374,385	211,475,234
Finance Charges	20	216,309,598	206,641,919
Managerial Remuneration		6,689,400	6,419,390
Depreciation	5	207,041,202	201,397,915
Miscellaneous Expenses Written off	12	8,790,720	9,650,844
(increase) / Decrease in stocks	21	74,973	13,513,254
Total		4,096,491,758	3,749,456,473
Profit / (Loss) before adjustments		81,949,257	(147,721,484)
Less: Provision for Taxation : for the Year (Minimum Alternate Tax)		15,000,000	–
: for earlier years		10,013,699	7,500,000
: Deferred tax		13,429,676	522,917
: Fringe Benefit Tax		–	1,250,000
Profit / (Loss) after Tax		43,505,882	(156,994,401)
Add: Profit brought forward from last year		77,718,513	234,791,488
		121,224,395	77,797,087
APPROPRIATIONS			
Proposed Dividend : on Equity Shares		13,362,290	–
: on Preference Shares		67,160	67,160
Corporate Dividend Tax		2,230,464	11,414
Preference Capital Redemption Reserve		10,000,000	–
Surplus Carried to Balance Sheet		95,564,481	77,718,513
Total		121,224,395	77,797,087
Earnings Per Share (Face value Rs. 10) (Basic and Diluted)		3.25	(11.75)
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 and on behalf of the Board

for **Brahmayya & Co**
Chartered Accountants

L. N. Agarwal
Chairman & Managing Director

K. S. Rao
Partner
Membership No.15850

P. S. Subramanyam
Vice President (Finance)

P. K. Agarwal
Managing Director

Place : Hyderabad
Date : 15.05.2010

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 1 SHARE CAPITAL		
Authorised		
2,50,00,000 [2,50,00,000] Equity Shares of Rs. 10/- each	250,000,000	250,000,000
6,72,000 0.10% Cumulative Redeemable Preference Shares of Rs. 100/- each	67,200,000	67,200,000
	317,200,000	317,200,000
Issued		
1,98,91,556 [1,98,91,556] Equity Shares of Rs. 10/- each	198,915,560	198,915,560
6,72,000 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each	67,200,000	67,200,000
	266,115,560	266,115,560
Subscribed and Paid up		
1,33,62,290 [1,33,62,290] Equity Shares of Rs. 10/- each fully paid	133,622,900	133,622,900
6,71,600 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each	67,160,000	67,160,000
Add : Forfeited Shares	17,730,258	17,730,258
	218,513,158	218,513,158

Note: 1) Of the above 20,000 equity shares of Rs. 10/- each are allotted as fully paid up without payment being received in cash.
2) 80,32,267 Equity Shares of Rs. 10/- each are allotted as fully paid up by way of Bonus Shares by Capitalisation of Reserves.
3) 6,71,600 0.1% Cumulative Redeemable preference shares of Rs.100/- each are allotted as fully paid up without payment being received in cash as per the scheme of arrangement with IDBI/ IFCI.

	Balance as at 01.04.2009	Additions during the year	Deductions during the year	Balance as at 31.03.2010	Balance as at 31.03.2009
SCHEDULE 2 RESERVES & SURPLUS					
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	45,000,000	10,000,000		55,000,000	45,000,000
Special capital incentive	3,000,000			3,000,000	3,000,000
General Reserve	240,080,822			240,080,822	240,080,822
Surplus in Profit & Loss account	77,718,513	95,564,481	77,718,513	95,564,481	77,718,513
Total	917,667,510	105,564,481	77,718,513	945,513,478	917,667,510

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 3 SECURED LOANS		
A. Term Loans		
i) Rupee Term Loans		
Under Textile Modernisation Fund scheme from		
a) IDBI Bank Limited - TUF Scheme-I	25,001,569	29,142,755
b) IDBI Bank Limited - 1	8,043,750	16,500,000
c) IDBI Bank Limited - 2	62,557,717	71,290,852
d) IDBI Bank Limited - TUF Scheme-II	644,525,000	650,000,000
e) IDBI Bank Limited - 3	6,994,165	14,258,721

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 3 SECURED LOANS (Contd.)		
f) I F C I Ltd.,-I	–	15,125,000
g) I F C I Ltd.,-II	24,402,000	40,670,000
h) State Bank of India -TUF Scheme-I	267,600,000	267,900,000
i) State Bank of India -TUF Scheme-II	401,287,000	401,787,000
j) State Bank of Mysore - TUF Scheme	88,800,000	88,900,000
ii) Foreign Currency Loans From:		
k) IDBI Bank Limited	–	17,449,122
l) I F C I Ltd.	–	16,127,046
Sub Total (A)	1,529,211,201	1,629,150,496
B. Corporate Loan From		
State Bank of India	–	235,786,925
C. Working Capital Loans From		
State Bank of India - Cash Credit	292,942,253	369,350,902
- Packing Credit	62,105,157	31,445,082
- SLC	50,652,565	50,000,000
State Bank of Hyderabad - Cash Credit	71,062,666	52,146,807
- Packing Credit	47,815,576	50,267,486
- SLC	–	12,500,300
State Bank of Mysore - Cash Credit	123,213,029	106,144,429
State Bank of Indore - Cash Credit	83,208,707	114,616,228
- Packing Credit	35,273,101	–
Sub Total (C)	766,273,054	786,471,234
D. Vehicle Hire Purchase Loan From		
Kotak Mahindra Prime Limited	1,219,154	–
Total (A+B+C+D)	2,296,703,409	2,651,408,655

Notes:

- The Loans referred at (a) to (g), (i) to (l) and Corporate Loan above are secured by mortgage of (present and future) movable and Immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the Company, in their personal capacities.
- The Loans referred to in (h) 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 (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	3,687,702	–
b) Fixed Deposits	57,403,299	66,439,811
c) Inter Corporate Deposits	47,670,082	65,415,326
d) Deferred Sales tax Liability	20,554,549	14,814,709
Total	129,315,632	146,669,846

Schedules forming part of the Accounts

(Amount in Rupees)									
Description of the Assets	Gross Block			Depreciation			Net Block		
	Cost as at 01.04.2009	Additions during the year	Deductions during the year	Cost as at 31.03.2010	Upto 31.03.2009	For the Year	On Deductions	Upto 31.03.2010	
Land	10,666,762	–	–	10,666,762	–	–	–	–	10,666,762
Factory Buildings	449,599,441	3,026,140	–	452,625,581	76,862,969	15,040,382	–	91,903,351	360,722,230
Non-Factory Buildings	142,641,715	4,074,880	–	146,716,595	16,724,282	2,357,112	–	19,081,394	127,635,201
Town Ship	33,201,658	3,718,661	–	36,920,319	1,514,531	552,486	–	2,067,017	34,853,302
Work Shop Equipment	705,288	–	–	705,288	139,931	32,824	–	172,755	532,533
Plant And Machinery	2,825,200,078	53,702,049	6,595,900	2,872,306,227	1,092,576,798	174,515,761	6,542,973	1,260,549,586	1,611,756,641
Testing Equipment	30,772,143	552,907	–	31,325,050	6,508,629	1,471,761	–	7,980,390	23,344,660
Electrical Instalations	192,877,223	6,682,409	–	199,559,632	50,230,570	9,156,178	–	59,386,748	140,172,884
Weighing Machines	2,501,822	159,586	–	2,661,408	1,161,781	113,968	–	1,275,749	1,385,659
Water Works	16,961,406	471,286	–	17,432,692	2,115,477	281,204	–	2,396,681	15,036,011
Furniture & Fixtures	17,873,854	1,198,688	–	19,072,542	9,685,076	1,258,803	–	10,943,879	8,128,663
Vehicles	13,059,805	2,346,641	3,819,236	11,587,210	4,591,643	1,114,756	1,848,906	3,857,493	7,729,717
Data Processing Equipment	11,238,246	1,130,340	–	12,368,586	6,706,482	1,145,967	–	7,852,449	4,516,137
Total	3,747,299,441	77,063,587	10,415,136	3,813,947,892	1,268,818,169	207,041,202	8,391,879	1,467,467,492	2,346,480,400
Capital Work In Progress	2,124,292	80,052,541	77,063,587	5,113,246	–	–	–	–	5,113,246
	3,749,423,733	157,116,128	87,478,723	3,819,061,138	1,268,818,169	207,041,202	8,391,879	1,467,467,492	2,351,593,646
Less: Internal Transfers	–	77,063,587	77,063,587	–	–	–	–	–	–
Total	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
Previous Year	3,691,394,361	58,944,463	915,091	3,749,423,733	1,067,824,163	201,397,915	403,909	1,268,818,169	2,480,605,564

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 6 INVESTMENTS - (LONG TERM, at Cost)		
(1). Unquoted - Non Trade		
(a). National Savings Certificates (1992)	1,000	1,000
(Pledged as security with Central Excise Department)		
(b). National Saving Certificates (1987)		
(Pledged as security with Sales Tax Department)	10,000	10,000
(2). Subsidiary Company:		
(at cost-non trade)		
22,69,860 (22,69,860) Equity Shares of Rs.10 each		
in Suryakiran International Ltd	44,797,200	44,797,200
(3). Others [At cost -Traded - quoted]		
(a). 1,02,100 Equity shares of Rs. 10 each.		
in Suryavanshi Spinning Mills Ltd,	10,519,000	10,519,000
(b). 1000 Equity shares of Rs.10 each		
in Srei International Finance Ltd [partly paid up]	–	25,000
(c). 5000 Equity shares of Rs.10 each		
in Merbank Financial Services Ltd [partly paid up]	–	50,000
[Aggregate market value of Quoted investments		
Rs. 21,08,365/- (previous year Rs. 7,54,519/-]		
	55,327,200	55,402,200
Less: Net Diminution in the value of Investments	8,410,635	9,839,481
Total	46,916,565	45,562,719

SCHEDULE 7 INVENTORIES		
(Valued and certified by the Management)		
(Valued at lower of cost and net realisable value unless otherwise stated)		
Raw materials	306,140,901	131,642,966
Stores and Spares	125,529,550	125,237,106
Finished Goods	253,306,138	247,531,023
Stock-in-process	210,528,877	216,757,249
Cotton Waste (at realisable value)	2,018,814	1,640,530
Total	897,524,280	722,808,874

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 8 SUNDRY DEBTORS		
(Unsecured)		
Due over six months - Considered good	42,000,073	9,040,866
- Considered Doubtful	6,026,946	6,026,946
Less: Provision for Bad and Doubtful debts.	6,026,946	–
Others Considered good	510,779,592	561,283,731
Total	552,779,665	570,324,597

SCHEDULE 9 CASH AND BANK BALANCES		
Cash & Cheques on Hand	562,850	1,033,346
With Scheduled Banks:		
In Current Accounts	3,182,047	5,054,985
In Margin Money Deposits	11,527,760	8,667,060
In fixed deposits	3,746,820	3,500,000
With Post Office Saving Bank	1,000	1,000
(Kept as security with Central Excise Department)		
(maximum balance Rs. 1,000)		
Total	19,020,477	18,256,391

SCHEDULE 10 LOANS AND ADVANCES		
(Unsecured considered good, recoverable in cash or in kind or for value to be received)		
Advances for Purchases	63,723,447	84,755,871
TED refund receivable	9,012,543	8,080,369
Interest subsidy receivable	54,530,837	58,390,524
Advances to Staff	2,610,674	2,749,430
Deposits recoverable	39,987,731	36,243,259
Claims/Other Receivable	115,848,558	317,777,409
Export Benefit Entitlement Receivable	28,740,617	33,629,679
Pre-paid expenses	4,776,849	3,783,756
Balance With Central Excise Department	13,184,278	6,054,487
Accrued interest	2,277,821	1,782,619
Other advances	73,692,934	23,692,934
Income tax (Net)	–	3,052,799
Total	408,386,289	579,993,136

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 11 CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry Creditors for Raw Material & Stores/Capital goods		
Due to Micro and Small Enterprises	8,302,063	8,116,315
Others	328,280,443	204,301,346
Creditors : for Expenses	120,581,606	102,804,683
: for other Finance	6,973,108	8,792,701
Unclaimed Dividend *	706,572	707,285
Advances received against sales	31,377,229	6,567,307
Total	496,221,021	331,289,637
B. Provisions		
For Preference Dividend	67,160	67,160
Proposed Equity Dividend	13,362,290	–
Corporate Dividend Tax	2,230,464	11,414
Income Tax (Net)	348,844	–
Fringe Benefit Tax (Net)	136,811	335,642
Total	16,145,569	414,216
Total (A+B)	512,366,590	331,703,853

* 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		
Opening Balance	6,887,649	10,252,373
Less : written off during the year	2,504,600	4,383,049
Deferred Revenue Expenses		
Opening Balance	16,871,040	23,157,160
Less:Written off during the year	6,286,120	10,584,920
Total	14,967,969	23,758,689

Schedules forming part of the Accounts

(Amount in Rupees)

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 13 SALES		
Yarn	1,486,621,028	1,339,256,134
Fabric	2,578,428,968	2,169,198,010
Waste	36,252,137	45,404,790
Total	4,101,302,133	3,553,858,934

SCHEDULE 14 OTHER INCOME

Interest-earned, [TDS Rs. 3,43,229/-(previous year Rs. 7,94,374/-)]	3,436,238	3,140,182
Export Benefit Entitlement	59,680,473	39,638,938
Excess Provisions written back	261,716	80,586
Foreign Exchange Fluctuations (Net)	2,002,455	–
Packing & Forwarding Collection Charges	1,894,427	1,772,877
Scrap Sales	2,197,320	1,599,679
Profit on sale of Assets	5,432,357	–
Increase in value of Investments	1,428,846	–
Miscellaneous Receipts	805,050	1,643,793
Total	77,138,882	47,876,055

SCHEDULE 15 RAW MATERIALS CONSUMED

Opening Stocks	131,642,966	210,516,376
Add : Purchases	2,610,410,817	2,160,743,156
	2,742,053,783	2,371,259,532
Less : Cost of Raw materials sold	33,870,753	33,717,715
Less : Closing Stocks	306,140,901	131,642,966
Total	2,402,042,129	2,205,898,851

SCHEDULE 16 STORES CONSUMED

Consumable Stores	49,798,295	49,437,541
Dyes and Chemicals	279,939,377	281,646,375
Packing Material Consumed	34,361,113	37,038,184
Total	364,098,785	368,122,100

SCHEDULE 17 POWER & FUEL

Electricity Charges	319,449,833	274,858,862
Fuel Consumed	57,964,868	59,543,616
Total	377,414,701	334,402,478

Schedules forming part of the Accounts

(Amount in Rupees)

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 18 PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	180,866,058	154,012,796
Contribution to Provident Fund & other funds	13,892,559	13,704,445
Welfare Expenses	11,859,590	11,580,772
Total	206,618,207	179,298,013

SCHEDULE 19 OTHER EXPENSES

Rent	553,724	695,365
Security Charges	1,838,222	1,774,557
Rates & Taxes	29,947,028	24,631,481
Printing & Stationery	2,247,184	2,479,372
Postage, Telegrams & Telephones	7,150,198	6,381,218
Travelling & Conveyance	14,521,079	10,377,645
Directors' Sitting fees & Travelling expenses	477,514	635,609
Advertisements	344,716	238,113
Expenses on Sales	66,213,662	52,116,968
Commission on Sales	19,453,667	16,846,163
Insurance	6,004,668	8,556,230
Auditors' Remuneration	310,053	359,621
Legal & Professional Charges	6,592,909	3,238,946
Repairs to : Buildings	4,496,729	2,406,095
: Machinery	58,673,193	30,852,231
: Other Assets	4,876,321	7,135,254
Vehicle Maintenance	2,106,322	2,423,484
Miscellaneous Expenses	25,484,847	38,332,726
Donations	413,843	286,854
Loss on sale of assets	607,230	257,336
Diminution in value of Investments	–	1,379,371
Bad debts and Debit Balances written off	7,364	5,530
Derivative Loss	4,587,941	–
Investments written off	75,000	–
Claims written off	26,390,971	–
Prior period Expenses	–	65,065
Total	283,374,385	211,475,234

Schedules forming part of the Accounts

(Amount in Rupees)

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 20 FINANCE CHARGES		
Interest on Term Loans	109,668,898	105,393,560
Interest on others	90,415,972	96,566,465
Bank Charges	16,224,728	4,681,894
Total	216,309,598	206,641,919

SCHEDULE 21 (INCREASE)/DECREASE IN STOCKS

Opening Stocks:		
Yarn	44,198,908	47,004,507
Fabric	203,332,115	226,169,991
Work-in-process	216,757,249	204,939,381
Cotton Waste	1,640,530	1,328,177
Total	465,928,802	479,442,056
Closing Stocks:		
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
Total	465,853,829	465,928,802
Decrease in stocks Total	74,973	13,513,254

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS

Notes forming part of Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date.

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
1 Contingent Liabilities not provided for		
a) Contracts to be executed on capital accounts.	130,279,355	122,509,299
b) Against Foreign & Inland Letter of Credits	4,533,043	34,087,616
c) Against Bank Gaurantees	466,940	466,940
d) Against Bills discounted	191,313,664	155,380,313
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	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	–
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 appeal filed before STAT(A.P) by the Company was partly allowed and the balance was remanded for verification by the department.	2,163,938	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	–

- The legal proceedings against M/s Rajvir Industries Ltd., for the recovery of the balance outstanding in the books of the Company of Rs. 2,36,92,934/- (Previous Year Rs. 2,36,92,934/-) are pending.
- Claim against the Company not acknowledged as debts :
M/s Rajvir Industries Limited has filed a suit against the Company claiming export incentives allegedly due to them amounting to Rs. 295.70 Lakhs relating to export performance of erstwhile Mahabubnagar Unit of the periods prior to demerger. The Company has been advised that the claim is not admissible and is taking adequate steps to resist the claim.
- Three cases have been filed against the Company for amounts totalling to Rs.13.48 crores in respect of three cheques allegedly issued by the Company. These claims are being resisted on the plea that these cheques have been misused and in absence of any legally enforceable debt or liability the Company has been advised that the complaints are not maintainable and no liability is likely to arise.
- Rajvir Industries Ltd has filed a complaint against the Company and its officers in connection with the transfer of liability of Rs. 10 crores in the scheme of arrangement. The Company has been advised that the complaint is not maintainable in law and is taking adequate steps to defend its position.

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

6 Rajvir Industries Ltd., has filed an application before the Hon'ble High Court of Andhra Pradesh for modification of the Order of the Hon'ble High Court of Andhra Pradesh in the scheme of arrangement for transfer of the liability of Rs.10 crores to the Company. The application is pending before the Hon'ble High Court of Andhra Pradesh. The Company has been advised that the complaint is not maintainable in law and is taking adequate steps to defend its position.

7 A show cause notice has been received from the office of DGFT Hyderabad for alleged violation of Target plus scheme to recover Rs.17.29 crores and levy other penalties. 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.

8 Derivative's outstanding as at Balance Sheet date.

Particulars	Currency	Purpose	Amount in foreign currency as at	
			31st March, 2010	31st March, 2009
Principal only Swap	USD	Cost Reduction	NIL	1 Mio

The above contracts are for hedging purpose and not for speculation.

There is no liability on account of derivative transaction as on 31st March, 2010.

9 Licensed and Installed Capacity:

Licenced Capacity : No of Spindles	48240	48240
No of Looms	221	221
Installed Capacity : No of Spindles	48240	48240
No of Looms	201	201

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

10 Production and Sales

(Amount in Rupees)

		Current year	Previous year
a) Production			
Yarn	Kgs	27,457,197	24,299,494
(Captive consumption out of the above			
Current Year	Kgs	13,062,248	
Previous Year	Kgs	10,939,675)	
Denim & Bottom Weight Fabric	Mtrs	28,509,034	25,699,587
b) Purchase of Traded Goods			
Yarn	Kgs	70,956	9,075,680
Fabric	Mtrs	77,399	7,115,349
		16,191,029	4,303,356
c) Sales including Traded goods			
Yarn	Kgs	14,239,851	1,486,621,029
Denim Fabric	Mtrs	28,896,878	2,578,428,968
Waste	Kgs	3,208,694	36,252,136
		4,101,302,133	3,553,858,934

Note : 10103 Kgs. Of Yarn (Previous year Nil Kgs.) and 157146 mts of Fabric (previous year 32657 Mtrs of fabric) issued for reprocess, samples and free replacements.

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

11 Opeing and Closing Stocks

(Amount in Rupees)

		As at 31.03.2010	As at 31.03.2009
a) Opening Stocks			
Yarn	Kgs	524,660	44,198,908
Fabric	Mtrs	2,460,464	203,332,115
Waste	Kgs	98,025	1,640,530
		249,171,553	274,502,675
b) Closing Stocks			
Yarn	Kgs	740,611	67,483,475
Denim Fabric	Mtrs	1,992,873	185,822,663
Waste	Kgs	92,147	2,018,814
		255,324,952	249,171,553

12 Stock of Rawmaterials

a) Opening Stocks				
Cotton	Kgs	1,605,563	96,786,850	2,813,167
Yarn	Kgs	162,404	15,364,866	461,067
Polyster Staple Fibre	Kgs	242,390	14,709,282	153,097
Viscose Staple Fibre	Kgs	49,877	4,781,968	62,391
Grey Fabric	Mtrs	–	–	23,028
		131,642,966		210,516,376
b) Closing Stocks				
Cotton	Kgs	3,766,374	231,335,449	1,605,563
Yarn	Kgs	414,587	46,066,927	162,404
Polyster Staple Fibre	Kgs	283,059	21,762,807	242,390
Viscose Staple Fibre	Kgs	54,004	6,975,718	49,877
Grey Fabric	Mtrs	–	–	–
		306,140,901		131,642,966

13 Purchase of Rawmaterials

Cotton	Kgs	18,759,617	1,030,079,139	15,751,468	920,824,212
Yarn	Kgs	5,787,069	598,985,077	4,878,938	477,572,842
Polyster Staple Fibre	Kgs	12,679,639	833,050,555	10,067,315	648,890,794
Viscose Staple Fibre	Kgs	1,177,842	137,424,936	846,706	86,216,169
Grey Fabric	Mtrs	183,233	10,871,110	496,766	28,713,681
			2,610,410,817		2,162,217,698
Less : Fire Loss					
Cotton	Kgs	–	–	27,060	1,474,542
				–	1,474,542
Net Purchases			2,610,410,817		2,160,743,156

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

14 Cost of Rawmaterial Sold (Amount in Rupees)

			Current year		Previous year
Cotton	Kgs	595,529	31,569,668	585,068	33,717,715
Yarn	Kgs.	16,370	2,301,085	–	–
		611,899	33,870,753	585,068	33,717,715

15 Rawmaterial consumed

Cotton	Kgs	16,003,277	863,960,872	16,346,944	932,967,373
Yarn	Kgs	5,518,516	565,981,931	5,177,601	510,199,627
Polyster Staple Fibre	Kgs	12,638,970	825,997,030	9,978,022	643,736,918
Viscose Staple Fibre	Kgs	1,173,715	135,231,186	859,220	88,960,946
Grey Fabric	Mtrs	183,233	10,871,110	519,794	30,033,987
			2,402,042,129		2,205,898,851

Note : 1) During the year Fire loss of NIL Kgs. (Previous year 27,060 Kgs) of Cotton at Spinning Division, Amanagallu.

16 Rawmaterial consumed

Indigenous	%	94.55	2,271,233,933	95.50	2,106,539,119
Imported	%	5.45	130,808,196	4.50	99,359,732
		100.00	2,402,042,129	100.00	2,205,898,851

17 Spare parts and components consumed

Indigenous	%	78.54	258,979,646	81.83	270,919,141
Imported	%	21.46	70,758,026	18.17	60,164,775
		100.00	329,737,672	100.00	331,083,916

18 Managerial Remuneration

a) Sri L N Agarwal (Chairman & Managing Director)					
Salary		2,400,000			2,400,000
		2,400,000			2,400,000
b) Sri P K Agarwal (Managing Director)					
Salary		2,400,000			2,400,000
		2,400,000			2,400,000
c) Sri H L Ralhan (Director)					
Salary		1,550,640			1,384,701
Perquisites		338,760			234,689
		1,889,400			1,619,390
Total (a+b+c)		6,689,400			6,419,390

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

19 Computation of profits in accordance with Sec.349 of the Companies Act, 1956 : (Amount in Rupees)

	Current year	Previous year
Profit / (Loss) for the year before taxation as per Profit and Loss Account	81,949,257	(147,721,484)
Add : Sitting Fee	160,000	180,500
Add : Loss on sale of Assets	607,230	257,336
Add : Managerial Remuneration	6,689,400	6,419,390
	89,405,887	(140,864,258)
Less : Credit Balances written back	3,684	80,586
Less : Profit on sale of Assets	5,432,357	–
	83,969,846	(140,944,844)
Excess of expenditure over Income brought forward from previous year set off -	(140,944,844)	–
Net profit in accordance with Sec.349 of the Companies Act of 1956	(56,974,998)	(140,944,844)

Note : Due to inadequacy of profits during the current year minimum remuneration paid to wholtime directors.

20 Auditors Remuneration

Statutory Audit	165,450	137,875
Tax Audit	55,150	55,150
Certification	74,453	28,000
Other services	15,000	138,596
	310,053	359,621

21 Expenditure in Foreign Currency during the year on account of :

i) Plant and Machinery - Imported (CIF Value)	4,246,210	165,555,329
ii) Rawmaterials (CIF Value)	126,333,269	96,908,328
iii) Stores and Spares (CIF Value)	81,699,543	60,164,775
iv) Repayment of Loans	31,681,463	17,501,046
v) Interest	1,468,058	2,102,038
vi) Commission on Export Sales	14,484,441	9,053,814
vii) Foreign Travel (Excluding tickets purchased in India)	2,005,387	1,799,916
viii) Business Promotion (Product Development Expenses)	–	–
ix) Foreign Technical & Consultancy services	2,638,022	–
	264,556,393	353,085,246

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

	Nil	Nil
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23 Earnings in Foreign Exchange

FOB Value of Exports	729,115,796	454,639,997
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Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

24 Composition of Net Deferred Tax Liability

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
Deferred Tax Liabilities		
Depreciation	275,041,353	286,341,887
Deferred Revenue Expenses	3,597,814	5,734,465
	278,639,167	292,076,352
Deferred Tax Assets		
Carried forward losses	87,813,984	114,680,845
Provision for Doubtful Debts & Others	2,048,559	2,048,559
	89,862,543	116,729,404
Deferred Tax Liability (Net)	188,776,624	175,346,948

25 Information about Business Segments

1 Segment Revenue		
Spinning	1,492,703,683	1,327,556,993
Denim	2,608,598,450	2,226,301,941
Total	4,101,302,133	3,553,858,934
2 Segment Results		
Spinning	142,855,687	85,545,126
Denim	155,403,169	(26,624,691)
Total	298,258,856	58,920,435
3 Interest	216,309,598	206,641,919
4 Profit / (Loss) before Tax	81,949,257	(147,721,484)
5 Other Information		
Segment Assets		
Spinning	1,318,919,276	1,267,935,935
Denim	2,893,460,833	3,072,065,567
Total	4,212,380,109	4,340,001,502
6 Segment Liabilities		
Spinning	144,407,768	61,620,851
Denim	304,118,009	192,533,223
Total	448,525,777	254,154,074
7 Capital Expenditure		
Spinning	45,792,612	20,901,144
Denim	31,270,975	36,537,417
Total	77,063,587	57,438,561
8 Depreciation		
Spinning	47,788,515	47,073,471
Denim	159,252,687	154,324,444
Total	207,041,202	201,397,915
9 Non Cash Expenditure Other than Depreciation		
Spinning	916,838	916,838
Denim	7,873,882	8,734,006
Total	8,790,720	9,650,844

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	Type of Product
a) Spinning	Cotton Yarn, Combed Yarn and P V Yarn
b) Denim	Denim Fabric

26 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 (Rs.)	Previous Year Amount (Rs.)
Sri L N Agarwal	Key Management	a) Remuneration	2,400,000	2,400,000
Chairman & Managing Director		b) Interest	56,844	20,317
Sri P K Agarwal	Key Management	a) Remuneration	2,400,000	2,400,000
Managing Director		b) Interest	40,602	34,601
Sri L N Agarwal (HUF)	Key Management	Interest	79,625	79,625
Sri H L Ralhan	Key Management	Remuneration	1,889,400	1,619,390
Director				
Smt Sathyabhamabai	Wife of Sri L N Agarwal	Interest	1,278,875	1,317,793
Smt Padmini Agarwal	Wife of Sri P K Agarwal	Interest	784,545	784,545
Kum Aparna Agarwal	Daughter of Sri P K Agarwal	Interest	235,625	235,625
Master Vedanth Agarwal	Son of Sri P K Agarwal	Interest	299,000	299,000
M/s Suryalata Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Interest	–	253,698
		Purchase of Raw Material	9,605,329	–
M/s Suryakiran International Ltd	Subsidiary	Sale of Fabric	89,837,536	108,845,293
		Others	931,211	407,254
M/s Suryajyothi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Yarn	13,597,477	4,861,464
		Sale of Raw Material	–	29,364,184
M/s Suryavanshi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Purchase of Raw Material	403,451	2,047,066
		Raw Cotton Sales	31,584,738	–
		Sale of yarn	–	1,262,731
M/s Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	Cost of Machinery	392,994	–

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

b) Payable as at 31-03-2010

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
Sri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration (Net)	159,800	129,800
		b) Interest (net)	51,160	–
		c) Unsecured Loan	2,100,000	–
Sri P K Agarwal Managing Director	Key Management	a) Remuneration (Net)	–	129,800
		b) Interest (net)	36,542	–
		c) Unsecured Loan	1,500,000	–
Sri L N Agarwal (HUF)	Key Management	a) Interest (net)	71,662	70,603
		b) Deposits	1,225,000	1,225,000
Sri H L Ralhan Director	Key Management	Remuneration (Net)	92,240	33,240
Smt Sathyabhamabai	Wife of Sri L N Agarwal	a) Interest (net)	1,150,988	1,168,486
		b) Deposits	19,675,000	19,675,000
Smt Padmini Agarwal	Wife of Sri P K Agarwal	a) Interest (net)	706,090	695,656
		b) Deposits	11,050,000	11,050,000
Kum Aparna Agarwal	Daughter of Sri P K Agarwal	a) Interest (net)	212,062	208,929
		b) Deposits	3,625,000	3,625,000
Master Vedanth Agarwal	Son of Sri P K Agarwal	a) Interest (net)	269,100	265,123
		b) Deposits	4,600,000	4,600,000

c) Receivable as at 31-03-2010

M/s Suryakiran International Ltd.,	Subsidiary	Sale of Fabric For others (Payables)	75,027,191 (482,506)	48,342,847 429,024
M/s Suryajyothi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Raw Material	415,133	3,860,036

27 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

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
1 Table showing changes in present value of obligations		
Present value of obligations as at beginning of year	11,693,122	9,734,556
Interest cost	935,450	778,764
Current Service Cost	2,027,697	1,698,421
Benefits Paid	(1,562,756)	(1,605,906)
Actuarial gain / (Loss) on obligations	76,855	1,087,287
Present value of obligations as at end of year	13,170,368	11,693,122

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
2 Table showing changes in the fair value of plan assets		
Fair value of plan assets at beginning of year	4,659,915	2,271,767
Expected return on plan assets	344,436	267,936
Contributions	748,455	3,726,118
Benefits Paid	(1,562,756)	(1,605,906)
Actuarial gain / (Loss) on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	4,190,050	4,659,915
3 Table showing fair value of plan assets		
Fair value of plan assets at beginning of year	4,659,915	2,271,767
Actual return on plan assets	344,436	267,936
Contributions	748,455	3,726,118
Benefits Paid	(1,562,756)	(1,605,906)
Fair value of plan assets at the end of year	4,190,050	4,659,915
Funded status	(8,980,318)	(7,033,207)
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)		
4 Assumptions		
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 Rupees)

	2009-10	2008-09
Current Service cost	466,143	174,031
Interest Cost on benefit obligation	174,102	127,383
Expected return on plan assets	Nil	Nil
Net Actuarial (gain)/Loss recognised in the year	2,111,994	2,269,430
Past service cost	Nil	Nil
Net Benefit expense	2,752,239	2,570,844
Actual return on Plan assets		
Balance Sheet		
Details of provision for Leave		
Change in the present value of the defined benefit obligation are as follows :		
Opening defined benefit obligation	2,176,280	1,592,284
Interest Cost	174,102	127,383
Current Service cost	466,143	174,031
Benefits Paid	(1,187,998)	(1,986,848)
Actuarial (gains) / losses on obligation	2,111,994	2,269,430
Closing defined benefit obligation	3,740,521	2,176,280

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 :

	2009-10	2008-09
Assumptions	%	%
Salary Rise	4	4
Discount rate	8	8
Attrition Rate	1	1

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

(Amount in Rupees)

	Current year	Previous year
Profit/(Loss) after Tax	43,505,882	(156,994,401)
Less : Dividend on Preference Share Capital with dividend tax there on	78,315	78,574
	43,427,567	(157,072,976)
Weighted average Number of Equity Shares	13,362,290	13,362,290
Basic Earnings per share	3.25	(11.75)

29 The Salestax deferment liability amounting to Rs. 2,05,54,549/- shown under unsecured loans is due for repayment from the year 2011.

Year	Amount Rs.	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
Total	20,554,549	

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

31 The amount of CRPS of Rs. 671.60 lacs payable on redemption to IDBI and IFCL as stated in note No.30 is treated as deferred revenue expenditure, to be written off over the term of the CRPS.

32 During the year 2005-06 the Company has incurred an amount of Rs. 1,25,23,000/- being the expenditure incurred for raising equity. The same is being 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.)

33 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.

34 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 rawmaterial which are used for production of polyester yarn meant for export, and cleared the material for export on payment of duty.

35 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 Rs. 26.09 crores from the Insurance Company including salvage. The part claim of Rs. 4.90 crores which is still to be settled by the Insurance Company is shown under Claims receivable and the amount of loss of Rs. 2.45 crores which is not expected to be received, has been written off under Claims written off under the head Other expenses (Ref. Schedule 19 of the Annual Accounts).

36 Previous year's figures have been regrouped wherever 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 intially 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.
- 11

The Company uses derivative financial instruments such as principal only swap for the purpose of cost reduction. In case of loss the transactions having protection are taken as contingent liability and where protection is knockedout, will be written off to profit & loss account.



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.

9

2

3

State Code

0

1

Balance Sheet Date

3

1

0

3

2

0

1

0

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

Public Issue

N

I

L

Rights Issue

N

I

L

Bonus Issue

N

I

L

Private Placement

N

I

L

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

Total Liabilities

3

7

7

8

8

2

2

Total Assets

3

7

7

8

8

2

2

Sources of Funds :

Paid up Capital

2

1

8

5

1

3

Reserves & Surplus

9

4

5

5

1

3

Secured Loans

2

2

9

6

7

0

3

Unsecured Loans

1

2

9

3

1

6

Deferred Tax Liability

1

8

8

7

7

7

Application of Funds

Net Fixed Assets

2

3

5

1

5

9

4

Investments

4

6

9

1

6

Net Current Assets

1

3

6

5

3

4

4

Misc. Expenditure

1

4

9

6

8

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

4

1

7

8

4

4

1

Total Expenditure

4

0

9

6

4

9

2

Profit before Tax

8

1

9

4

9

Profit after Tax

4

3

5

0

6

Earning per share (Rs.)

3

.

2

5

Dividend Rate %

1

0

%

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)

5

2

0

3

0

0

P

V

Y

A

R

N

5

5

0

9

0

0

D

E

N

I

M

F

A

B

R

I

C

5

2

0

7

0

0

Signatures to Schedules 1 to 23		
per Our Report of even date	For and on behalf of the Board	
for Brahmayya & Co Chartered Accountants		
K. S. Rao Partner Membership No.15850 Place : Hyderabad Date : 15.05.2010	P. S. Subramanyam Vice President (Finance)	L. N. Agarwal Chairman & Managing Director
	E.V.S.V. Sarma Company Secretary	P. K. Agarwal Managing Director
		Navrang Lal Tibrewal Director

per Our Report of even date	For and on behalf of the Board	
for Brahmayya & Co Chartered Accountants		
K. S. Rao Partner Membership No.15850 Place : Hyderabad Date : 15.05.2010	P. S. Subramanyam Vice President (Finance)	L. N. Agarwal Chairman & Managing Director
	E.V.S.V. Sarma Company Secretary	P. K. Agarwal Managing Director
		Navrang Lal Tibrewal Director

Cash Flow Statement For the year ended 31st March 2010

(Amount in Rupees)

	2009-2010	2008-2009
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net : Profit /(Loss) before Tax	81,949,257	(147,721,484)
Adjustment for		
Add : Depreciation	207,041,202	201,397,915
Interest	200,084,870	201,960,025
Debit balance written off	7,364	5,530
Miscellaneous expenses written off	8,790,720	9,650,844
Loss on sale of assets	607,230	257,336
Investments Written Off	75,000	–
Dimunition in Value of investments	–	1,379,371
	498,555,643	266,929,537
Less : Interest received	3,436,238	3,140,182
Excess provision written back	261,716	80,586
Profit on sale of assets	5,432,357	–
Increase in value of Investments	1,428,846	–
	10,559,157	3,220,768
Operating profit before working capital changes	487,996,486	263,708,769
Adjustment for changes in :		
Inventories	(174,715,406)	147,291,492
Receivable	17,799,284	(102,341,172)
Loans and advances	169,049,250	(147,934,882)
Current liabilities	161,193,489	(239,445,495)
Cash generated from Operations	661,323,103	(78,721,288)
Income tax paid net of refunds	(21,810,887)	(5,612,672)
Net cash from operating activites (A)	639,512,216	(84,333,960)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of fixed assets	6,848,384	253,846
Interest received	2,941,036	2,545,661
Increase in fixed assets	(80,052,541)	(58,944,462)
Net cash used in Investing activites (B)	(70,263,121)	(56,144,955)

Cash Flow Statement For the year ended 31st March 2010 (Contd.)

(Amount in Rupees)

	2009-2010	2008-2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in secured loans	–	245,068,278
Increase in bank borrowings	–	120,974,920
Increase in Hire purchase loan	1,219,154	–
Increase in Unsecured loans	12,645,786	41,272,002
Repayment of Term Loan	(335,726,220)	(3,200,000)
Repayment of Hire Purchase loan	–	(527,004)
Repayment of unsecured loans	(30,000,000)	(46,075,800)
Interest paid	(196,346,262)	(215,223,798)
Dividend/Tax on dividend	(79,287)	(79,199)
Decrease in bank borrowing	(20,198,180)	–
Net cash used in Financing Activities (C)	(568,485,009)	142,209,399
Net increase in cash and cash equivalents (A+B+C)	764,086	1,730,484
Cash/Cash Equivalents at the Beginning of the year	18,256,391	16,525,907
Cash/Cash Equivalents at the end of the year	19,020,477	18,256,391

per Our Report of even date

for **Brahmayya & Co**
Chartered Accountants

K. S. Rao
Partner

Membership No.15850

Place : Hyderabad

Date : 15.05.2010

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. S. Subramanyam
Vice President (Finance)

P. K. Agarwal
Managing Director

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

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 2010
3	Shares of the Subsidiary held by the Comapany on the above date:	
	a) Number of shares	22,69,860
	Face Value	Equity shares of Rs.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, 2010	NIL
	b) not dealt with in the accounts of the Company for the year ended 31st March 2010	Rs. (45.42) 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 2009	NIL
	b) Not dealt with in the accounts of the Company for the year ended 31st March 2009	Rs.(159.05)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

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

Suryakiran International Ltd.

Directors' Report

To
 The Members

Your Directors have pleasure in presenting their 16th Annual Report on the business and operations of the Company.

Financial Results

	2009-2010		2008-2009	
		(Rs. in lacs)		
Gross Profit /(Loss) before Interest & Depreciation		171.87		56.65
Less : Interest	157.65		140.95	
: Depreciation	103.41	261.06	97.86	238.81
Profit/(Loss) before prior year Adjustment		(89.19)		(182.16)
Prior year adjustment (Net)				
Profit/(Loss) before tax for the year		(89.19)		(182.16)
Less : Provision for Income Tax				
for the year				
Fringe Benefit tax				1.00
Less : Deferred tax liability				–
Profit /(Loss) after tax		(89.19)		(183.16)
Add : Profit/ (Loss) brought forward from last year		309.36		(126.20)
Loss transferred to Balance Sheet		(398.55)		309.36

Operations

The operations of the Garment Division for the year have resulted a loss of Rs. 89 lacs against loss of Rs. 183 lacs in the previous year after tax. The global recession has badly affected the working as may be seen from the lower turn over. There has been a fall of about 20% in the number of pieces sold. The collapse of the retail markets in US and other European countries has resulted in a fall of nearly 50% in export business. The Company tried to make up this shortfall, by increasing its domestic sales but the average

realization in domestic market is much lower. However, with tight control over the operational expenses the loss has been contained to Rs. 89 lacs. With the revival of the prospects of the textile industry, the Company hopes to do better in the coming years.

Dividend

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

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.

(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

	2009-2010	2008-2009
A. Power & Fuel consumption		
1. Electricity		
a) Purchased Units ('000)	1159	1460
Total amount (Rs. lacs)	40.18	44.31
Rate / Unit (Rs.)	3.47	3.04
b) Own Generation Units ('000)	82	57
Unit per ltr. of Diesel Oil	2.77	3.27
Cost / Unit (Rs.)	12.82	11.16
2. Coal (Rs. In Lakhs)	–	–
3. Furnace Oil	–	–
4. Others / Internal Generators	–	–
B. Consumption per Unit of Production		
Electricity (No. of Units) per pcs/garment	–	–
Furnace Oil	1.68	1.54
Coal (Specify Quality)	–	–
Others (Specify)	–	–

B. Technology Absorption

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

Directors

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

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

Subject to the necessary approvals, it is proposed to appoint Smt Padmini Agarwal as Executive Director for a period of 5 years.

Directors' Responsibility Statement

The Board of Directors of the Company confirms :

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- That the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and of the profit of the Company for the year ended on that date.
- 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;
- That the annual accounts have been prepared on a going concern basis.

Deposits

There are no overdue deposits as on March 31, 2010.

Auditors

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

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

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

Employees

The provisions of Section 217 (2A) of the Companies Act, 1956 are not applicable during the year ended 31st March, 2010 and hence the particulars are not furnished herewith.

By order of the Board

Secunderabad
15/05/2010.

L. N. Agarwal
Director

Auditors’ report

FORM - B

B. Form for disclosure of particulars with respect to absorption

Research and Development (R&D):			
1.	Specific areas in which R & D carried out by the Company.	:	New value added products were developed for new markets and to improve the quality of the products
2.	Benefits derived as a result of the above R&D	:	
3.	Future plan of action	:	
4.	Expenditure on R & D	:	
	(i) Capital	:	–
	(ii) Recurring	:	Rs.180,818/-
	(iii) Total	:	Rs. 180,818/-
	(iv) Total R&D expenditure as a percentage of total turnover	:	0.08%

Technology absorption, adaptation and innovation

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

C. Foreign Exchange Earnings and Outgo :

e)	Activities relating to exports; initiatives taken to increase exports; development of new export markets for production and service and export plans.	:	Exports exploration activities mainly include development taken to increase exports, development of new export markets for production and services and export plans	
f)	Total foreign exchange used and earned (Rs. lacs)	:	2009-10	2008-2009
	(i) Foreign Exchange Earned			
	FOB Value of Exports		139,222,806	244,166,515
	CIF Value of Exports		140,676,495	261,944,360
	(ii) Foreign Exchange used			
	a. Commission on export sales		2,213,386	1,459,172
	b. Foreign Travel expenses		-	-
	c. Raw Material		-	-
	d. Plant & Machinery		999,071	-
	e. Stores & Spares		12,548,121	35,351,919
	f. Repayment of loans		-	-
	g. Interest		-	-
	h. Others		121,358	-

To the members of
Suryakiran International Limited
Secunderabad

- We have audited the attached Balance Sheet of SURYAKIRAN INTERNATIONAL LIMITED, SECUNDERABAD., (A.P) as at 31st March, 2010 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.
- 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.
- 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 certified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to above, we report that:
 - 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.
 - 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.
 - The Balance Sheet, Profit and Loss Account and Cash Flow

- statement dealt with by this report are in agreement with the books of account.
- 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;
 - On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause(g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - 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:
 - in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2010,
 - in the case of profit and loss account, of the Loss of the Company for the year ended on that date; and
 - 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. 000513S

Place: Hyderabad
Date : May 15, 2010

K. S. Rao
Partner
Membership No.15850

Annexure

Re: Suryakiran International Limited, Secunderabad
Referred to in paragraph 3 of our report of even date,

- | | | | |
|---|---|--|---|
| <p>1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p> <p>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.</p> <p>c) During the year the Company has not disposed off any plant and machinery.</p> | <p>e) The Company is regular in payment of the principal amount and interest thereon as stipulated.</p> | <p>materials, labour and other items of cost maintained by the Company and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.</p> | <p>of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.</p> |
| <p>2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.</p> <p>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.</p> <p>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.</p> | <p>4. In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and 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.</p> | <p>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.</p> <p>b) According to the information and explanations given to us, no undisputed amount 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, 2010 for a period of more than six months from the date they became payable.</p> | <p>15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.</p> |
| <p>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.</p> <p>b) In view of our comment in paragraph 3(a) above, (b),(c) & (d) the aforesaid order are not applicable to the Company.</p> <p>c) During the year, the Company had not taken any unsecured loans from parties covered in the register maintained under section 301 of the Companies Act, 1956.</p> <p>d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the</p> | <p>5. a) In our opinion and according to the information and explanation given to us, we are of the opinion that the particulars of the contract or arrangements referred to in the section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section.</p> <p>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.</p> | <p>10. The Company has accumulated losses as at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit. However, it has incurred cash losses in the immediately preceding financial year.</p> <p>11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues financial institutions and banks.</p> <p>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.</p> <p>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.</p> <p>14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions</p> | <p>16. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.</p> <p>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.</p> <p>18. During the year, the Company has issued 2,00,000 5% non cumulative redeemable preference shares of Rs.100/- each. In our opinion the price at which the shares have been issued is not prejudicial to the interest of the Company.</p> <p>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.</p> <p>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.</p> <p>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.</p> |
| | <p>6. The Company has not accepted any deposits from the public. Hence, the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Company's (Acceptance of Deposits) Rules, 1975 are not applicable.</p> <p>7. The Company has no internal audit system. However, there are adequate internal control procedures commensurate with its size and nature of its business.</p> <p>8. We have broadly reviewed the books of account relating to</p> | | |

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

K. S. Rao
Partner

Place: Hyderabad
Date : May 15, 2010

Membership No.15850

Balance Sheet

As at 31st March 2010

(Amount in Rupees)

	Schedule Reference		As at 31.03.2010		As at 31.03.2009
SOURCES OF FUNDS					
Share Holders' Funds					
Share Capital	1	64,577,650		44,577,650	
Reserves & Surplus	2	43,457,650	108,035,300	43,457,650	88,035,300
Loan Funds					
Secured Loans	3	173,813,573		178,121,550	
Unsecured Loans	4	27,430,619	201,244,192	45,380,468	223,502,018
Total			309,279,492		311,537,318
APPLICATION OF FUNDS					
Fixed Assets:					
Gross Block	5	268,725,773		246,021,956	
Less: Depreciation		32,857,714		22,734,071	
Net Block		235,868,059		223,287,885	
Add: Capital Work In Progress		529,316	236,397,375	4,536,421	227,824,306
Current Assets, Loans & Advances					
Inventories	6	77,873,171		74,448,163	
Sundry Debtors	7	23,583,777		12,593,476	
Cash & Bank balances	8	3,090,516		4,253,983	
Loans & Advances	9	19,754,514		23,637,324	
		124,301,978		114,932,946	
Less : Current Liabilities & Provisions	10	111,281,026		85,036,467	
Net Current Assets			13,020,952		29,896,479
Miscellaneous Expenditure	11		20,005,963		22,880,917
(To the extent not written off or adjusted)					
Profit and Loss Account			39,855,202		30,935,616
Total			309,279,492		311,537,318
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 dateFor and on behalf of the Board

for **Brahmayya & Co**
Chartered Accountants

K. S. Rao
Partner
Membership No.15850
Place : Hyderabad
Date : 15.05.2010

L. N. Agarwal
Director

P. K. Agarwal
Director

Profit and Loss Account

For the year ended 31st March 2010

(Amount in Rupees)

	Schedule Reference	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales	12	226,889,478	287,502,803
Other Income	13	17,642,383	25,712,941
Total		244,531,861	313,215,744
EXPENDITURE			
Raw Material Consumed	14	88,105,020	114,555,149
Processing Charges	15	1,778,102	3,939,304
Stores Consumed	16	56,893,479	95,020,483
Power & Fuel	17	5,063,400	5,061,474
Payments & Benefits to Employees	18	45,877,697	46,697,204
Other Expenses	19	31,776,698	42,490,564
Finance Charges	20	15,765,299	14,866,202
Depreciation	5	10,341,485	9,785,858
Miscellaneous expenses written off		2,874,953	2,874,953
Increase in Stocks	21	(5,024,686)	(3,859,535)
Total		253,451,447	331,431,656
Loss for the Year		(8,919,586)	(18,215,912)
Add : Provision for Fringe Benefit Tax		–	100,000
Loss after Tax		(8,919,586)	(18,315,912)
Add : Loss brought forward from previous year		(30,935,616)	(12,619,704)
Balance Transferred to Balance Sheet		(39,855,202)	(30,935,616)
Earning per share (face value Rs. 10/-)		(2.00)	(4.11)
(Basic and Diluted)			
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 dateFor and on behalf of the Board

for **Brahmayya & Co**
Chartered Accountants

K. S. Rao
Partner
Membership No.15850
Place : Hyderabad
Date : 15.05.2010

L. N. Agarwal
Director

P. K. Agarwal
Director

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 1 SHARE CAPITAL		
Authorised :		
50,00,000 Equity share of Rs. 10/- each	50,000,000	50,000,000
2,00,000 (previous year nil) - 5% Non-Cumulative Redeemable Preference share of Rs. 100/- each	20,000,000	
	70,000,000	50,000,000
Issued :		
44,57,765 (previous year 44,57,765) Equity Shares of Rs. 10/- each	44,577,650	44,577,650
2,00,000 (previous year nil) - 5% Non-Cumulative Redeemable Preference share of Rs. 100/- each	20,000,000	
	64,577,650	44,577,650
Subscribed and Paid up		
44,57,765 (previous year 44,57,765) Equity Shares of Rs. 10/- each (of the above 22,69,860 Shares (previous year 22,69,860 Shares) are held by the Holding Company Suryalakshmi Cotton Mills Ltd)	44,577,650	44,577,650
2,00,000 (previous year nil) - 5% Non-Cumulative Redeemable Preference share of Rs. 100/- each	20,000,000	
Total	64,577,650	44,577,650

SCHEDULE 2 RESERVES & SURPLUS

Security Premium	43,457,650	43,457,650
Total	43,457,650	43,457,650

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 3 SECURED LOANS		
A. Term Loan		
Rupee Term Loans from State Bank of India	133,600,000	139,300,000
B. Working Capital Loans		
State Bank of India - Cash Credit	–	1,146,349
- Packing Credit	40,213,573	37,601,881
	40,213,573	38,748,230
C. Vehicle Loans	–	73,320
Total (A+B+C)	173,813,573	178,121,550

Notes:

- The loan referred at A above is secured by mortgage of present and future movable and immovable properties of the Company and guaranteed by two Directors of the Company.
- All the working capital loans are secured by hypothecation of stocks of rawmaterial, garments, stock in process, stores and spares and book debts and by second mortgage over the present and future movable and immovable properties of the Company and guaranteed by two Directors of the Company.

SCHEDULE 4 UNSECURED LOANS

From Directors	3,430,873	22,560,622
Inter Corporate Deposits	23,999,746	22,819,846
	27,430,619	45,380,468

Schedules forming part of the Accounts

(Amount in Rupees)									
SCHEDULE 5 FIXED ASSETS	Description of the Assets	Gross Block			Depreciation			Net Block as at	
		Cost as at 01.04.2009	Additions during the year	Deductions during the year	Cost as at 31.03.2010	Upto 31.03.2009	For the year	On Deductions	Upto 31.03.2010
	Land	5,303,475		-	5,303,475	-	-	-	5,303,475
	Factory Buildings	45,819,750	7,509,827	-	53,329,577	3,861,778	1,582,607	-	47,885,192
	Non-Factory Buildings	35,455,290	11,598,553	-	47,053,843	1,279,685	634,498	-	45,139,660
	Plant And Machinery	127,057,342	2,003,040	-	129,060,382	13,633,396	5,949,620	-	109,477,366
	Electrical Instalations	22,546,958	990,101	-	23,537,059	2,563,118	1,108,469	-	19,865,472
	Water Works	843,644		-	843,644	15,176	13,751	-	814,717
	Furniture & Fixtures	5,462,349	270,504	-	5,732,853	574,405	452,240	-	4,706,208
	Vehicles	1,030,129	584,403	649,821	964,711	231,580	113,054	217,842	837,919
	Office Equipment	952,559	220,317	-	1,172,876	102,830	216,482	-	853,564
	Data Processing Eqpt	1,550,460	176,893	-	1,727,353	472,103	270,764	-	984,486
	Total	246,021,956	23,353,638	649,821	268,725,773	22,734,071	10,341,485	217,842	32,857,714
	Capital Work In Progress	4,536,421	19,346,533	23,353,638	529,316	-	-	-	529,316
	Less : Internal Transfers	250,558,377	42,700,171	24,003,459	269,255,089	22,734,071	10,341,485	217,842	236,397,375
	Total	250,558,377	19,346,533	649,821	269,255,089	22,734,071	10,341,485	217,842	236,397,375
	Previous Year	237,531,156	13,027,221	-	250,558,377	12,948,213	9,785,858		227,824,306



Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 6 INVENTORIES		
(Valued and Certified by the Management)		
(Valued at lower of cost and net realisable value unless otherwise stated)		
Rawmaterials	15,008,155	9,333,276
Stores & Spares	14,060,440	20,597,819
Finished Goods	16,218,101	18,346,664
Stock in Process	32,586,475	25,433,226
Stock at Jobwork	-	737,178
Total	77,873,171	74,448,163

SCHEDULE 7 SUNDRY DEBTORS		
Due over six months-Considered good	4,334,530	656,799
Others	19,249,247	11,936,677
Total	23,583,777	12,593,476

SCHEDULE 8 CASH AND BANK BALANCES		
Cash on Hand	60,523	121,054
With Scheduled Banks		
In Current Accounts	886,515	437,579
In SBI CC Account	1,743,478	-
in Margin Money Deposits	400,000	3,695,350
Total	3,090,516	4,253,983

SCHEDULE 9 LOANS & ADVANCES		
(Unsecured considered good, recoverable in cash or in kind or for value to be received)		
Advances for Purchases/Capital works	3,960,539	6,032,010
Advances to Staff	223,050	199,614
Interest Subsidy Receivable	5,018,356	5,632,349
Deposits recoverable	1,173,377	1,043,477
Claims/Other receivables	4,409,058	5,954,336
Accured Interest	46,579	151,371
Export Benefit Entitlement Receivable	4,138,854	3,904,000
Prepaid Expenses	651,898	662,479
Income Tax Net	132,803	57,688
Total	19,754,514	23,637,324

Schedules forming part of the Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 10 CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Sundry Creditors		
Due to Micro & Small Enterprises	2,411,158	653,746
Others	93,065,577	95,476,735
Creditors for Expenses		12,973,466
Creditors for Other Finance		237,420
Advances received against Sales		2,575,910
	111,263,531	85,018,972
Provisions		
- for Fringe Benefit Tax (Net)		17,495
	17,495	17,495
Total	111,281,026	85,036,467

SCHEDULE 11 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)				
a) Preliminary Expenses	80,543		100,680	
Less: Written off during the Year	20,138	60,405	20,137	80,543
b) Preoperative Expenses	38,157		47,696	
Less: Written off during the Year	9,538	28,619	9,539	38,157
c) Trial Run Expenses	22,762,216		25,607,494	
Less: Written off during the Year	2,845,277	19,916,939	2,845,277	22,762,217
Total		20,005,963		22,880,917

	Current year	Previous year
SCHEDULE 12 SALES		
Garments	226,889,478	287,502,803
Total	226,889,478	287,502,803

SCHEDULE 13 OTHER INCOME

Interest Earned (TDS Rs. 60,155)	648,610	44,113
Credit Balances Written Back	12,576	394
Miscellaneous Receipts	1,778	17,250
Export benefit entitlement	2,790,518	847,736
Waste fabric sales	1,866,988	1,440,927
Duty Draw Back	12,145,105	23,205,370
Exchange Rate Fluctuation	–	157,151
Excess Provision Written Back	176,808	–
Total	17,642,383	25,712,941

Schedules forming part of the Accounts

(Amount in Rupees)

	Current year	Previous year
SCHEDULE 14 RAW MATERIALS CONSUMED		
Opening Stock	9,333,276	11,954,636
Add : Purchases	93,779,899	111,933,789
	103,113,175	123,888,425
Less : Closing Stock	15,008,155	9,333,276
Total	88,105,020	114,555,149

SCHEDULE 15 PROCESSING CHARGES

Processing Charges	1,778,102	3,939,304
Total	1,778,102	3,939,304

SCHEDULE 16 STORES CONSUMED

Consumable Stores	33,772,911	56,288,094
Dyes & Chemicals	6,494,562	8,222,331
Packing Mateial Consumed	16,626,006	30,510,058
Total	56,893,479	95,020,483

SCHEDULE 17 POWER & FUEL

Electricity Charges	4,018,385	4,431,104
Fuel Consumed	1,045,015	630,370
Total	5,063,400	5,061,474

SCHEDULE 18 PAYMENTS AND BENEFITS TO EMPLOYEES

Salaries & Wages	43,096,622	44,105,296
Contributions to Providend Fund & Other Funds	1,766,613	1,749,603
Welfare Expenses	1,014,462	842,305
Total	45,877,697	46,697,204

Schedules forming part of the Accounts

(Amount in Rupees)

	Current year	Previous year
SCHEDULE 19 OTHER EXPENSES		
Rent Paid	539,223	511,520
Security Charges	93,436	86,619
Rates & Taxes	2,085,681	829,314
Printing & Stationery	976,329	770,003
Postage, Telegrams & Telephones	1,298,199	1,257,608
Travelling & Conveyance	729,820	815,110
Directors Sitting Fees & Traveling Expenses	28,500	25,500
Expenses on Sales	11,500,834	22,626,705
Commission on Sales	2,876,280	5,510,112
Insurance	725,263	469,432
Auditors Remuneration & Statutory Audit	68,423	27,575
Legal & Professional Charges	720,111	368,992
Repairs to : Machinery	1,634,468	173,160
Repairs to : Other Assets	983,952	1,679,263
Vehicle Maintenance	3,201,490	3,560,011
Miscellaneous Expenses	4,314,689	3,692,024
Donations	–	87,617
Total	31,776,698	42,490,564

SCHEDULE 20 FINANCE CHARGES

Interest on Term Loans	10,038,625	9,207,438
Interest on others	5,173,257	4,888,193
Bank Charges	553,417	770,571
Total	15,765,299	14,866,202

SCHEDULE 21 INCREASE IN STOCKS

Opening Stocks :		
Garments	18,346,664	7,641,675
Work in Process	25,433,226	32,278,680
Total	43,779,890	39,920,355
Closing Stocks :		
Garments	16,218,101	18,346,664
Work In Process	32,586,475	25,433,226
Total	48,804,576	43,779,890
Increase in stocks	(5,024,686)	(3,859,535)

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS

Notes forming part of Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date.

(Amount in Rupees)

		Current year	Previous year
1 Contingent Liabilities not provided for :			
i) Against Bank Guarantees		1,600,000	21,10,400
ii) Against Bills Discounted		–	2,72,79,784
	Quantity (Nos)	Amount (Rs.)	Quantity (Nos) Amount (Rs.)
2 Finished goods-Garments			
a) Opening Stock	70,320	18,346,664	36,099 7,641,675
b) Production(Including Job Work)	784,017	–	967,455 –
c) Sales	802,418	226,889,478	933,234 287,502,803
d) Closing Stock	51,919	16,218,101	70,320 18,346,664
3 Raw Material - Fabric			Quantity (Mtrs) Amount (Rs.)
a) Opening Stock	97,489	9,333,276	152,974 11,954,636
b) Purchases	1,002,358	93,779,899	1,167,622 113,550,715
c) Material sent on Job Work	–	–	15,484 1,616,926
d) Closing Stock	152,229	15,008,155	97,489 9,333,276
e) Consumption	947,618	88,105,020	1,207,623 114,555,149
4 Expenditure in Foreign Currency During the year.			
on account of :			
1) Stores & Spares(CIF Value)		12,548,121	35,351,919
2) Plant & Machinery		999,071	–
3) Commission on Export Sales		2,213,386	1,459,172
4) Others		121,358	–
5 FOB Value of Exports		139,222,806	244,166,515
6 Interest paid, payable or accrued and due to Micro and Small Enterprises		NIL	NIL
7 Auditors Remuneration:			
Statutory Audit	44,120		22,060
Tax Audit	16,545		5,515
Other Services	7,758	68,423	– 27,575

8 Related Party Disclosure :

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

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
A Transactions				
M/s Suryalakshmi Cotton Mills Ltd	Holding Company	Purchase of Fabric	89,837,536	108,845,293
		Others	931,211	407,254
Smt. Sabita Jain	Daughter of Sri L.N Agarwal	Rent	419,520	419,520
Sri L.N Agarwal	Key Management	Interest	581,466	630,205
Sri P.K Agarwal	Key Management	Interest	385,480	396,773

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

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

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
B Balance as at 31-03-2010 (Payables)				
M/s. Suryalakshmi Cotton Mills Ltd.,	Holding Company	Purchase of Fabric Others (Receivable)	75,027,191 (482,506)	48,312,348 429,024
Smt. Sabita Jain	Daughter of Sri L N Agarwal	Rent	326,471	187,645
Sri L.N.Agarwal	Key Management	Unsecured Loan Interest	650,000 1,082,122	13,150,000 558,803
Sri P K Agarwal	Key Management	Unsecured Loan Interest	1,000,000 698,751	8,500,000 351,819

9 Basic Earnings per share as per Accounting Standard No. 20 (Amount in Rupees)

	Current year	Previous year
Profit / (Loss) after Tax	(8919586)	(18315912)
No. of Equity Shares	4457765	4457765
Basic Earnings Per Share	(2.00)	(4.11)

10 Repayment of 2,00,000 - 5% Non-Cumulative redeemable Preference Shares of Rs. 100/- each redeemable on 21st December, 2021.

11 Deferred Taxation :

Composition of Net Deferred Tax Assets / (Liability)

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
Deferred Tax Assets :		
Unabsorbed Depreciation	33,359,127	28,038,332
Unabsorbed Loss	10,738,422	11,173,430
Total Deferred Tax Assets	44,097,549	39,211,762
Deferred Tax Liabilities :		
Depreciation	26,051,324	22,851,358
Trial Run Expenses	6,769,768	7,736,878
Total Deferred Tax Liability	32,821,092	30,588,236
Deferred Tax Asset / (Liability) (Net)	11,276,457	8,623,526

Note : The Company has not recognised deferred Tax Asset as a matter of prudence.

Schedules forming part of the Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

12 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 Rupees)

	2009-10	2008-09
Current Service Cost	115,009	39,733
Interest Cost on benefit obligation	16,766	6,100
Expected return on plan assets	Nil	Nil
Net Actuarial (gain) Loss recognised in the year	339,585	161,033
Past service cost	Nil	Nil
Net Benefit expense	471,360	206,866
Actual return on Plan assets		
Balance Sheet		
Details of provision for Leave		
Change in the present value of the defined benefit obligation are as follows :		
Opening defined benefit obligation	209,584	76,252
Interest Cost	16,766	6,100
Current Service Cost	115,009	39,733
Benefits Paid	(85,423)	(73,534)
Actuarial (gains) / losses on obligation	339,585	161,033
Closing defined benefit obligation	595,521	209,584
The principal assumptions used in determining leave and post employment medical benefit		
Obligations for the Company's plans are shown below :		
Assumptions	%	%
Salary Rise	4	4
Discount rate	8	8
Attrition Rate	1	1

13 Trial Run Expenditure of Rs. 2,84,52,771/- treated as Deferred Revenue Expenditure, to be written off in 10 years.

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

15 Paise have been rounded off to the nearest rupee.

Schedules forming part of the Accounts

SCHEDULE 23 SIGNIFICANT ACCOUNTING POLICIES

1.

Accounting Convention :

The financial statements are prepared under historical cost convention, in accordance with the normally accepted accounting practices.
2.

Fixed Assets :

Fixed assets are stated at cost net of depreciation provided in the statements. Cost of acquisition of fixed assets is inclusive of all direct and indirect expenditure up to the date of commercial use.
Depreciation is provided on straight line method in accordance with the rates prescribed under schdule XIV of the companies act, 1956.
3.

Inventories :

Cost of Raw materials and stores & spares are valued at cost on Weighted average basis. Stock-in-process and finished goods are valued at lower of cost or net realisable value.
4.

Contingent Liabilities & Provisions :

All contigent liabilities are indicated by way of a note and will be paid / provided on crystalisation.
5.

Retirement Benefits :

All the employees are eligible for retirement benefits like provident fund and leave encashment. Contribution to provident fund are made at pre-ascertained rate and remitted to the concerned authorities on accrual basis. Liability for Leave Encashment is provided as per actuarial valuation. No provision is made towards gratuity liability since no employee is eligible.
6.

Foreign Exchange Transactions:

Foreign exchange transaction are recorded at the rate prevailing on the date of the transaction. Monetary assets and liability in foreign currency are translated at year end rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognised on income or expenses.
7.

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 as asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate recoverable amount.
8.

Sales

Sales represents the amount receivable for goods sold including sales tax thereon. Incentives on export sales are recognised as income on accrual basis.
9.

Deferred Tax

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.
10.

Miscellaneous Expenditure

Miscellaneous Expenses is written off over a period of 10 years commencing from 2003-04 in respect of Preliminary and Pre-operative expenses and from 2007-08 in respect of trial run expenses.

per Our Report of even date

for **Brahmayya & Co**
Chartered Accountants

K. S. Rao

Partner

Membership No.15850

Place : Hyderabad

Date : 15.05.2010

For and on behalf of the Board

L. N. Agarwal

Director

P. K. Agarwal

Director

Balance Sheet Abstract and Company’s General Business Profile

I. Registration Details

Registration No.

1

8

7

4

5

State Code

0

1

Balance Sheet Date

3

1

0

3

2

0

1

0

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N

I

L

Rights Issue

N

I

L

Bonus Issue

N

I

L

Private Placement

2

0

0

0

0

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

Total Liabilities

3

0

9

2

7

9

Total Assets

3

0

9

2

7

9

Sources of Funds :

Paid up Capital

6

4

5

7

8

Secured Loans

1

7

3

8

1

4

Application of Funds

Net Fixed Assets

2

3

6

3

9

7

Net Current Assets

1

3

0

2

1

Reserves & Surplus

4

3

4

5

7

Unsecured Loans

2

7

4

3

0

Deferred Tax Liability

N

I

L

Investments

N

I

L

Misc. Expenditure

5

9

8

6

1

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover

2

4

4

5

3

2

Total Expenditure

2

5

3

4

5

2

Profit before Tax

(

8

9

2

0

)

Profit after Tax

(

8

9

2

0

)

Earning per share (Rs.)

(

2

.

0

0

)

Dividend Rate %

N

I

L

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

Product Description

G

A

R

M

E

N

T

S

Item Code (ITC Code)

6

2

0

3

4

0

0

per Our Report of even date

for **Brahmayya & Co**
Chartered Accountants

K. S. Rao

Partner

Membership No.15850

Place : Hyderabad

Date : 15.05.2010

For and on behalf of the Board

L. N. Agarwal

Director

P. K. Agarwal

Director

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Cash Flow Statement

For the year ended 31st March 2010

(Amount in Rupees)

	2009-2010	2008-2009
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Loss before Tax	(8,919,586)	(18,215,912)
Adjustment For :		
Add : Miscellaneous expenses written off	2,874,953	2,874,953
Depreciation	10,341,485	9,785,858
Interest	15,211,882	14,095,631
	19,508,734	8,540,530
Less : Interest	648,610	44,113
Operating profit before working capital changes	18,860,124	8,496,417
Adjustment for changes in :		
Current liabilities	26,213,353	(44,586,754)
Inventories	(3,425,007)	7,320,188
Receivable	(10,990,300)	(5,892,550)
Loans and advances	3,239,140	25,957,880
Cash generated from Operations	33,897,310	(8,704,819)
Income tax paid net of refunds	(75,115)	(262,954)
Net cash from operating activites (A)	33,822,195	(8,967,773)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in fixed assets	(18,914,553)	(13,027,221)
Interest received	1,367,395	1,447,536
Decrease in Investments	–	–
Net cash used in Investing activites (B)	(17,547,158)	(11,579,685)
C. CASH FLOW FROM FINANCING ACTIVITES		
Increase in Preference Share Capital	20,000,000	–
Increase in bank borrowings	1,465,343	(833,341)
Increase in unsecured loans	2,277,946	38,335,573
Repayment of Term Loan	(5,700,000)	–
Repayment of Hire Purchase loan	(73,320)	(102,010)
Repayment of unsecured loans	(20,227,799)	(2,175,999)
Interest paid	(15,180,674)	(14,098,302)
Net cash used in Financing Activities (C)	(17,438,504)	21,125,921
Net increase in cash and cash equivalents (A+B+C)	(1,163,467)	578,463
Cash/Cash Equivalents at the Beginning of the year	4,253,983	3,675,520
Cash/Cash Equivalents at the end of the year	3,090,516	4,253,983

per Our Report of even date

For and on behalf of the Board

for **Brahmayya & Co**
Chartered Accountants

K. S. Rao
Partner
Membership No.15850
Place : Hyderabad
Date : 15.05.2010

L. N. Agarwal
Director

P. K. Agarwal
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, 2010, 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:

- 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, 2010;
- 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
- 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

K. S. Rao
Partner
Place: Hyderabad
Date : May 15, 2010
Membership No.15850

Consolidated Balance Sheet

As at 31st March 2010

(Amount in Rupees)

	Schedule Reference	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Share Holders' Funds			
Share Capital	1	238,513,158	218,513,158
Reserves and Surplus	2	925,066,063	901,761,880
		1,163,579,221	1,120,275,038
Minority Interest	2A	23,830,313	28,208,114
Loan Funds:			
Secured Loans	3	2,470,516,982	2,829,530,205
Unsecured Loans	4	156,746,251	192,050,314
		2,627,263,233	3,021,580,519
Deferred Tax Liability		188,776,624	175,346,948
Total		4,003,449,391	4,345,410,619
APPLICATION OF FUNDS			
Fixed Assets:			
Fixed Assets:	5		
Gross Block		4,082,673,665	3,993,321,397
Less : Depreciation		1,500,325,206	1,291,552,240
Net Block		2,582,348,459	2,701,769,157
Add : Capital Work in Progress		5,642,562	6,660,713
		2,587,991,021	2,708,429,870
Investments	6	2,119,365	765,519
Current Assets, Loans and Advances			
Inventories	7	975,397,451	797,257,037
Sundry Debtors	8	501,336,251	534,176,381
Cash and Bank Balances	9	22,110,993	22,510,374
Loans and Advances	10	428,008,000	608,667,323
		1,926,852,695	1,962,611,115
Less : Current Liabilities and Provisions	11	548,487,622	373,035,491
Net Current Assets		1,378,365,073	1,589,575,624
Miscellaneous Expenditure	12	34,973,932	46,639,606
(to be extent not written off or adjusted)			
Total		4,003,449,391	4,345,410,619
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 and on behalf of the Board

for **Brahmayya & Co**
Chartered Accountants

L. N. Agarwal
Chairman & Managing Director

K. S. Rao
Partner
Membership No.15850

P. S. Subramanyam
Vice President (Finance)

P. K. Agarwal
Managing Director

Place : Hyderabad
Date : 15.05.2010

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

Consolidated Profit and Loss Account

For the year ended 31st March 2010

(Amount in Rupees)

	Schedule Reference	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Sales	13	4,238,354,075	3,732,516,444
Other Income	14	94,434,457	73,588,996
Total		4,332,788,532	3,806,105,440
EXPENDITURE			
Raw Materials Consumed	15	2,400,309,613	2,211,608,707
Purchase of Yarn / Fabric -Trading		16,191,029	4,303,356
Other Manufacturing Expenses		9,624,731	12,272,423
Stores Consumed	16	420,645,456	463,142,583
Power and Fuel	17	382,478,101	339,463,952
Payments & Benefits to Employees	18	252,495,904	225,995,217
Other Expenses	19	315,151,083	253,965,798
Finance Charges	20	232,074,897	221,508,121
Managerial Remuneration		6,689,400	6,419,390
Depreciation	5	217,382,687	211,183,773
Miscellaneous Expenses Written off	12	11,665,673	12,525,797
(Increase) / Decrease in stocks	21	(4,949,713)	9,653,719
Total		4,259,758,861	3,972,042,836
Profit/(Loss) before prior year adjustments		73,029,671	(165,937,396)
Profit/(Loss) for the year before Tax		73,029,671	(165,937,396)
Less: Provision for Taxation : for the Year (MAT)		15,000,000	–
: for earlier Year		10,013,699	7,500,000
: Deferred tax		13,429,676	522,917
: Fringe Benefit Tax		–	1,350,000
Profit/(Loss) after Tax		34,586,296	(175,310,313)
Less: Minority Interest		(4,377,801)	(8,989,096)
Add: Profit brought forward from last year		61,812,883	228,212,674
		100,776,980	61,891,457
APPROPRIATIONS			
Proposed Dividend : on Equity Shares		13,362,290	–
: Preference Shares		67,160	67,160
Corporate Dividend Tax		2,230,464	11,414
Preference Capital Redemption Reserve		10,000,000	–
Balance carried forward to Balance Sheet		75,117,066	61,812,883
Total		100,776,980	61,891,457
Earnings Per Share (Face value Rs. 10) (Basic and Diluted)		2.91	(12.45)
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 and on behalf of the Board

for **Brahmayya & Co**
Chartered Accountants

L. N. Agarwal
Chairman & Managing Director

K. S. Rao
Partner
Membership No.15850

P. S. Subramanyam
Vice President (Finance)

P. K. Agarwal
Managing Director

Place : Hyderabad
Date : 15.05.2010

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 1 SHARE CAPITAL		
Authorised		
2,50,00,000 [2,50,00,000] Equity Shares of Rs. 10/- each	250,000,000	250,000,000
6,72,000 0.10% Cumulative Redeemable Preference Shares of Rs. 100/- each	67,200,000	67,200,000
2,00,000 5.00% Non Cumulative Redeemable Preference Shares of Rs. 100/- each	20,000,000	–
	317,200,000	317,200,000
Issued		
1,98,91,556 [1,98,91,556] Equity Shares of Rs. 10/- each	198,915,560	198,915,560
6,72,000 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each	67,200,000	67,200,000
2,00,000 5.00% Non Cumulative Redeemable Preference Shares of Rs. 100/- each	20,000,000	–
	286,115,560	266,115,560
Subscribed and Paid up		
1,33,62,290 [1,33,62,290] Equity Shares of Rs. 10/- each fully paid	133,622,900	133,622,900
6,71,600 (6,71,600) 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each	67,160,000	67,160,000
Add : Forfeited Shares	17,730,258	17,730,258
2,00,000 (Nil) 5.00% Non Cumulative Redeemable Preference Share of Rs. 100/-	20,000,000	–
	238,513,158	218,513,158

Note: 1) Of the above 20,000 equity shares of Rs. 10/- each are allotted as fully paid up without payment being received in cash.
2) 80,32,267 Equity Shares of Rs.10/- each are allotted as fully paid up by way of Bonus Shares by Capitalisation of Reserves.
3) 6,71,600 0.1% Cumulative Redeemable preference shares of Rs.100/- each are allotted as fully paid up without payment being received in cash.as per scheme of arrangement with IDBI/IFCI.

	Balance as at 01.04.2009	Additions during the period	Deductions during the period	Balance as at 31.03.2010	Balance as at 31.03.2009
SCHEDULE 2 RESERVES & SURPLUS					
Capital Redemption Reserve	208,780			208,780	208,780
Share 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	45,000,000	10,000,000		55,000,000	45,000,000
Special capital incentive	3,000,000			3,000,000	3,000,000
General Reserve	240,080,822			240,080,822	240,080,822
Surplus in Profit & Loss account	61,812,883	75,117,066	61,812,883	75,117,066	61,812,883
Total	901,761,880	85,117,066	61,812,883	925,066,063	901,761,880

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 2A MINORITY INTEREST		
Share Capital	21,879,050	21,879,050
Security Premium	21,359,050	21,359,050
Profit/(Loss)	(19,407,787)	(15,029,986)
Total	23,830,313	28,208,114

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 3 SECURED LOANS		
A. TERM LOANS		
i) Rupee Term Loans		
Under textile modernisation Fund scheme from		
a) IDBI Bank Limited - TUF Scheme-I	25,001,569	29,142,755
b) IDBI Bank Limited - 1	8,043,750	16,500,000
c) IDBI Bank Limited - 2	62,557,717	71,290,852
d) IDBI Bank Limited - TUF Scheme-II	644,525,000	650,000,000
e) IDBI Bank Limited - 3	6,994,165	14,258,721
f) I F C I Ltd - I	–	15,125,000
g) I F C I Ltd - II	24,402,000	40,670,000
h) State Bank of India -TUF Scheme-I	267,600,000	267,900,000
i) State Bank of India -TUF Scheme-II	401,287,000	401,787,000
j) State Bank of Mysore - TUF Scheme	88,800,000	88,900,000
k) State Bank of India	133,600,000	139,300,000
ii) Foreign Currency Loans From:		
l) Industrial Development Bank of India	–	17,449,122
m) I F C I Ltd	–	16,127,046
	1,662,811,201	1,768,450,496
B. Corporate Loan From		
State bank of India	–	235,786,925
C. Working Capital Loans From		
State Bank of India - Cash Credit	292,942,253	370,497,251
- Packing Credit	102,318,730	69,046,963
- SLC	50,652,565	50,000,000
State Bank of Hyderabad - Cash Credit	71,062,666	52,146,807
- Packing Credit	47,815,576	50,267,486
- SLC	–	12,500,300
State Bank of Mysore - Cash Credit	123,213,029	106,144,429
State Bank of Indore - Cash credit	83,208,707	114,616,228
- Packing Credit	35,273,101	–
	806,486,627	825,219,464
D. Vehicle Hire Purchase Loans from Kotak Mahindra Prime Ltd	1,219,154	73,320
Total (A+B+C+D)	2,470,516,982	2,829,530,205

Notes:

- The Loans referred at (a) to (g) and (i) to (m) above are secured by mortgage of (present and future movable and Immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the Company, in their personal capacities.
- The Loans referred to in (h) above is secured by hypothecation of specified plant and machinery as per the scheme and guaranteed by two Directors of the Company, in their personal capacities.
- All Working Capital loans are secured by hypothecation of stocks of raw materials, yarn, fabric, stock-in-process stores and spares and book debts and by a Second Mortgage over the (present and future) immovable Properties of the Company on pari-passu basis and further guaranteed by two Directors of the Company, in their personal capacities.
- Hire purchase loans referred at (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	7,118,575	22,560,622
b) Fixed Deposits	57,403,299	66,439,811
c) Inter Corporate Deposits	71,669,828	88,235,172
d) Deferred Sales tax Liability	20,554,549	14,814,709
	156,746,251	192,050,314

Schedules forming part of the Consolidated Accounts

SCHEDULE 5		FIXED ASSETS		(Amount in Rupees)							
Description of the Assets				Gross Block			Depreciation			Net Block as at	
	Cost as at 01.04.2009	Additions during the year	Deductions during the year	Cost as at 31.03.2010	Upto 31.03.2009	For the year	On Deductions	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009	
Land	15,970,237	–	–	15,970,237	–	–	–	–	15,970,237	15,970,237	
Factory Buildings	495,419,191	10,535,967	–	505,955,158	80,724,747	16,622,989	–	97,347,736	408,607,422	414,694,444	
Non-Factory Buildings	178,097,005	15,673,433	–	193,770,438	18,003,966	2,991,611	–	20,995,577	172,774,861	160,093,039	
Town Ship	33,201,658	3,718,661	–	36,920,319	1,514,531	552,486	–	2,067,017	34,853,302	31,687,127	
Work Shop Equipment	705,288	–	–	705,288	139,931	32,824	–	172,755	532,533	565,357	
Plant And Machinery	2,952,257,420	55,705,088	6,595,900	3,001,366,608	1,106,210,195	180,465,380	6,542,973	1,280,132,602	1,721,234,006	1,846,047,225	
Testing Equipment	30,772,143	552,907	–	31,325,050	6,508,629	1,471,761	–	7,980,390	23,344,660	24,263,514	
Electrical Instalations	215,424,181	7,672,510	–	223,096,691	52,793,688	10,264,647	–	63,058,335	160,038,356	162,630,493	
Weighing Machines	2,501,822	159,586	–	2,661,408	1,161,781	113,968	–	1,275,749	1,385,659	1,340,041	
Water Works	17,805,050	471,286	–	18,276,336	2,130,653	294,955	–	2,425,608	15,850,728	15,674,397	
Furniture & Fixtures	23,336,203	1,469,193	–	24,805,396	10,259,481	1,711,043	–	11,970,524	12,834,872	13,076,722	
Office Equipment	952,559	220,316	–	1,172,875	102,830	216,482	–	319,312	853,563	849,729	
Vehicles	14,089,934	2,931,044	4,469,057	12,551,921	4,823,223	1,227,810	2,066,748	3,984,285	8,567,636	9,266,711	
Data Processing Eqpt	12,788,706	1,307,234	–	14,095,940	7,178,585	1,416,731	–	8,595,316	5,500,624	5,610,121	
Total	3,993,321,397	100,417,225	11,064,957	4,082,673,665	1,291,552,240	217,382,687	8,609,721	1,500,325,206	2,582,348,459	2,701,769,157	
Capital Work In Progress	6,660,713	99,399,074	100,417,225	5,642,562	–	–	–	–	5,642,562	6,660,713	
	3,999,982,110	199,816,299	111,482,182	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	
Less : Internal Transfers	–	100,417,225	100,417,225	–	–	–	–	–	–	–	
Total	3,999,982,110	99,399,074	10,415,136	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	
Previous Year	3,928,925,517	71,971,684	915,091	3,999,982,110	1,080,772,376	211,183,773	403,909	1,291,552,240	2,708,429,870	2,848,153,141	

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 6 INVESTMENTS - (LONG TERM, at Cost)		
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 Rs. 10 each. in Suryavanshi Spinning Mills Ltd,	10,519,000	10,519,000
b). 1,000 Equity shares of Rs.10 each in Srei International Finance Ltd [partly paid up]	–	25,000
c). 5,000 Equity shares of Rs.10 each in Merbank Financial Services Ltd [partly paid up] (Aggregate market value of Quoted investments Rs. 21,08,365 (previous year Rs. 7,54,519)	–	50,000
	10,530,000	10,605,000
Less: Net Diminution in the value of Investments	8,410,635	9,839,481
	2,119,365	765,519

SCHEDULE 7 INVENTORIES		
(Valued and certified by the Management)		
Valued at lower of cost and net realisable value unless otherwise stated		
Rawmaterials	321,149,056	140,976,242
Stores and Spares	139,589,990	145,834,925
Finished Goods	269,524,239	265,877,687
Stock-in-process	243,115,352	242,190,475
Stock at Job work	–	737,178
Cotton Waste (at realisable value)	2,018,814	1,640,530
	975,397,451	797,257,037

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 8 SUNDRY DEBTORS		
Unsecured		
Due over six months - Considered good	46,334,603	9,697,665
- Considered Doubtful	6,026,946	6,026,946
Less: Provision for Bad and Doubtful debts.	6,026,946	-
Others	455,001,648	524,478,716
	501,336,251	534,176,381

SCHEDULE 9 CASH AND BANK BALANCES

Cash on Hand	623,373	1,154,400
With Scheduled Banks:		
In Current Accounts	4,068,562	5,492,564
In SBI CC Accounts	1,743,478	-
In Margin Money Deposits	11,927,760	12,362,410
In fixed deposits	3,746,820	3,500,000
With Post Office Saving Bank	1,000	1,000
(Kept as security with Central Excise Department)		
(Maximum balance Rs. 1,000/-)		
	22,110,993	22,510,374

[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	67,683,986	90,787,881
TED refund receivable	9,012,543	8,080,369
Interest subsidy receivable	59,548,993	58,390,524
Advances to Staff	2,833,924	2,949,044
Deposits recoverable	41,161,108	37,286,736
Claims/Other Receivable	120,257,616	323,731,745
Export Benefit Entitlement Receivable	32,879,471	37,533,679
Pre-paid expenses	5,428,747	4,446,235
Balance With Central Excise Department	13,184,278	6,054,487
Accrued interest	2,324,400	7,566,339
Other advances	73,692,934	23,692,934
Income tax (Net)	-	3,110,487
Advance Tax On FBT	-	5,036,863
	428,008,000	608,667,323

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 11 CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry Creditors for R M & Stores/Capital goods		
Due to small scale Industrial undertakings	10,713,221	8,770,061
Others	346,801,335	225,015,880
Creditors : for Expenses	133,072,566	116,136,445
: for other Finance	7,210,528	9,977,612
Unclaimed Dividend *	706,572	707,285
Advances received against sales	33,953,139	6,959,634
Total	532,457,361	367,566,917
B. Provisions		
For Preference Dividend	67,160	67,160
For Proposed Dividend - Equity	13,362,290	-
For Corporate Dividend Tax	2,230,464	11,414
For Income Tax (Net)	216,041	-
For Fringe Benefit Tax	154,306	5,390,000
Total	16,030,261	5,468,574
Total (A+B)	548,487,622	373,035,491

* 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	6,968,192		10,353,053	
Less : written off during the year	2,524,738	4,443,454	3,384,861	6,968,192
Preoperative Expenses	38,157		47,696	
Less: witten off during the year	9,538	28,619	9,539	38,157
Trail Run Expenses	22,762,216		25,607,494	
Less: witten off during the year	2,845,277	19,916,939	2,845,277	22,762,217
Deferred Revenue Expenses				
Opening Balance	16,871,040		23,157,160	
Less:Written off during the year	6,286,120	10,584,920	6,286,120	16,871,040
		34,973,932		46,639,606

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 13 SALES		
Yarn	1,486,621,028	1,339,256,134
Fabric	2,488,591,432	2,060,352,717
Waste	36,252,137	45,404,790
Garments	226,889,478	287,502,803
	4,238,354,075	3,732,516,444

SCHEDULE 14 OTHER INCOME		
Interest-earned	4,084,848	3,184,295
Profit on sale of assets	5,432,357	–
Export Benefit Entitlement	74,269,288	63,692,044
Excess Provisions written back	438,524	80,586
Exchange Variance	2,002,455	157,151
Packing & Forwarding Charges	1,894,427	1,772,877
Scrap Sales / waste fabric sales	4,064,308	3,040,606
Miscellaneous Receipts	819,404	1,661,437
Increase in value of Investments	1,428,846	–
	94,434,457	73,588,996

SCHEDULE 15 RAW MATERIALS CONSUMED		
Opening Stocks	140,976,242	222,471,012
Add : Purchases	2,614,353,180	2,163,831,652
	2,755,329,422	2,386,302,664
Less : Cost of Raw materials sold	33,870,753	33,717,715
Less : Closing Stocks	321,149,056	140,976,242
	2,400,309,613	2,211,608,707

SCHEDULE 16 STORES CONSUMED		
Consumable Stores	83,224,398	105,725,635
Dyes and Chemicals	286,433,939	289,868,706
Packing Material Consumed	50,987,119	67,548,242
	420,645,456	463,142,583

SCHEDULE 17 POWER & FUEL		
Electricity Charges	323,468,218	279,289,966
Fuel Consumed	59,009,883	60,173,986
	382,478,101	339,463,952

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 18 PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	223,962,680	198,118,092
Contribution to Provident Fund & other funds	15,659,172	15,454,048
Welfare Expenses	12,874,052	12,423,077
	252,495,904	225,995,217

SCHEDULE 19 OTHER EXPENSES		
Rent	1,092,947	1,206,885
Security Charges	1,931,658	1,861,176
Rates & Taxes	32,032,709	25,460,794
Printing & Stationery	3,223,513	3,249,375
Postage, Telegrams & Telephones	8,448,397	7,638,826
Travelling & Conveyance	15,250,899	11,192,755
Directors' Sitting fees & Travelling expenses	506,014	661,109
Advertisements	344,716	238,113
Expenses on Sales	77,714,496	74,743,673
Commission on Sales	22,329,947	22,356,275
Insurance	6,729,931	9,025,662
Auditors' Remuneration	378,476	387,196
Legal & Professional Charges	7,313,020	3,607,938
Repairs to : Buildings	4,496,729	2,406,095
: Machinery	60,307,661	31,025,391
: Other Assets	5,860,273	8,814,517
Vehicle Maintenance	5,307,812	5,983,495
Miscellaneous Expenses	29,799,536	42,024,750
Donations	413,843	374,471
Loss on sale of assets	607,230	257,336
Diminution in value of Investments	75,000	1,379,371
Bad debts /Debit Balances written off	7,364	5,530
Derivative Loss	4,587,941	–
Claims written Off	26,390,971	–
Priorperiod expenses	–	65,065
	315,151,083	253,965,798

Schedules forming part of the Consolidated Accounts

(Amount in Rupees)

	Year ended 31.03.2010	Year ended 31.03.2009
SCHEDULE 20 FINANCE CHARGES		
Interest on Term Loans	119,707,523	114,600,998
Interest on others	95,589,229	101,454,658
Bank Charges	16,778,145	5,452,465
	232,074,897	221,508,121

SCHEDULE 21 (INCREASE)/DECREASE IN STOCKS

Opening Stocks:		
Yarn	44,198,908	47,004,507
Fabric	203,332,115	226,169,991
Garments	18,346,664	7,641,675
Work-in-process	242,190,475	237,218,061
Cotton Waste	1,640,530	1,328,177
	509,708,692	519,362,411
Closing Stocks:		
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
	514,658,405	509,708,692
(Increase)/Decrease in stocks	(4,949,713)	9,653,719

Schedules forming part of the Consolidated Accounts

SCHEDULE 22 NOTES ON ACCOUNTS

Notes forming part of Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date.

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
1 Contingent Liabilities not provided for		
a) Contracts to be executed on capital accounts.	130,279,355	122,509,299
b) Against Foreign Letters of Credit & Inland Letter of Credit	4,533,043	34,087,616
c) Against Bank Guarantees	2,066,940	2,577,340
d) Against Bills discounted	191,313,664	182,660,097
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	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	–
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	2,163,938	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	–

- The legal proceedings against M/s Rajvir Industries Ltd., for the recovery of the balance outstanding in the books of the Company of Rs. 2,36,92,934/- (Previous Year Rs. 2,36,92,934/-) are pending
- Claim against the Company not acknowledged as debts:
M/s Rajvir Industries Limited has filed a suit against the Company claiming export incentives allegedly due to them amounting to Rs. 295.70 Lakhs relating to export performance of erstwhile Mahabubnagar Unit of the periods prior to demerger. The Company has been advised that the claim is not admissible and is taking adequate steps to resist the claim.
- Three cases have been filed against the Company for amounts totalling to Rs. 13.48 crores in respect of three cheques allegedly issued by the Company. These claims are being resisted on the plea that these cheques have been misused and in absence of any legally enforceable debt or liability the Company has been advised that the complaints are not maintainable and no liability is likely to arise.
- Rajvir Industries Ltd as filed a complaint against the Company and its officers in connection with the transfer of liability of Rs. 10 Crores in the scheme of arrangement. The Company has been advised that the complaint is not maintainable in law and is taking adequate steps to defend its position.

Schedules forming part of the Consolidated Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

- 6 Rajvir Industries Ltd., has filed an application before the Hon'ble High Court of Andhra Pradesh for modification of the Order of the Hon'ble High Court of Andhra Pradesh in the scheme of arrangement for transfer of the liability of Rs. 10 Crores to the Company. The application is pending before Hon'ble High Court of Andhra Pradesh. The Company has been advised that the complaint is not maintainable in law and is taking adequate steps to defend its position.
- 7 A show cause notice has been received from the office of DGFT Hyderabad for alleged violation of Target Plus Scheme to recover Rs. 17.29 Crores and levy other penalties. 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 Rs. 5 Crores to DRI in this connection.

8 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) Garments	Garments

9 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 (Rs.)	Previous Year Amount (Rs.)
Sri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration b) Interest	2,400,000 638,310	2,400,000 650,522
Sri P K Agarwal Managing Director	Key Management	a) Remuneration b) Interest	2,400,000 426,082	2,400,000 431,374
Sri L N Agarwal (HUF)	Key Management	Interest	79,625	79,625
Sri H L Ralhan, Director	Key Management	Remuneration	1,889,400	1,619,390
Smt Sathyabhamabai	Wife of Sri L N Agarwal	Interest	1,278,875	1,317,793
Smt Padmini Agarwal	Wife of Sri P K Agarwal	Interest	784,545	784,545
Kum Aparna Agarwal	Daughter of Sri P K Agarwal	Interest	235,625	235,625
Master Vedanth Agarwal	Son of Sri P K Agarwal	Interest	299,000	299,000
Smt Sabita Jain	Daughter of Sri 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	Interest Purchase of Raw Material	– 9,605,329	253,698 –
M/s. Suryajyothi Spinning Mills Ltd.,	Enterprises in Which the relatives of key management personnel are interested	Sale of Yarn Sale of Raw Material	13,597,477 –	4,861,464 29,364,184
M/s. Suryavanshi Spinning Mills Ltd.,	Enterprises in Which the relatives of key management personnel are interested	Purchase of Raw Material Raw Cotton Sales Sale of Yarn	403,451 31,584,738 –	2,047,066 – 1,262,731
M/s. Suryavanshi Industries Ltd.,	Enterprises in Which the relatives of key management personnel are interested	Cost of Machinery	392,994	–

Schedules forming part of the Consolidated Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

b) Balance as at 31-03-2010 (Payable)

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
Sri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration b) Interest (net) c) Unsecured Loan	159,800 1,133,282 2,750,000	129,800 558,803 13,150,000
Sri P K Agarwal Managing Director	Key Management	a) Remuneration b) Interest (net) c) Unsecured Loan	– 735,293 2,500,000	129,800 351,819 8,500,000
Sri L N Agarwal (HUF)	Key Management	a) Interest (net) b) Deposits	71,662 1,225,000	70,603 1,225,000
Sri H L Ralhan, Director	Key Management	Remuneration	92,240	33,240
Smt Sathyabhamabai	Wife of Sri L N Agarwal	a) Interest (net) b) Deposits	1,150,988 19,675,000	1,168,486 19,675,000
Smt Padmini Agarwal	Wife of Sri P K Agarwal	a) Interest (net) b) Deposits	706,090 11,050,000	695,656 11,050,000
Kum Aparna Agarwal	Daughter of Sri P K Agarwal	a) Interest (net) b) Deposits	212,062 3,625,000	208,929 3,625,000
Master Vedanth Agarwal	Son of Sri P K Agarwal	a) Interest (net) b) Deposits	269,100 4,600,000	265,123 4,600,000
Smt Sabita Jain	Daughter of Sri LN Agarwal	Office Rent	326,471	187,645

c) Receivable as at 31-03-2010

M/s. Suryajyothi Spinning Mills Ltd.,	Enterprise in which the relatives of Key Management personnel are interested.	Sale of Raw Material	415,133	3,860,036
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- 10 The Salestax deferment liability amounting to Rs. 2,05,54,549/- shown under unsecured loans is due for repayment from the year 2011.

Year	Amount Rs.	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
Total	20,554,549	

Schedules forming part of the Consolidated Accounts

SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

- 11 Pursuant to Scheme of restructuring package of Term Loans the Company has allotted 0.1% Cumulative Redeemable Preference Shares of Rs. 100/- each on 28th October, 2002 to IDBI and IFCI and the same will be redeemed to IDBI in March, 2012 (Rs. 400 lacs) and to IFCI in July, 2011 (Rs. 271.60 Lacs)
- 12 The amount of CRPS of Rs. 671.60 lacs payable on redemption to IDBI and IFCI as stated in note No.11 is treated as deferred revenue expenditure, to be written off over the term of the CRPS.
- 13 During the year 2005-06 the Company has incurred an amount of Rs. 1,25,23,000/- 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.
- 14 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.
- 15 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 rawmaterial which are used for production of polyester yarn meant for export, and cleared the material for export on payment of duty.
- 16 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 Rs. 26.09 crores from the Insurance Company including salvage. The part claim of Rs. 4.90 crores which is still to be settled by the Insurance Company is shown under Claims receivable and the amount of loss of Rs. 2.45 Crores which is not expected to be received, has been written off under Claims written off under the head Other Expenses (Schedule 19 of the Annual Accounts).
- 17 Repayment of 2,00,000 - 5% Non-Cumulative redeemable Preference Shares of Rs. 100/- each redeemable on 21st December, 2021.
- 18 Trial Run Expenditure of Rs. 2,84,52,771/- treated as Deferred Revenue Expenditure, to be written of in 10 years.
- 19 Previous year's figures have been regrouped wherever necessary. Paise 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 unrealised 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 :

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

9 Impairment of Assets :

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

10 Sales :

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

11 Provision for taxation :

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

12 Miscellaneous Expenditure

Miscellaneous Expenses is written off over a period of 10 years commencing from 2003-04 in respect of Preliminary and Peoperative 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 : 15.05.2010

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. S. Subramanyam
Vice President (Finance)

E.V.S.V. Sarma
Company Secretary

P. K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director

Consolidated Cash Flow Statement For the year ended 31st March 2010

(Amount in Rupees)

	2009-2010	2008-2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	73,029,671	(165,937,395)
Adjustment for		
Add : Depreciation	217,382,687	211,183,773
Interest	215,296,752	216,055,656
Debit balance written off	7,364	5,530
Miscellaneous expenses written off	11,665,673	12,525,797
Loss on sale of assets	607,230	257,336
Investment Written Off	75,000	–
Dimunition in Value of investments	–	1,379,371
	518,064,377	275,470,068
Less : Interest Received	4,084,848	3,184,295
Excess provision written back	261,716	80,586
Profit on sale of assets	5,432,357	–
Increase in Value of Investments	1,428,846	–
	11,207,767	3,264,881
Operating profit before working capital changes	506,856,610	272,205,187
Adjustment for changes in :		
Current liabilities	112,379,651	(235,290,557)
Inventories	(178,140,413)	154,611,680
Receivable	81,836,175	(59,492,030)
Loans and advances	172,288,390	(121,977,001)
Cash generated from Operations	695,220,413	(87,426,107)
Income tax paid net of refunds	(21,886,002)	(5,875,626)
Net cash from operating activites (A)	673,334,411	(93,301,733)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of fixed assets	6,848,384	253,846
Interest received	4,308,431	3,993,197
Increase in fixed assets	(98,967,094)	(71,971,683)
Net cash used in Investing activites (B)	(87,810,279)	(67,724,640)

Consolidated Cash Flow Statement For the year ended 31st March 2010 (Contd.)

(Amount in Rupees)

	2009-2010	2008-2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Preference Share Capital	20,000,000	–
Increase in secured loans	–	245,068,278
Increase in bank borrowings	–	120,141,579
Increase in Hire purchase loan	1,219,154	–
Increase in Unsecured loans	14,923,732	79,607,575
Repayment of Term Loan	(341,426,220)	(3,200,000)
Repayment of Hire Purchase loan	(73,320)	(629,014)
Repayment of unsecured loans	(50,227,799)	(48,251,799)
Interest paid	(211,526,936)	(229,322,100)
Dividend/Tax on dividend	(79,287)	(79,199)
Decrease in bank borrowing	(18,732,837)	–
Net cash used in Financing Activities (C)	(585,923,513)	163,335,320
Net increase in cash and cash equivalents (A+B+C)	(399,381)	2,308,947
Cash/Cash Equivalents at the Beginning of the year	22,510,374	20,201,427
Cash/Cash Equivalents at the end of the year	22,110,993	22,510,374

per Our Report of even date

for **Brahmayya & Co**
Chartered Accountants

K. S. Rao
Partner
Membership No.15850

Place : Hyderabad
Date : 15.05.2010

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. S. Subramanyam
Vice President (Finance)

E.V.S.V. Sarma
Company Secretary

P. K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director

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 Rs. 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

47th Annual General Meeting, 29th September, 2010, at 11.30 a.m.

Regd Folio No		* DP ID	
No of Shares Held		* Client ID	

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

I hereby record my presence at 47th Annual General Meeting of the Company at Rajdhani Hall, 1st Floor, Lions Bhavan, Behind LIC
& HDFC Bank, Near Paradise Circle, S.D.Road, Secunderabad – 500 003

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 47th Annual General Meeting of the Company to be held on 29th September, 2010 and at any adjournment
thereof.

As witness my/our hand(s) this _____ day of _____ 2010

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.

