

CHALLENGING PERFORMANCE



SURYALAKSHMI COTTON MILLS LTD
49TH ANNUAL REPORT, 2011-12

Forward-looking statement In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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The year 2011-12 was one of the most challenging for the global economy and textile industry in recent memory.

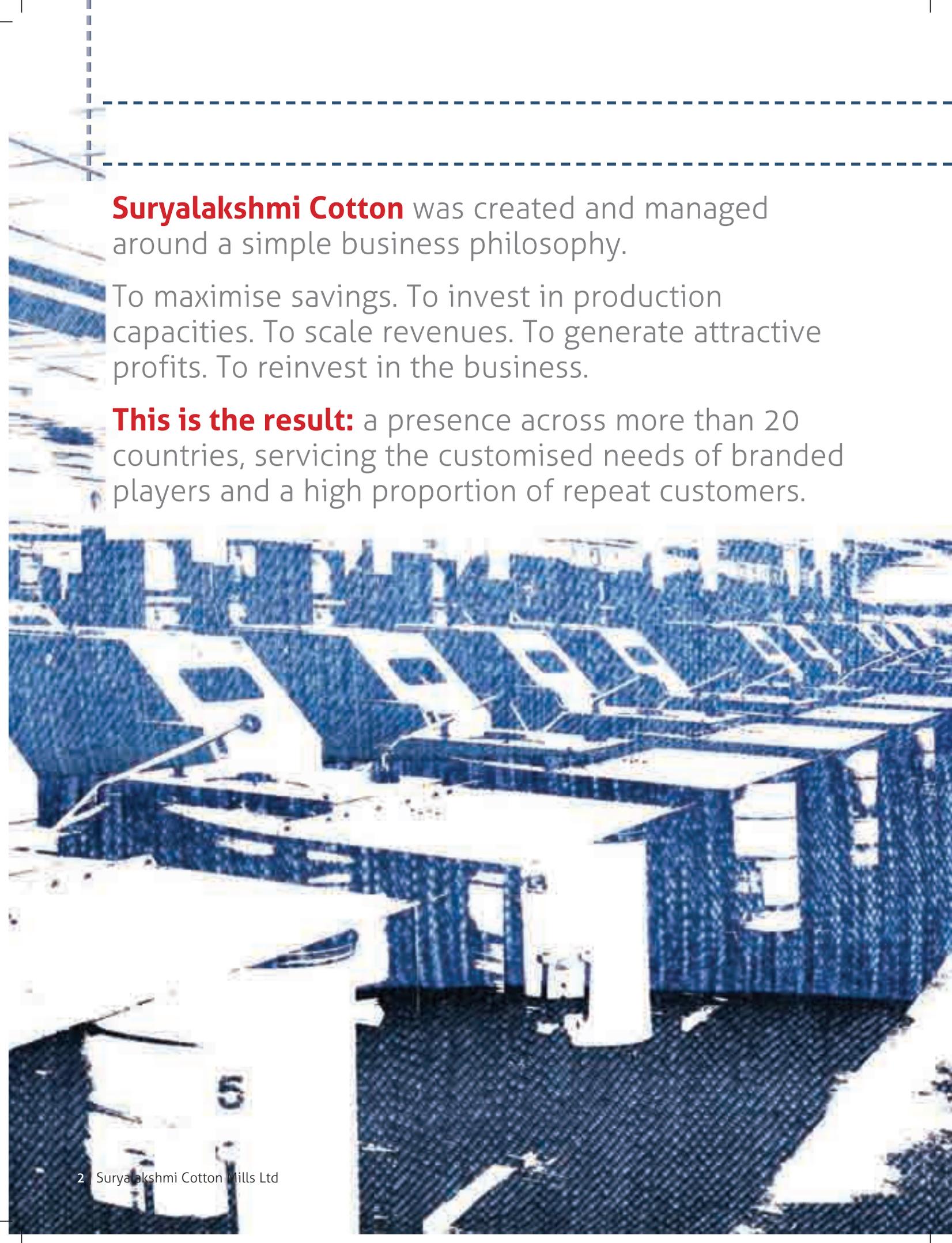
A number of buyers stayed away. Most of those who continued to buy stuck to their original volumes. Those who stuck to their original volumes preferred to negotiate around the old rates.

These realities notwithstanding, Suryalakshmi Cotton Mills reported an 11.28% topline growth.

Even as our post-tax profits were affected by high power and finance costs, our performance was considerably better than the industry average.

This annual report explains how we beat the industry average. And how we expect to continue to do so over the foreseeable future.





Suryalakshmi Cotton was created and managed around a simple business philosophy.

To maximise savings. To invest in production capacities. To scale revenues. To generate attractive profits. To reinvest in the business.

This is the result: a presence across more than 20 countries, servicing the customised needs of branded players and a high proportion of repeat customers.

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 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 we expand and develop a strong presence in the international market.

Our products, operations and services, are globally benchmarked against the best.

Background

- Incorporated in 1962, promoted by Mr L. N. Agarwal (Chairman and Managing Director).
- Promoter holding 64.22% of equity (as on 31st March 2012)
- Captures the value chain from the manufacture of cotton yarn to denim fabric to garments.
- The Company's stocks are listed and actively traded on the Bombay and National Stock Exchanges.

Presence

- Headquartered in Secunderabad (Andhra Pradesh), India
- Denim manufacturing facility in Ramtek (Maharashtra) and two spinning units (polyester cotton and synthetic yarn) in Amanagallu (Andhra Pradesh)
- Products marketed in India and more than 20 countries (comprising Israel, Panama,

Egypt, Bangladesh, Sri Lanka, Indonesia, Mauritius, Singapore, UK, Guatemala Syria, Taiwan, Turkey, USA, among others)

Pride

- Manufacturing units certified for ISO 9001:2000 and ISO 14000
- Recognised as an export house by the Government of India
- 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, 2012

Partners

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

Revenue
₹
67,843
lacs
2011-12

Exports
₹
11,180
lacs
2011-12

Profit after tax
₹
2,831
lacs
2011-12

EBIDTA
₹
9,248
lacs
2011-12

Business Divisions

1. Yarn

Suryalakshmi Cotton commissioned a spinning unit comprising 10,000 spindles at Amanagallu (Andhra Pradesh) in 1987

The Company now has two units comprising 60,864 spindles to manufacture cotton, polyester and blended yarns

	2010-11	2011-12
Net Sales (₹ lacs)	23,063.17	26,876.37
EBIDTA (₹ lacs)	3,952.92	1,966.73
Profit before tax (₹ lacs)	2,588.48	146.18
Contribution to total revenue (%)	38.38	40.19
Installed capacity (spindles)	60,864	60,864
Capacity utilisation (%)	94%	94%

2. Denim

Suryalakshmi Cotton integrated forwards through a state-of-the-art denim unit in 1997 at Ramtek (Maharashtra)

The Company quadrupled its capacity to 40 million metres per annum across 15 years and has emerged as a major Indian denim manufacturer

	2010-11	2011-12
Net Sales (₹ lacs)	37,030.81	39,996.75
EBIDTA (₹ lacs)	5,753.52	7,281.55
Profit before tax (₹ lacs)	2,499.22	3,664.62
Contribution to total revenue (%)	61.62	59.81
Installed capacity (million metres per annum)	40	40
Capacity utilisation (%)	97%	95%

3. Garments

The Company commissioned a one-of-its-kind garment unit (Installed capacity of 5,000 garments per day) in 2007 under a subsidiary called Suryakiran International Ltd.

	2010-11	2011-12
Net Sales (₹ lacs)	2,872.94	3,768.12
EBIDTA (₹ lacs)	373.66	370.43
Profit before tax (₹ lacs)	67.89	44.91
Operating capacity (garments per day)	4,000	4,000
Capacity utilisation (%)	76%	84%

OUR PROFIT-ENHANCING STRATEGY

A 25MW captive power plant (located in the coal belt area of Vidarbha) to come on-stream in mid- 2012 to meet the power requirements of the unit. This will result in reducing the power cost by 26%.

Being vertically integrated along the value chain, resulted in 75% of the denim division's yarn requirements being sourced captively, enabling to meet the demands of its customers faster with high-end quality products.

Captive power plant

Captive spinning

Captive yarn

Fabric

The denim plant possesses seven Open-End machines (2280 rotors) and 10 Nos. ring frames (12000 spindles) to produce yarns. Raw materials are procured within the average distance of 400 kms.

The Company has 204 Shuttleless Air jet looms. The Company manufactured 29.16 million metres of denim, in 2011-12.

Our competencies

BEATING THE INDUSTRY **average**



Product basket: The Company's product range comprises mercerised, coated and colour denim. This addresses the varied requirements of diverse customers.



Value chain: The Company's value chain extends from yarn to denim to garments. Nearly 75% of the Company's yarn requirement for denim manufacture was produced in-house.



Focus: The Company periodically updates products to address emerging customer requirements in line with emerging trends. 80% of the Company's products at denim division comprised value-added products.



Raw material proximity: The Company secured its raw material requirements for its textile unit through a back-to-back PSF sourcing arrangement from Reliance Industries and VSF from Grasim Industries Ltd. The majority of the raw cotton required for spinning unit associated with the denim plant was sourced from within 400 kms.



Customer relations: The Company is engaged in product development with customers, translating into engaging relationships. Nearly 65% of the Company's revenues in 2011-12 were derived from customers with engagement extending across more than three years.



Experience: The promoters enjoy an experience of five decades in India's textile industry.



Quality: The Company's yarns enjoyed the highest quality level of Uster 5%; all manufacturing units were certified for ISO 9000:2000. The products were certified for Oeko Tex Standard 100 Product Class II.



Environment friendly: The Company invested in effluent management equipment a zero-discharge reverse osmosis plant with a corresponding reuse of treated effluents.



Economies of scale: The Company's yarn capacity (60864 spindles) and denim capacity (40 million metres per annum) represent attractive economies of scale.



State-of-the-art-technology: The Company invested in state-of-the-art equipment sourced from high-end manufacturers like Trutzschler, Toyota, Reed Chakwood Inc., KTM USA, among others. Nearly 40% of the Company's spinning and weaving equipment was less than five years old as on 31st March 2012.



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



Enduring clients: Over 75% customers had worked with the Company for more than three years as on 31st March, 2012.

Net turnover (₹ in lacs)



2009-10 2010-11 2011-12

EBIDTA (₹ in lacs)



2009-10 2010-11 2011-12

OUR GROWTH STORY

Our topline grew 11.28% to ₹ 668.73 crore and total revenues grew 10.73% from ₹ 61,270.40 lacs in 2010-11 to ₹ 67,843.01 lacs in 2011-12, owing to a robust domestic and global demand for value-added denims and a strong performance of the denim segment.

Our EBIDTA margin of 13.63 % was higher than the industry average and our EPS of ₹ 21.16 was creditable given the industry weakness.

In 2011-12, the denim division accounted for 59.81% of the revenues but 78.73% of the EBIDTA.

Going ahead, we expect that the sum of investments up to ₹ 200 crore will translate into revenues of ₹ 1000 crore by 2014.

Profit after tax (₹ in lacs)



2009-10 2010-11 2011-12

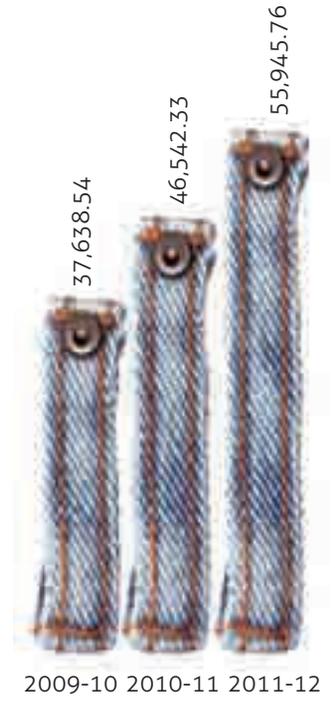
Gross block
(₹ in lacs)



Net worth
(₹ in lacs)



Capital employed
(₹ in lacs)



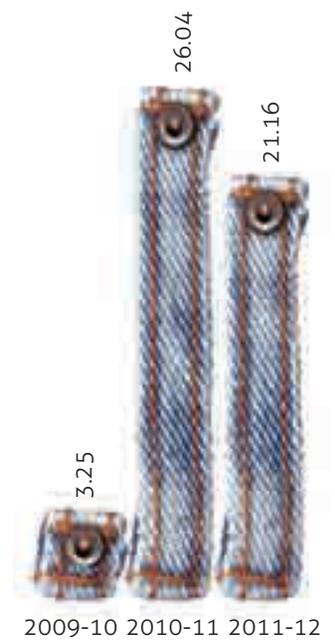
Cash profit
(₹ in lacs)



Exports (FOB)
(₹ in lacs)



EPS
(₹)



CHAIRMAN'S PERSPECTIVE



“At Suryalakhshmi, we expect our topline to cross ₹ 1,000 crore by 2014.”

I am pleased to present your Company's performance for 2011-12, coming as it did during a particularly weak time for the global economy in general and the textile industry in particular.

The year under review was marked by several challenges.

These comprised a consumer preference to stagger purchases, stay with tried and tested products instead of buying new ones and restrict their overall purchase budgets.

The result was a decline in demand from existing customers as well as unprecedented inventory losses following the acquisition of raw cotton at historically high levels.

These realities notwithstanding, Suryalakhshmi Cotton reported a creditable performance:

- Our topline grew 11.28% to ₹ 668.73 crore, compared with the Indian textile industry's growth of 8.5% in 2011-12
- Our EBIDTA margin of 13.63 % was higher than the industry average
- Our EPS of ₹ 21.16 was creditable given the industry weakness (₹ 26.04 in the previous year)

Out-performance

Suryalakhshmi Cotton performed considerably better than the prevailing industry average for its ability to invest proactively with a long-term outlook, which was validated during the year under review:

- We were a yarn company until 1997. Thereafter, the Company took the view that in a business that was getting increasingly competitive, the more sustainable Company of the future would be one that extended from yarn to downstream fabric manufacture,

leveraging the value from its fabric division when yarn realisations declined and leveraging the value from its yarn division when yarn realisations increased. During the last financial year, the selection of this business model was comprehensively validated: even as the performance of the yarn segment could not achieve its full potential on account of a sharp increase in raw material costs, the denim segment helped us recoup a lot of the lost ground. The result is that in 2010-11, the denim division accounted for 61.62% of the revenues and 59.28% of the EBITDA; in 2011-12, the denim division accounted for 59.81% of the revenues but 78.73% of the EBITDA.

■ We leveraged the power of enduring relationships in the sourcing of raw cotton during the year under review, coupled with an insight into timely purchases. The combination of the two tempered the full brunt on our profit and loss account.

■ We de-risked our sales book by venturing to pre-sell a considerable portion of our inventory at favourable realisations. The result was that when the decline happened, a sizeable proportion of our sales had been locked in at attractive terms of trade. As a result, our yarn realisation at ₹ 140.91 per kg in 2011-12 compared favourably with ₹ 139.13 per kg in the previous year. Our average denim realisation at ₹ 139.46 per metre in 2011-12 compared favourably with ₹ 116.45 per metre in the previous year.

Optimism

At Suryalakshmi, we are optimistic of our prospects for reasons that are internal and external to the Company.

Power plant: During 2012-13, our shareholders will see the impact of our first principal non-textile (and yet, synergic) integration into power generation. This 25 MW captive power plant will leverage proximate coal availability; it will suffice for the complete existing needs of the Company on the one hand and emerge as a revenue centre through merchant sales to the state electricity grid on the other hand. The attractively low cost of power generation will strengthen competitiveness through lower costs and attractive revenues, resulting in a cash payback estimated at six years.

Business growth: The capacity expansions that the Company invested in during the earlier years will generate volume and revenue growth during 2012-13. Yarn volumes are expected to grow 3% and denim volumes 10% during the current financial year.

Efficiency: The Company is engaged in the modernisation of its plants and the progressive replacement of old looms. The result is that the Company's revenues were derived from assets commissioned in the last five years in 2011-12, which is expected to increase to 8-10% in 2012-13. The Company expects to expand its spindle capacity at Ramtek by 30,000 spindles to cater to

growing downstream requirements.

Rupee depreciation: The Company expects to capitalise on the significant depreciation in the value of the Indian currency. In 2011-12, the Company's exports were ₹ 111.80 crore, pegged around an average dollar value of ₹ 47.50; during 2012-13, the Company expects to report a 5% increase in export volumes, strengthening its competitiveness.

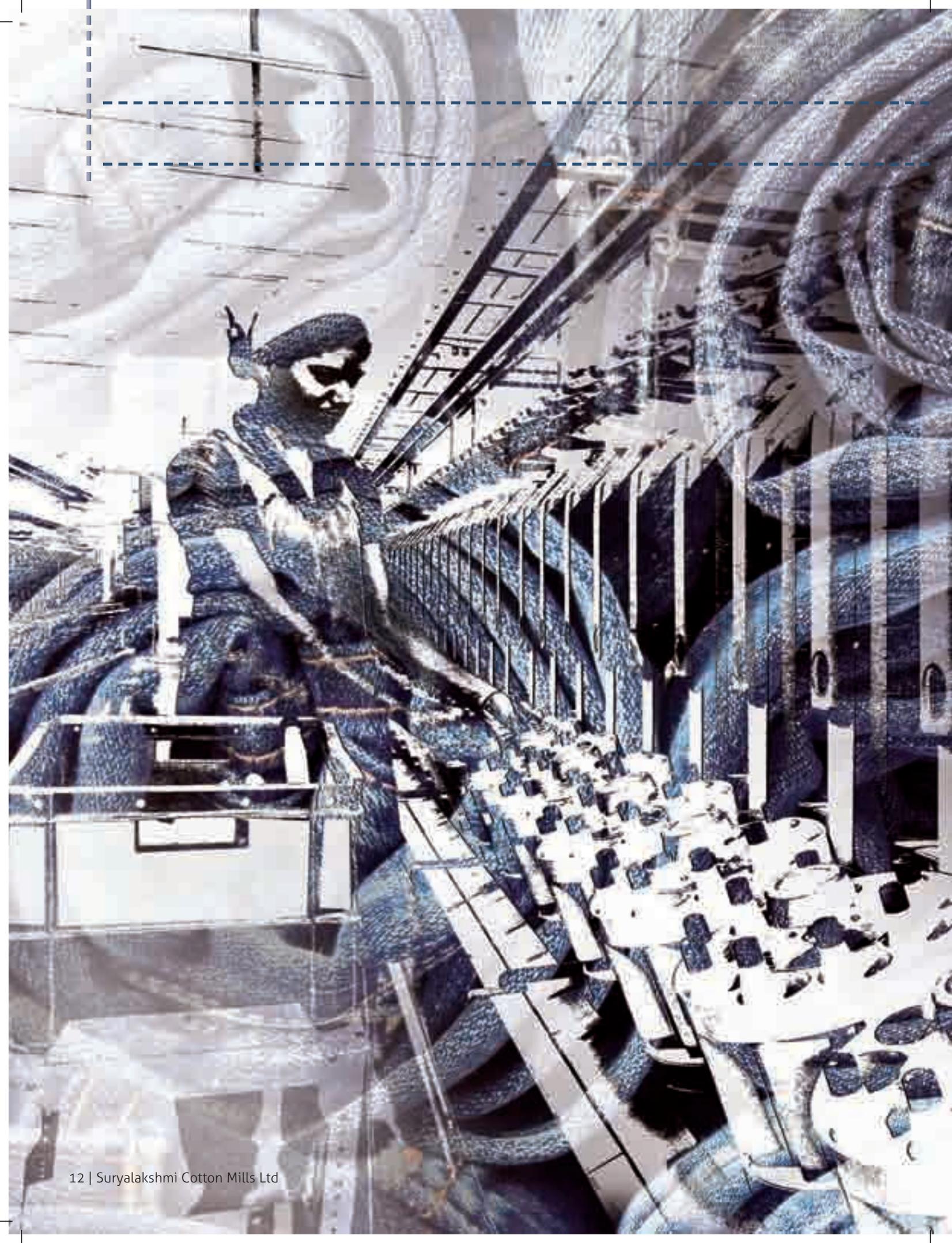
International opportunity: China is gradually vacating its space as the largest cotton yarn producer in the world as it is concentrating on the production of high-value finished products. The result is that Chinese fabric manufacturers have increased their dependence on Indian cotton yarn, catalysing volumes. Meanwhile, western economies are showing signs of recovery, strengthening our prospects.

With these realities in mind, we expect the Company to report improved revenues and profits during the current financial year without altering our equity structure.

Going ahead, we expect that the sum of investments up to ₹ 200 crore will translate into revenues of ₹ 1000 crore by 2014.

Sincerely,

L.N. Agarwal
Chairman & Managing Director



Just how we beat the average

Sustained investment

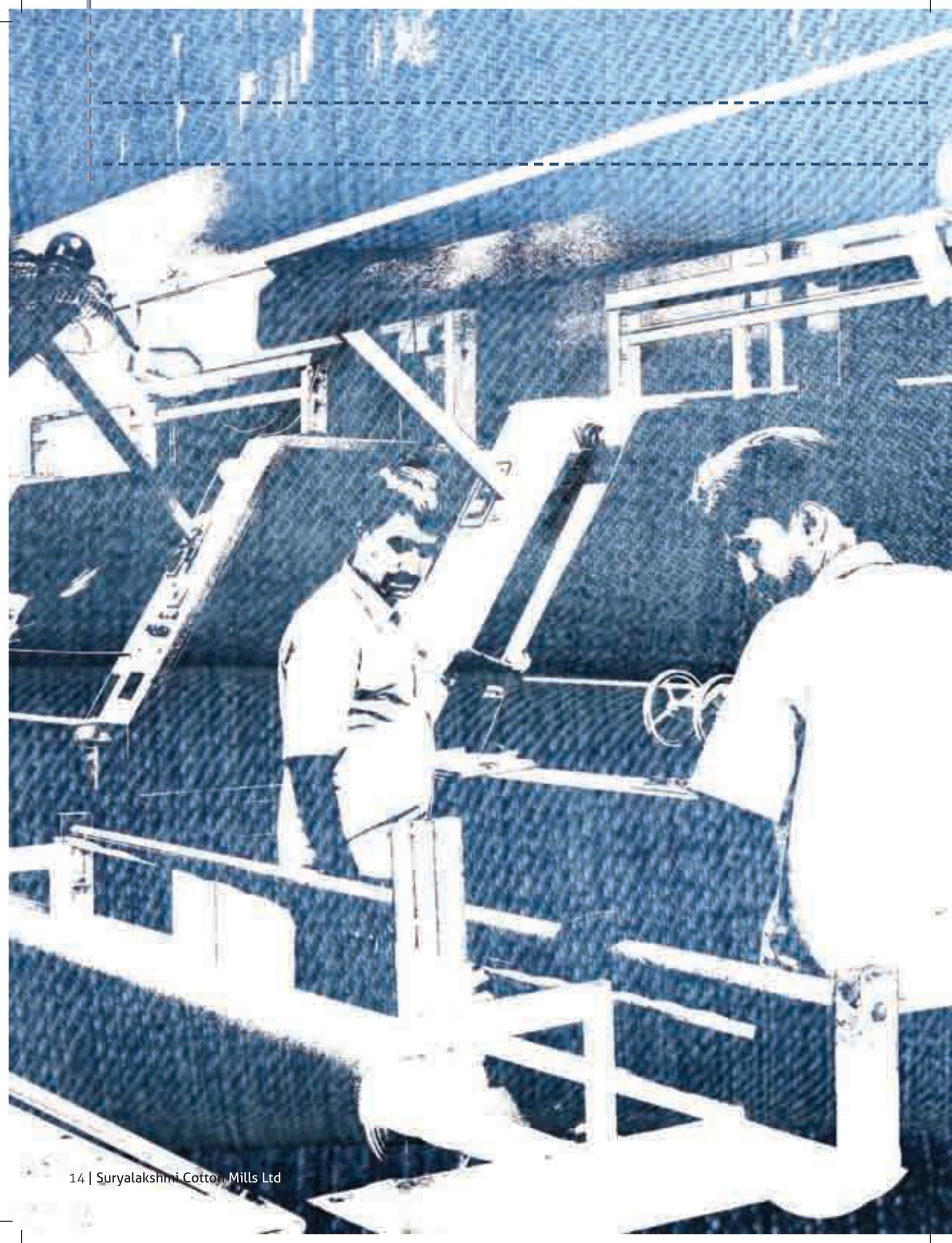
At Suryalakshmi Cotton, we believe that a critical driver of success in a competitive global industry is derived from the ability to keep finding new markets and customers, growing one's revenues at an attractive pace all the time. This helps the Company to efficiently amortise fixed costs on the one hand and maximise surpluses available for reinvestment on the other. In turn, this competence is derived from an ability to reinvest periodically in production capacities in good years and bad.

Suryalakshmi has demonstrated such a track record for the last number of years.

Reinvestment: One, the Company reinvested 52.5% of its retained cash profits across the five years leading to 2011-12 to fund its overall gross block addition of ₹ 84.85 crore during the period. This helped create a foundation of robust sustainable growth.

High utilisation: Two, the Company commissioned these production capacities in one of the lowest commissioning tenures in the Indian textiles industry; besides, the Company maximised its capacity utilisation, generating an attractive payback: the yarn capacity operated at 94% and the denim capacity at 95% in 2011-12. The result was that both divisions reported attractive surpluses even in a challenging 2011-12, which was available for onward reinvestment.

Result: Suryalakshmi has grown its revenues faster than the industry average over the last number of years. Suryalakshmi grew its gross revenues 10.73% in 2011-12. Suryalakshmi is also growing faster than it did in the past; the Company added ₹ 185.69 crore in revenues in the five years leading to 2009-10; the Company added ₹ 258.60 crore in revenues in the following two years leading to 2011-12.





Just how we beat the average

Extensive integration

At Suryalakshmi Cotton, we believe that the most enduring companies in the global textile companies defy a strict classification. They are not strictly yarn manufacturers, fabric makers or garment producers – and yet, they are engaged in the manufacture of each of the three products.

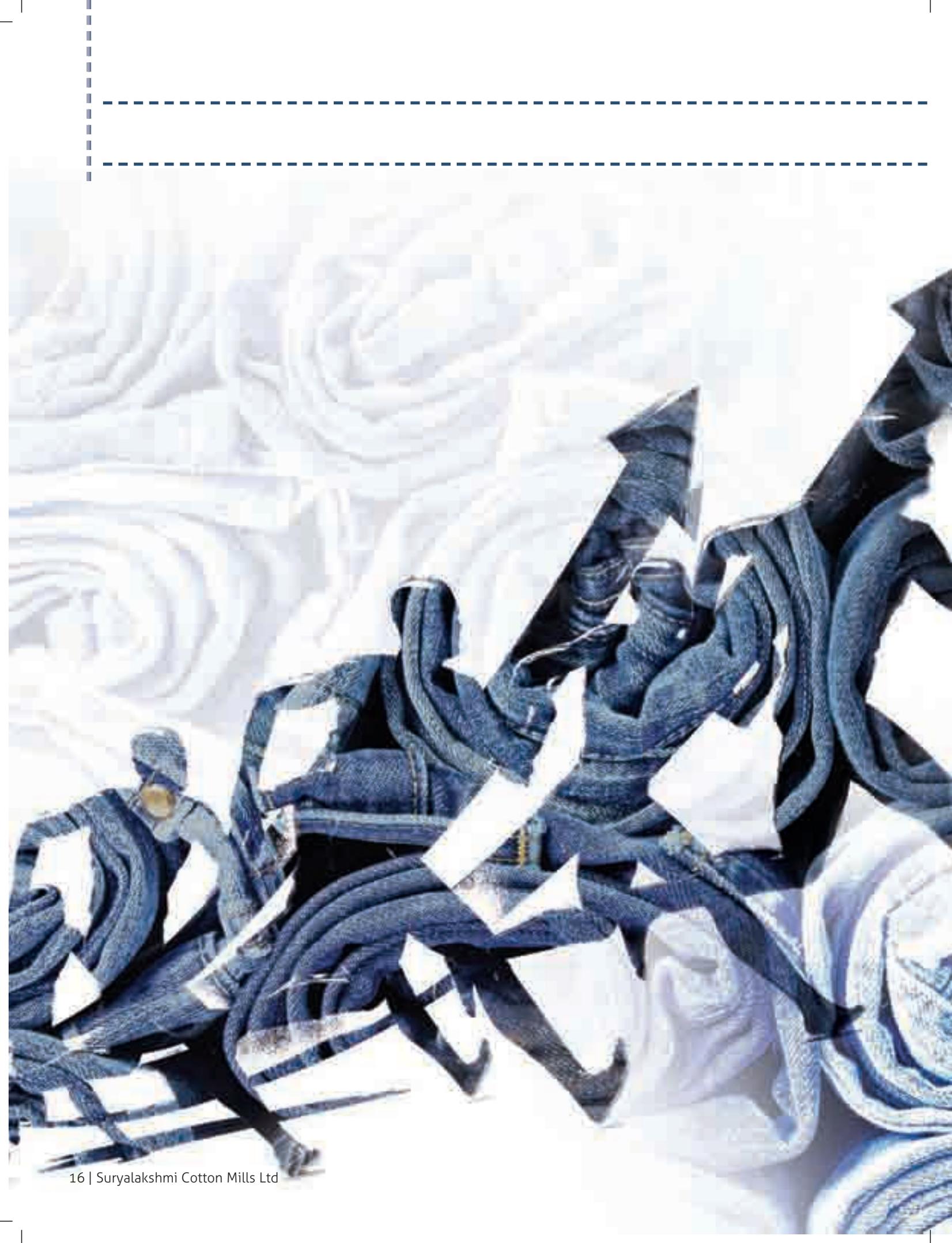
Suryalakshmi is one such textile company.

Synergic: The Company is engaged in the manufacture of yarn; 42.22% of its yarn output is consumed within the Company in the downstream manufacture of denim. The Company is engaged in the manufacture of denim; 4% of the Company's denim output is consumed within the Company in the downstream production of garments.

Benefits: The Company commissioned its denim capacity in 1997, strengthening its value chain. This longstanding strategy integrates raw material costs, enhancing raw material availability, strengthening product quality and widening value-addition. This integration makes it possible to maximise profits during years when there is a sharp increase in yarn realisations without a corresponding increase in denim realisations. Besides, in years of low yarn realisations and high denim realisations, the Company is able to ride its integration and report attractive profits. This corporate flexibility makes it possible for the Company to profit from most industry scenarios.

Captive power: The Company will take this integration a critical step ahead in 2012-13. The proposed commissioning of the 25 MW captive power plant will service the Company's complete power requirements. The Company consumed 9 crore units in 2011-12 corresponding to an average unit cost of ₹ 4.71. The complete commissioning of the power plant at its denim division will rationalise per unit power tariff to ₹ 3.50 and will generate additional annual savings to that extent.

Result: Even as a number of textile manufacturers the world over reported extensive losses in 2011-12, Suryalakshmi Cotton reported a cash profit of ₹ 54.17 crore.





Just how we beat the average

Financial strength

At Suryalakshmi Cotton, we believe that the basis of organisational sustainability is a strong financial foundation, marked by responsible business cum financial planning, reasonable margins and adequate resource availability in good markets and bad.

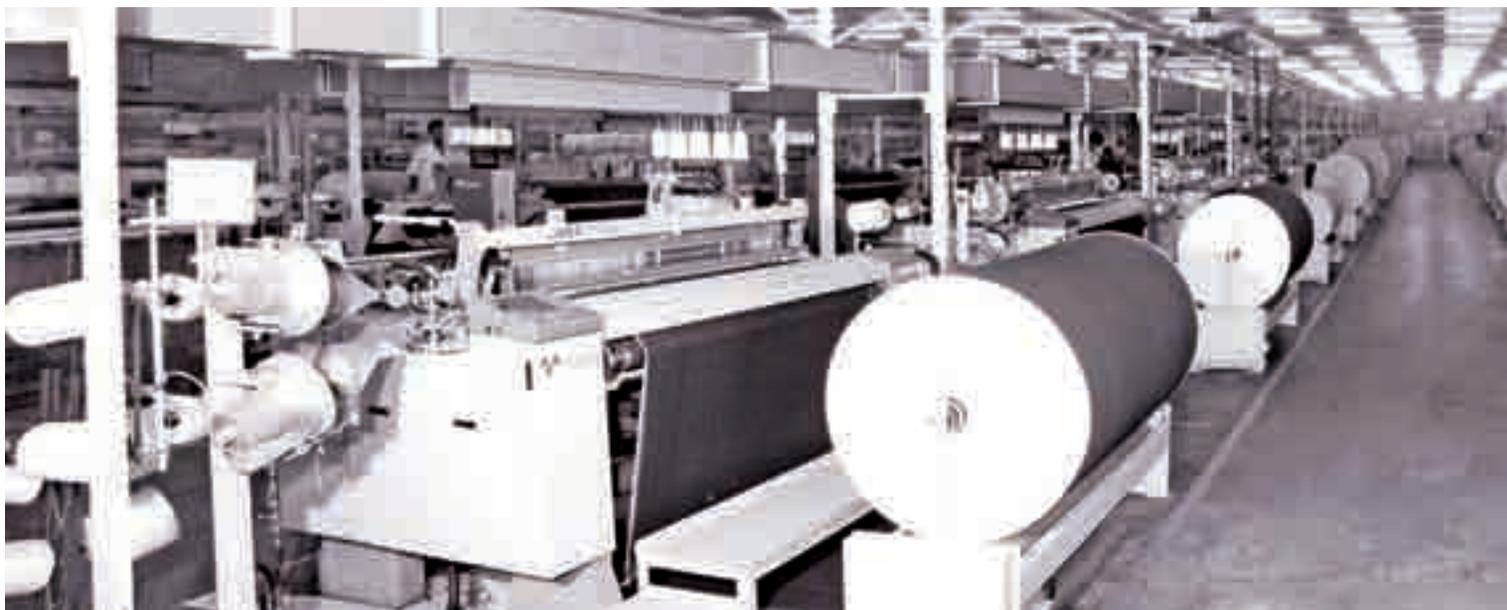
Suryalakshmi has demonstrated just such a track record.

Value-addition: The Company has consistently believed in extending beyond the commodity to the fashion segments, generating attractive value-addition. The Company reported improved yarn realisations by 44.4% and denim by 96.7% in the five years leading to 2011-12 through the manufacture of superior product variants.

Brand-enhancing clients: The Company worked with large brand-enhancing international clients with demanding requirements of quantity, quality, service and overall price-value, resulting in reliable revenue visibility. Nearly 78 % of the Company's denim revenues in 2011-12 were derived from clients with whom the Company had been working for the previous three years.

Debt management: The Company enhanced shareholder value by funding most of its capacity expansions through a prudent mix of debt and accruals. Nearly 69% of the debt on the Company's books as on 31st March 2012 had been sourced from TUFs at a concessional 8%; the Company repaid Term loans ₹ 22.04 crore in 2011-12.

Result: Suryalakshmi reported an EBIDTA margin of 13.63% in 2011-12 even as margins declined extensively for most peer players. Return on employed capital of 13.25% was way higher than the industry average.



The Company increased investment in gross block y-o-y while repaying debt

	2007-08	2008-09	2009-10	2010-11	2011-12
Gross block addition y-o-y (₹ lakh) (Net)	2,151.81	565.23	666.49	3,116.08	1,985.02

	2007-08	2008-09	2009-10	2010-11	2011-12
Debt repayment (₹ lakh) Term Loan	2,329.78	32.00	999.39	1,220.57	2,204.30

The Company maintained its gearing, despite rising cost of funds

	2007-08	2008-09	2009-10	2010-11	2011-12
Average cost of funds (%) - Working Capital Loan	11.45	10.90	10.79	10.87	12.79

	2007-08	2008-09	2009-10	2010-11	2011-12
Debt-equity ratio (Debt – Long-Term Borrowings)	1.50	1.64	1.44	0.97	1.05



The Company increased its realisations, despite rising raw material prices

Average raw material purchase prices (₹/Kg.)	2007-08	2008-09	2009-10	2010-11	2011-12
Cotton	49.06	58.46	54.91	83.61	76.51
Yarn	103.98	97.88	103.50	139.99	146.33
Polyster Staple Fibre	64.10	64.45	65.70	87.09	101.11
Viscose Staple Fibre	114.20	101.83	116.68	143.50	150.33

	2007-08	2008-09	2009-10	2010-11	2011-12
Yarn realisation (₹/Kg.)	97.57	100.04	104.40	139.13	140.91

	2007-08	2008-09	2009-10	2010-11	2011-12
Denim realisation (₹/Mtr.)	70.91	84.33	89.23	116.45	139.46



The TEXTILE INDUSTRY

Overview

The Indian textile industry is one of the major sectors of the Indian economy, accounting for 14% of the country's industrial production, 4% of GDP and 10.63% of the country's exports. This industry provides direct employment to over 35 million people. The textile sector is the second-largest employment provider after agriculture. The Indian textile industry is estimated to reach a size of USD 115 billion by the year-end with an annual growth projection of 16% (Source: Assocham). The Eleventh Five Year Plan (2007-2012) projected that India would secure a 7% share in the global textiles trade by 2012.

India is one of the most competitive manufacturers of yarn, fabric and garments the world over for the following reasons: abundant raw material availability (cotton, wool, silk, jute) and workforce. Despite a large growing market, the presence of a large number of small scale players makes the Indian textile industry highly competitive, making it imperative to increase productivity and innovation.

Industry scenario

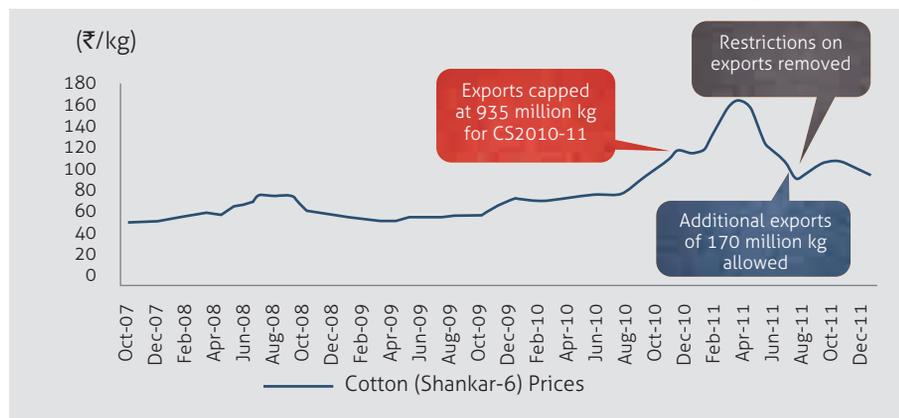
Strong demand, lower input costs to boost profitability: A steep rise in cotton prices in cotton season 2010-11 strengthened raw material costs. The imposition of an excise duty on branded garments increased apparel prices in 2011-12. The combination of the two impacted apparel exports and the domestic offtake of fabrics, yarns and fibres. Margins declined due to limited pricing flexibility. Lower projected cotton prices in 2012-13 could increase textile product demand, strengthening



profitability.

Readymade garments: In 2011, higher apparel prices led to an 8% growth (in value terms) in the domestic market and increased exports by 14%; in volume terms, domestic demand grew by just 1% and exports declined by 3%. As raw material prices are likely to fall in 2012, apparel prices are expected to decline by 2-3% which could catalyse sales; domestic and export volumes are expected to grow 5% each in 2012.

Domestic cotton prices corrected from record highs





The Indian textile industry is estimated to reach a size of USD 115 billion by the year-end with an annual growth projection of 16%



Fashion Statement

Jeans remain to be a staple part of the clothing group known for its different shades ranging from blue to tie dye. The simple jean cloth has evolved into many different styles, however its purpose remains true to its origins.

The first pair of blue jeans was created in 1873 by Levi Strauss & Co, as working pants for men. The purpose of these pairs of pants was to be both durable and comfortable.

As time went on, jeans took on as a fashion statement. The start of the millennium brought a new wave of fashion into the denim industry as designers began playing with new styles, such as ripped and acid-washed jeans.

Cotton yarn and cotton: After declining 6% in 2011-12, cotton yarn offtake is expected to post a CAGR of 5-6% during 2012-13 and 2013-14. Domestic demand is expected (60% of overall demand in 2011-12) to drive growth; exports could gradually recover following rupee depreciation. Lower demand and inventory losses due to a sharp correction in cotton and cotton yarn prices severely hit spinners' profitability in 2011-12; operating margins are estimated to have plunged from 18% in 2010-11 to 8-10% in 2011-12. As end-product demand revives and cotton costs decline, margins are expected to improve.

Man-made fibres (MMF): In 2011-12, the domestic consumption of viscose and polyester staple fibres increased by 1.5-2%, whereas the consumption of viscose and polyester filament yarns declined by 7% each. The consumption of MMF is expected to recover to a CAGR of 5-6% over the

next two years. Polyester manufacturers struggled to pass on high raw material costs due to sluggish demand and declining cotton prices during 2011-12. Operating margins are estimated to have plunged by 500-600 bps to 6-7% during the year. The pressure on spreads is expected to continue and operating margins are expected to remain flat at 7-8% in 2012-13.

The denim market

Over the years, denim has emerged as one of the more contemporary and yet enduring fashion statements, recognised for style at one end and utility at the other. While the Indian denim market has been growing by 10% per year, the international order book has risen 10 to 15%. India added about 100 million metres of capacity a year; the country's denim capacity is estimated at around 800 million metres, with an annual production of around 650 million metres. India sells around 300 million metres per annum of denim

whereas denim export comprises around 170 -180 million metres per annum. Menswear comprises around 75% of denim products sold in India, followed by women's wear (15%) and kids wear (10%). Denim jeans per capita consumption in India is only about 0.3 jeans.

Increasing incomes, growing fashion consciousness, wider organised retail and deeper brands penetration into smaller towns and the advent of international buying houses bode well for the fast-growing 'premium' jeans category. Even though India's denim manufacturing capacity is expected to grow to one billion metres per annum by 2013, per capita denim consumption would still be below one metre, promising attractively sustainable growth.

Most Indian denim players are operating their capacities at optimum levels and plan to expand, which is in stark contrast to China, the world's largest denim manufacturer and exporter, which has reduced its denim manufacturing capacities on account of declining competitiveness stemming from increase in power and labour cost and appreciation in the value of Chinese yuan. While the Chinese yuan appreciated against the US dollar over the last year, the Indian rupee depreciated significantly, resulting in a 10-15%



increase in the export order book of Indian denim manufacturers.

Going forward, with China expected to further reduce its denim production, a large chunk of international denim demand is expected to shift to India, Bangladesh and Pakistan. Further, Indian denim manufacturers possess a proven track record in manufacturing quality, fashion denim as against denim manufacturers in Bangladesh and Pakistan who largely produce commodity denim.

Growth drivers

Government initiatives: The Government of India embarked on two initiatives to catalyse India's textile sector growth: permitted 100% foreign direct investment in textiles under the automatic route;

sanctioned 40 textile parks with world-class infrastructure facilities in nine states, with the government contributing US\$ 320 million under the Scheme for Integrated Textile Park (SITP).

E-marketing: The Central Cottage Industries Cooperation of India (CCIE) and the Handicrafts and Handlooms Export Corporation of India (HHEC) developed e-marketing platforms to simplify marketing. A number of marketing initiatives were undertaken to promote niche handloom and handicraft products through 600 pan-Indian events.

Skill development: As per the Twelfth Five Year Plan, the Integrated Skill Development Scheme expects to train over 2,675,000 people within five years, covering all sub-sectors

(textiles, apparel, handicrafts, handlooms, jute and sericulture, among others).

Technical textiles: The Indian technical textiles market has been growing at 11.25% per annum with an estimated size of US\$8.25 billion.

Growth in exports: Following an entry into Latin America, Africa and more Asian countries, India's textiles industry crossed its 2011-12 export target of US\$33 billion. The textile industry is expected to register exports of US\$38 billion in 2012-13.

Impact of Budget, 2012

- The exemption of new automated shuttle looms from customs duty is expected to boost capacity addition.
- The hike in excise duty on branded readymade garments from 10% to 12% coupled with an increase in abatement from 55% to 70% will result in a net decline in the effective excise duty from 4.5% to 3.6%
- With falling cotton prices and a proposed reduction in effective excise duty, the cost of cotton-based branded readymade garments is expected to decline.
- The Technological Upgradation Funds Scheme (TUFS) received proposals for an allocation of

₹ 15,886 crore of concessional loans for the Twelfth Five Year Plan period against the allocation of ₹ 15,404 crore during the Eleventh Five Year Plan.

Outlook

Overall demand outlook for the textile industry for 2012-13 is expected to remain moderate with volatile commodity prices and exchange rates being key industry challenges. The prospects of cotton spinning units is expected to improve with a projected decline in cotton prices leading to a revival in demand for cotton yarn and increase in capacity utilisation across the cotton textile value chain.

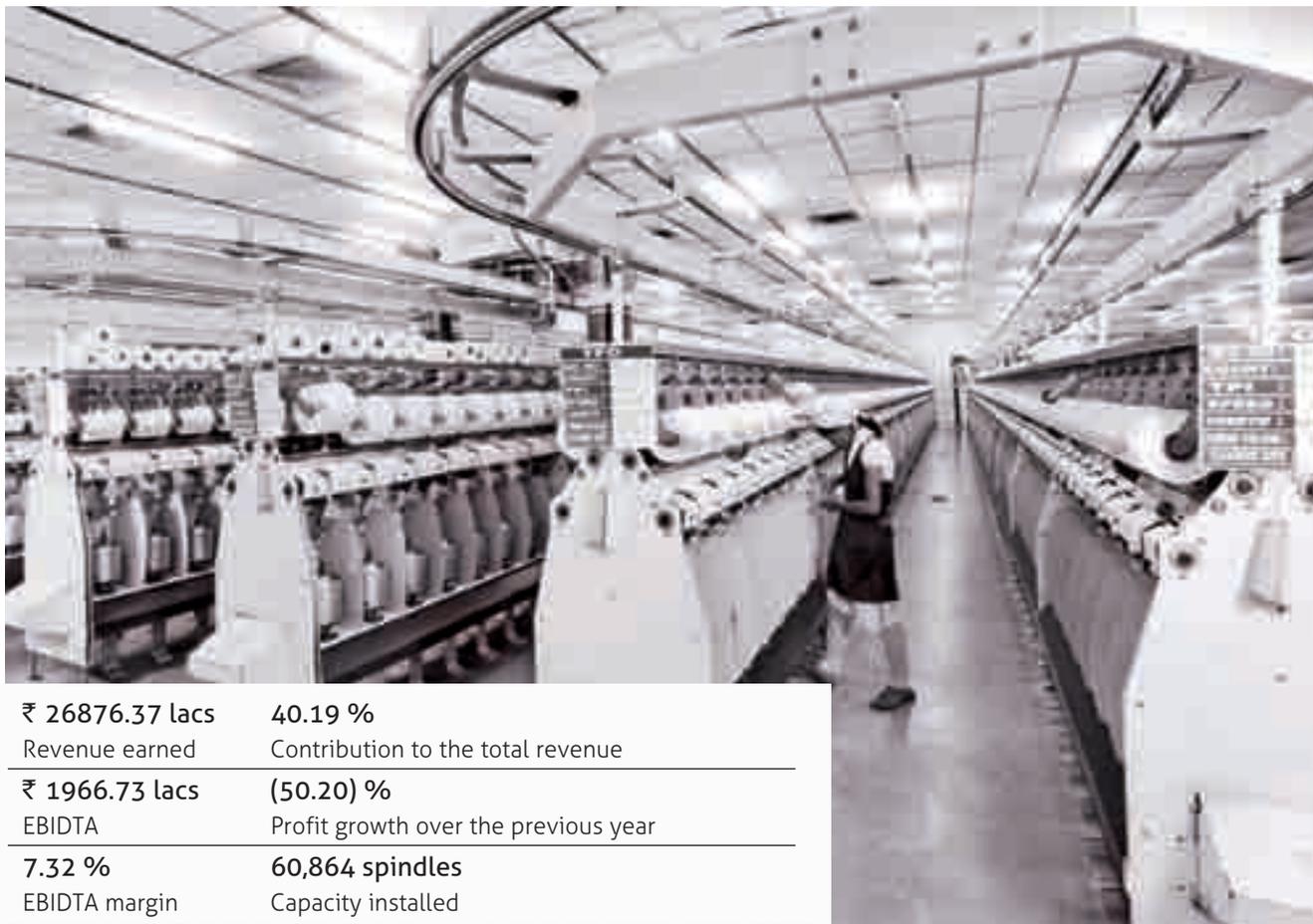
Following urbanisation, growing households and increasing disposable incomes, the demand for denim fabric is expected to remain healthy. However, with the US and EU accounting for more than 70% of Indian apparel exports, concerns over the economic health of these countries could affect Indian apparel exporters. The man-made fibre industry is expected to grow at a moderate 5-6%. However, a recent increase in input prices owing to an increase in crude oil prices and stable cotton prices could limit MMF growth prospects.

Denim jeans per capita consumption in India is only about 0.3 jeans.



Business segments

Yarn



₹ 26876.37 lacs	40.19 %
Revenue earned	Contribution to the total revenue
₹ 1966.73 lacs	(50.20) %
EBIDTA	Profit growth over the previous year
7.32 %	60,864 spindles
EBIDTA margin	Capacity installed

Overview

Suryalakshmi produces world-class cotton, polyester and blended yarns across two facilities in Amanagallu (Andhra Pradesh). The Company has grown from an installed capacity of 6,000 spindles in 1962 to 60,864 spindles, adding more than 44,736 spindles in the last six years. The Company's brand comprises an ability to deliver world-class product quality,

timely delivery, effectiveness on the customer's looms and investment in cutting-edge spindles.

Technology

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 high quality yarn. As a result, the Company has improved yarn realisations by over 1%.

For the spinning unit integrated with denim manufacture, the Company invested in OE spinning from Trutzschler, ring spinning from Zinser,

lycra spinning from Pinter and compact spinning from RoCoS. On the processing side, Suryalakshmi possessed rope dyeing from Morrison, sheet dyeing from Jupiter, finishing from KTM and Morrison.

Quality

The Company's products are at par with Uster standards, the spinning benchmark worldwide.

The Company's average spindle age is 5.3 years, producing optimum results.

Raw material

A major portion of this segment's production comprises synthetic blended yarn, consuming raw materials like polyester staple fibre, viscose staple fibre and raw cotton. The Company secured its raw material requirements through a back-to-back PSF sourcing arrangement from Reliance Industries and VSF from Grasim Industries Ltd. The majority of the Company's raw cotton was sourced from within 400 kms; occasionally, the Company imported raw cotton depending on cost, availability and quality.

Initiatives

During 2011-12, profit from this division was affected following a sharp decline in realisations compared with a relatively lower decline in raw material prices. Fibre prices declined compared with the previous year, but the corresponding

decline in realisations was sharper compared with fibre, threatening viability.

The Company strengthened this business through the following initiatives:

- The Company strengthened its input-output ratio; the division reduced hard waste by over 1%
- The division added an automatic bale plucker, auto doffer and ring frames to enhance quality; reduce dependence on scarce labour resources; the optimisation of certain spares (cots, aprons, rings, travelers, among others) is under implementation
- The Company entered into long-term contracts with major Indian raw material suppliers
- The Company rationalised manufacturing costs through optimised manpower, stores inventory and expenses, waste reduction and declining power consumption to offset an increase in overall costs following an increase in volumes by 10%
- The Company implemented energy conservation methods towards improving power factor to 1 (power factor at 1 as on 31st March, 2012)



The Company has grown from an installed capacity of 6,000 spindles in 1962 to 60,864 spindles

Business segments

Denim



₹ 39996.75 lacs	59.81 %
Revenue earned	Contribution to the total revenue
₹ 7281.55 lacs	26.56 %
EBIDTA	Profit growth over previous year
18.21 %	40 million metres
EBIDTA margin	Capacity installed

Overview

The Company established a state-of-the-art denim unit in 1997 as a forward extension from yarn manufacture. Gradually, the Company quadrupled its capacity in 15 years to 40 million metres per annum. Today, the Company is the third-largest single-site denim fabric manufacturer in India.

The denim manufacturing unit is vertically integrated, making it possible to accelerate product

development with a product mix benchmarked with evolving trends. The Company ensures that stringent processes are followed: skilled workforce, latest technology and extensive environment compliances. This translated into growing orders from brands like, Levis, VF, and Wal-Mart, among others.

The Company's other reputed international customers comprise George, Kohls and Jordache, among others, associated with the Company

for more than three years. Nearly 15% of the Company's production was exported in 2011-12.

Technology

The Company invested in the best denim manufacturing technologies. The Company, for weaving, invested in high-speed Toyota Airjet weaving machines with central computer control. The Company has state-of-the-art international technologies which are the best considering the industry's prospects.

Quality

The Company invested in a well-equipped physical fabric testing lab and spinning lab with the latest testing instruments like HVI, Uster quantum, Hunter lab and online shrinkage analyser, among others, ensuring a high raw material to final finished fabric quality. To strengthen the product, the Company invested in multi-stage quality control and quality process control systems, strengthening its service excellence.

The Company's plant was approved by GOTS for organic denims, certified by Oekotex, testifying that products were free from hazardous chemicals; the products were certified by ISO and EMS 14000 by SQC for environmental standards. The plant was approved by BSR for social responsibility.

To maintain process and quality parameters, a regular audit was conducted at each manufacturing stage. The plant was audited by various customers coupled with annual audits by several quality certification authorities, translating into improved customer satisfaction.

Raw material

The majority of the raw cotton required for this plant was sourced from ginning factories within 400 kms. In view of the seasonal availability of material; the Company maintained a peak cotton inventory of

nearly three months in volume in March, declining to 12 days during the course of the year.

Initiatives

The denim segment accounted for 60% of the Company's revenues during the year under review. The Company strengthened its business through the following initiatives during the year under review:

- Procured internationally accepted Amsler and Caipo slub making machines to enhance the special effect of its yarn used in manufacturing denim
- Installed one Long Chain Beamer machine to increase capacity and produce different yarn varieties
- Improved weaving strength by introducing Japanese Eurotech high speed Airjet weaving machine
- Ongoing installation of a compact spinning machine from German manufacturer Rotocraft to improve yarn quality and another Lycra attachment machine from Pinter to increase the capacity of Elastane yarn
- The average age of the Company's looms is 4.2 years. The Company replaced 56 old looms with 59 new looms corresponding to superior operational speeds, value-added products and increased production per loom
- Superior waste recovery system to enhance material utilisation

- Enhanced sales to agencies who export garments
- Took steps to enhance fashion contemporariness and value-added products
- Introduced several value-added products, accounting for more than 80% of denim revenues in 2011-12

Outlook

Going ahead, the Company expects to enhance the production of value-added products and extend its global footprint. The Company aims to add more customers in Europe, the US and South America. The Company is reaching more global brands with innovative products. The Company expects a 20% growth in its international business in 2012-13.

Locational advantage

- Abundant availability of workmen
- A proximate 220 KVA express feeder power line
- Adequate water supply
- Proximity to the abundant availability of raw cotton and coal
- Equidistant in transporting finished material across prominent Indian markets
- Benefits like refund of value-added tax paid on purchases of raw materials and other stores, exemption of electricity duty, among others

Finance Review



Upcoming power unit of Suryalakshmi Cotton Mills Ltd.

Revenue

Net sales grew 11.28% from ₹ 60,093.98 lacs in 2010-11 to ₹ 66,873.12 lacs in 2011-12, owing to a robust domestic and global demand for value-added denims and a strong performance of the denim segment. Other income declined 17.56% from ₹ 1,176.42 lacs in 2010-11 to ₹ 969.89 lacs in 2011-12, owing to a decline in export benefits.

Product-wise sales mix

Yarn division: Sales grew by 16.53% from ₹ 23,063.17 lacs in 2010-11 to ₹ 26,876.37 lacs in 2011-12, owing to

increased sales volume. Production increased by 14.67%. However, it was affected by frequent power cuts and shut downs. The yarn manufacturing division operated at 94% capacity utilisation in 2011-12. Average yarn realisation was ₹ 140.91 per kg during the year under review compared with ₹ 139.13 per kg during the previous year. The division contributed 40.19% to the Company's total revenue in 2011-12 (38.38% in the previous year).

Denim division: This segment's sales grew 8% from ₹ 37,030.81 lacs in

2010-11 to ₹ 39,996.75 lacs in 2011-12 due to increased sales coupled with increased realisations derived from the Company's focus on value-added products. Production was affected marginally owing to shutdowns on account of loom modernisation. Average denim realisation was ₹ 139.46 per metre during the year under review compared with ₹ 116.45 per metre during the previous year. Revenues from this division accounted for 59.81% of the Company's total revenue (61.62% in the previous year).

Revenue by geographies

Exports: The Company's exports grossed ₹ 11,179.51 lacs in 2011-12 against ₹ 14,299.30 lacs in the previous year. Exports accounted for 16.72 % of the Company's revenues in 2011-12 (23.79% in the previous year). Exports declined owing to a slowdown in foreign markets and government controls on yarn export.

Domestic: The Company's domestic revenues amounted to ₹ 55,693.60 lacs against ₹ 45,794.68 lacs in 2010-11 and contributed to 83.28% of the Company's net sales (76.21% in the previous year). The Company increased its pan-India distributor base for wider market coverage.

Operating expenditure

Total operating expenditure increased 13.63% from ₹ 51,563.84 lacs in 2010-11 to ₹ 58,594.74 lacs in 2011-12. Total operating cost as a proportion of total revenues was 86.37% in 2011-12 against 84.16% in 2010-11, owing to increased raw material expenses. The Company's key cost expenses were as follows:

Raw materials: Raw material consumption increased 19.63% from ₹ 35,427.53 lacs in 2010-11 to

₹ 42,382.21 lacs in 2011-12 in line with increased production. Raw material cost as a proportion of total expenses increased from 68.71% in 2010-11 to 72.33% in 2011-12.

Power and fuel: This cost grew 19.36% from ₹ 4,460.91 lacs in 2010-11 to ₹ 5,324.39 lacs owing to a complete utilisation of the increased yarn and denim capacities as well as increased power tariffs (cost per unit of power increased 15.44% over the previous year).

Employee: The Company strengthened its employee base, increasing employee costs by 15.44% from ₹ 2,687.71 lacs in 2010-11 to ₹ 3,102.92 lacs in 2011-12.

Margins

Owing to a weaker industry scenario, the Company reported marginally lower margins. EBIDTA margin stood at 13.63% in 2011-12 against 15.84% in 2010-11; net profit margin stood at 4.17% against 5.68% in 2010-11. The decline in margins was not as extensive as that suffered by the rest of the textiles industry for reasons of integration and value-addition.

Total capital employed in the business increased 20.2% from ₹ 46,542.33 lacs as on 31st March, 2011 to ₹ 55,945.76 lacs as on 31st March, 2012, largely due to an increase in reserves and surplus owing to healthy profits. Return on capital employed stood at 13.25% in 2011-12 against 17.61% in 2010-11, indicating a strong business model.

Networth grew 22.01% from ₹ 14,780.96 lacs as on 31st March, 2011 to ₹ 18,033.76 lacs as on 31st March, 2012, owing to an increase in reserves and surplus as a result of healthy profits. Return on networth (RONW) stood at 17.25% in 2011-12 against 27.19% in the previous year on account of a decline in profits.

Share capital comprised of 14,522,290 equity shares of ₹ 10 each fully paid-up and 4,00,000 0.1% Cumulative Redeemable Preference Shares of ₹ 100 each.

The promoters converted 11,60,000 warrants issued by preferential allotment at ₹ 135 per share compared with the prevailing market price of ₹ 65 per share, indicating the confidence of the management in the Company's prospects.

Debt management: The Company's loan portfolio increased 21.9% from ₹ 28,731.84 lacs as on 31st March, 2011 to ₹ 35,023.82 lacs as on 31st March, 2012 on account of the captive power plant being work-in-progress during the year under review. The Company repaid ₹ 3,058.20 lacs of debt during the

Sources of funds

Net worth	Return on capital employed	Debt-equity ratio	Book-value per share
22.01%	13.25%	1.05	₹124.18
Growth over 2010-11	As on 31st March, 2012	As on 31st March, 2012	As on 31st March, 2012

year under review.

Long-term loans accounted for 54.15% of the overall loan; short-term loans accounted for 45.85%. Of the total debt, 69% of the Company's long-term bank borrowing was under the concessional TUF scheme launched by the Indian Government to strengthen the competitiveness of the country's textiles sector. Only 21.06% of the Company's long term bank debt comprised foreign currency borrowings. The average cost of the Company's debt was 9.23% in 2011-12 compared with 8.38% in the previous year.

Interest: Interest expense increased 28.13% from ₹ 2,326.41 lacs as on 31st March, 2011 to ₹ 2,980.96 lacs as on 31st March, 2012, owing to increase in interest rates and loss on account of exchange fluctuations. Interest cover was 3.10 as on 31st March, 2012 against 4.17 in the previous year.

Application of funds

The Company's gross block increased 4.81% from ₹ 41255.57 lacs as on 31st March, 2011 to ₹ 43240.59 lacs as on 31st March, 2012. Net tangible assets increased 4.64% from ₹ 24,407.48 lacs as on 31st March,

2011 to ₹ 25,540.78 lacs as on 31st March, 2012, owing to the purchase of plant and machinery and replacement of looms while intangible net block (comprising software) increased from ₹ 15.91 lacs as on 31st March, 2011 to ₹ 32.14 lacs as on 31st March, 2012. Accumulated depreciation as a proportion of gross block was 40.86% in 2011-12 as against 40.8% in 2010-11.

Capital work in progress: Capital work in progress grew 789.80% from ₹ 1,015.69 lacs as on 31st March, 2011 to ₹ 9,037.71 lacs as on 31st March, 2012, owing to in-process commissioning of the 25 MW power plant.

Investments: Investments grew 61.45% from ₹ 470.94 lacs as on 31st March, 2011 to ₹ 760.36 lacs as on 31st March, 2012. Non-current investment comprised investment in subsidiary Suryakiran Ltd. amounting at ₹ 447.97 lacs, which remained unchanged over the previous year. Current investment increased to ₹ 312.39 lacs as on 31st March, 2012 from ₹ 22.97 lacs as on 31st March, 2011, owing to investments in mutual funds.

Working capital

The Company's working capital outlay decreased 0.28% to ₹ 20574.66 lacs as on 31st March, 2012. Working capital as a proportion of total capital employed was 36.78% as on 31st March, 2012 against 44.33% as on 31st March, 2011.

Trade receivables: Sundry debtors increased 36.72% from ₹ 7,639.46 lacs as on 31st March, 2011 to ₹ 10,444.91 lacs as on 31st March, 2012, owing to increased business. The Company's receivables cycle increased from 46 days of turnover equivalent in 2010-11 to 56 days in 2011-12, owing to stronger terms of trade.

Loans and advances: Loans and advances declined 13.15% from ₹ 3,142.17 lacs as on 31st March 2011 to ₹ 2,728.82 lacs as on 31st March 2012, owing to lower advance payments made to purchase raw materials and stores.

Trade payables: Trade payables declined by 22.24% from ₹ 4,650.48 lacs as on 31st March, 2011 to ₹ 3,616.03 lacs as on 31st March, 2012 owing to the reduced inventory levels.

Tax

The Company's tax burden declined 39% from ₹ 1607.09 lacs as on 31st March, 2011 to ₹ 980.25 lacs as on 31st March, 2012 following a decline in profits, MAT credit adjustment and provision for deferred tax

	2011-12	2010-11
Current ratio	1.18	1.26
Quick ratio	0.73	0.71

De-RISKING OUR BUSINESS

RISK IS AN EXPRESSION OF THE UNCERTAINTY ABOUT EVENTS AND THEIR POSSIBLE OUTCOMES THAT COULD HAVE A MATERIAL IMPACT ON PERFORMANCE AND PROSPECTS. AS A RESPONSIBLE CORPORATE, THE MANAGEMENT ENDEAVOURS TO MINIMISE RISKS AND MAXIMISE RETURNS.

Inability to keep pace with changing fashion trends can hamper the Company's growth

- The Company's dedicated team stays in regular touch with the evolving needs of downstream companies and labels
- The Company creates finishes and shades in line with these emerging trends
- The Company takes steps to enhance fashion contemporariness and value added products
- 80% of the Company's revenue from the denim segment comprised value-added products

Inadequate raw material availability could affect business sustainability

- The Company's Ramtek unit is proximate to cotton growing pockets; most of its raw cotton requirements were sourced from within 400 kms
- The Company sourced large raw cotton requirements from Cotton Corporation of India, ensuring timely availability at a reasonable cost
- The Company's polyester yarns were sourced from large organised manufacturers like Reliance Industries and Grasim

An inability to provide products of the right quality could affect the Company's brand

- The Company reinforced its quality systems and processes; 100% of the Company's looms were of the sophisticated shuttleless variety; the Company's spinning equipment was sourced from reputable companies like LMW, Morata Auto Coner and Batliboi, among others
- The Company's products are at par with Uster standards
- All its manufacturing units are certified for ISO 9000:2000. The products are certified for Oeko Tex Standard Product Class II
- The denim plant is certified by ISO and EMS 14000 by SQC for environmental standards

An inability to keep pace with fast-changing technologies could affect product acceptability

- Over the years, the Company invested in cutting-edge equipment, translating into high quality of yarn and denim fabric
- Nearly 20% of the Company's gross block was commissioned in the last five years, indicating technology contemporariness
- The Company invested ₹ 57.68 crore in modernisation in the three years leading to 2011-12, enhancing product and process quality

Increasing power costs can affect margins and profits

- The Company embarked on the process to commission a 25MW thermal power plant in 2012-13
- The power plant will not only provide the Company's captive needs but will also leave an additional quantum for merchant sale to the state electricity grid
- Proximity to coal mines will ensure an ease in securing the input needs of the power plant
- Following the commissioning of this power plant, the Company expects to rationalise its power sourcing cost from ₹ 4.71 per unit to ₹ 3.50 per unit.

BOARD OF DIRECTORS

L N Agarwal, *Chairman and Managing Director*

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

Paritosh K Agarwal, *Managing Director*

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

R. Surender Reddy

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

Dr. Akkineni Nageswara Rao

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

R. S. Vidya Sagar

Sri R. S. Vidya Sagar (Nominee Director, IDBI), B.Tech (Electronics & Tele.comm), joined IDBI as a Manager in 1988 and served in various capacities in Project Appraisal, Liabilities, Stressed Assets Management, Regulatory Compliance, Risk Management and Corporate Banking. He has attended an International Banking Seminar in Rome, Italy. Presently he is General Manager, BPR & CMO at Corporate Office.

Navrang Lal Tibrewal

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

R. S. Agarwal

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

H. L. Ralhan

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

V.S.V. Rao

Sri V.S.V. Rao (Nominee Director, IFCI Ltd.) 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 Advisor.

NOTICE

NOTICE is hereby given that the 49th Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on **Saturday, the 29th September, 2012 at "Triveni" Hotel Kamat Lingapur, 1-10-44/2, Chikoti gardens, Begumpet, Hyderabad 500 016 at 10.30 a.m.** to transact the following business.

1. To receive, consider and adopt the Statement of Profit and Loss for the year ended 31st March, 2012 and Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare Dividend on the Preference Shares of the Company for the year ended 31st March 2012.
3. To declare Dividend on Equity shares of the Company for the year ended 31st March, 2012.
4. To appoint a Director in the place of Mr. R Surender Reddy who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr. N.L. Tibrewal who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in supersession of the Resolution passed by the Members in the 48th Annual General Meeting held on 29.09.2011 and subject to the provisions of sections 198, 255, 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 the appointment of Mr. H.L. Ralhan as Director and Chief Executive (Denim Division) who shall be liable to retirement by rotation and to revision in the remuneration payable to Mr. H.L. Ralhan for the

remaining period of the term of his employment i.e. from 01.04.2012 to 29.01.2016 as under:

- a) Basic Pay and Allowances at ₹ 2,31,000/- per month.
- b) Medical reimbursement and Leave Travel Allowance as per Company's rules.

In addition to the above Mr. 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 Mr. H.L. Ralhan when reappointed as a Director immediately on retirement by rotation, shall continue to hold his office of Director and Chief Executive, Denim Division and such reappointment shall not be deemed to constitute a break in his appointment as Director & Chief Executive, Denim Division.

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

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

"RESOLVED THAT pursuant to Section 163 and other applicable provisions, if any, of the Companies Act,

1956, the Company hereby approves that the Register of Members, the index of members and copies of Annual Returns along with the copies of certificates and documents or any or more of them, required to be annexed thereto under Section 160 and 161 of the said Act, be kept at the office of the Company's Registrars and Transfer Agents, M/s. Karvy Computer Share Private Limited, Plot No. 17-24, Vittal Rao Nagar, Madhapur,

Hyderabad - 500081 with effect from 1st October, 2012 instead of being kept at the Registered Office of the Company."

"RESOLVED FURTHER THAT the Company Secretary of the Company be and is hereby authorised to take all such steps as may be necessary, desirable or expedient to give effect to this resolution."

Secunderabad
17th May, 2012

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 Directors

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

Item No 4

Mr. R.Surender Reddy

Mr. 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.

Names of the companies in which he is a Director.

1. Suryalata Spinning Mills Limited.
 2. Hyderabad Race Club
 3. Suryavanshi Spinning Mills Ltd.
 4. Suryakiran International Ltd.
 5. Surana Ventures Ltd.
 6. Bhagyanagar India Ltd.
 7. Lakshmi Finance & Industries Corpn. Ltd.
- No. of shares held by Sri R. Surender Reddy in the Company – 28000.

Item No 5

Mr. N L Tibrewal

Mr. 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.

Names of the companies in which he is a Director.

1. Jaipur Stock Exchange Ltd.
2. Suryakiran International Limited

No. of shares held by Sri N.L. Tibrewal in the Company – Nil.

Item No 7

Mr. H.L. Ralhan

Mr. H.L. Ralhan was reappointed as a Director and Chief Executive Denim Division with effect from 30.01.2011 on a remuneration of ₹ 1,95,000/- per month PLUS perquisites. The Board of Directors in their meeting on 17.05.2012 felt this remuneration needs to be revised with effect from 01.04.2012 to ₹ 2,31,000/- plus perquisites considering the various relevant factors. This proposed revision has been approved by the Remuneration Committee in its meeting held on 17.05.2012. Sri H L Ralhan will be liable to retirement by rotation in order to comply with the provisions of Sec 255 of the Companies Act, 1956. However, when reappointed as a Director immediately on retirement by rotation, he shall continue to hold his office of

Director and Chief Executive , Denim Division and such reappointment shall not be deemed to constitute a break in his appointment as Director & Chief Executive, Denim Division.

Except Mr. H.L. Ralhan no other Director is interested in this resolution.

No. of shares held by Mr. H.L.Ralhan in the Company – 650.

Item No 8

The statutory records of the company namely register of members, index of members, copies of Annual returns etc. of the company are presently being kept at the office of the Company Registrars and Transfer Agents namely Satguru Management Consultants Pvt. Ltd, Plot No.15, Road No.1, Hindi Nagar Colony,Punjagutta, Behind Sai Baba Temple, Hyderabad - 500 034. Consequent to the change in the registrars and transfer agents from Satguru Management Consultants to Karvy Computershare Private Limited, it is proposed to maintain the records at the office of Karvy Computershare Private Limited, Plot No 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081 with effect from 01.10.2012. The approval of the members by a special resolution is required for keeping such records at any place other than the registered office of the company. The Board recommends the approval of the resolution by the members.

None of the Directors is interested in any way in this resolution.

NOTES:

1. The register of members and share transfer books will be closed from 22nd September, 2012 to 29th September, 2012 (both days inclusive) for the purpose of Annual General Meeting and Dividend.
2. A member entitled to attend the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
3. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
4. The shareholders desiring any further information as regards the accounts are requested to write to the Company so as to reach it at least one week prior to the date of the meeting for consideration of the management to deal at the meeting.
5. Unclaimed dividends of the following years will be transferred to the Investor Education & Protection Fund set up by the Central Government on the dates mentioned against them:

For the Financial Year	Date of declaration	Due for transfer on
2004 - 2005	10.09.2005	17.10.2012
2005 - 2006	31.07.2006	06.09.2013
2009 - 2010	29.09.2010	05.11.2017
2010 - 2011 (interim)	28.01.2011	06.03.2018
2010 - 2011 (final)	29.09.2011	05.11.2018

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

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

By order of the Board

Secunderabad
17th May, 2012

E.V.S.V. Sarma
Company Secretary

DIRECTORS' REPORT

To The Members

Your Directors are pleased to present their Forty Ninth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March 2012.

Financial results

(₹ in lacs)

	2011-2012		2010-2011	
Gross profit before finance costs, depreciation, amortisation expense & tax		9,248.27		9,706.56
Less : Finance costs	2,980.96		2,326.41	
: Depreciation and amortisation expense	2,456.51	5,437.47	2,292.45	4,618.86
Profit before prior year adjustment		3,810.80		5,087.70
Prior year adjustment (Net)		-		111.93
Profit before tax for the year		3,810.80		4,975.77
LESS : Provision for income tax for the year		850.00		1,025.00
LESS : Deferred tax liability		130.25		470.16
Profit after tax		2,830.55		3,480.61
ADD : Profit brought forward from last year		3,525.11		955.64
		6,355.66		4,436.25
Interim dividend on equity share capital		-		133.62
Dividend on Preference share capital		0.49		0.67
Dividend on Equity share capital		363.06		200.43
Corporate dividend tax		58.97		54.82
Transferred to general reserve		300.00		400.00
Preference capital redemption reserve		-		121.60
Profit transferred to balance sheet		5,633.14		3,525.11
		6,355.66		4,436.25

NOTE: Figures are regrouped based on Revised Schedule VI requirements.

Operations

The gross revenue of the Company at ₹ 678.43 crores for the year ended 31st March 2012 has registered an increase of 10.73% over the previous year. However, the profit after tax (PAT) at ₹ 28.31 crores shows a decline of around 18.70%. There is overall increase in production with the yarn production showing a growth of around 15% though denim

has shown a marginal decline of 2%. The yarn production would have been higher but for the frequent power cuts and shutdowns in this spinning division at Amanagallu. The production in denim is slightly low on account of the loss of production time during installation of new looms. The profit before finance costs, depreciation, amortisation & tax at ₹ 92.48 crores is down by 4.72% compared with the

previous year. The profits are lower mainly on account of reduced margins due to the increased raw material prices. The cost of cotton in the spinning division has been higher by around 23% and in denim division by around 19%. The cost of PSF has also been high at around 16%. The year has also seen a highly volatile situation in cotton prices inflicting severe losses on the industry. The sales realisation has however been marginally higher at around 4% in the spinning division and the export realisation of yarn has in fact been lower due to restrictions in yarn exports during part of the year. The sales realisation in denim has been better than last year, although during the year itself the average realisation declined towards the end of the year. In denim exports, though the average realisation is higher, volume declined steeply on account of intense competition from other countries. The power cost was higher during the year together with power cuts in the spinning division leading to higher cost of production. The industry was also badly affected by the steep increases in the cost of finance during the year.

However, you will be pleased to know that your Company's performance is better than the industry average.

Dividend

The Directors are pleased to recommend a dividend of 25% (₹2.50 per share) on the equity share capital of the Company. (Previous year ₹2.50, including interim dividend ₹1 per share).

Capital expenditure

During the year under review the Company incurred capital expenditure of ₹116.57 crores.

Exports

The exports during the year was ₹111.80 crores, declining by 22% from the previous year. The export of yarn registered an increase of 23% though denim exports declined by around 15%. The exports scenario was affected by a variety of factors like recession in the foreign markets, the Eurozone crisis, the intervention by the government in imposing restrictions on yarn export, intense competition from other countries, and a beneficial impact due to the weakening of the rupee. However, the Company forayed into Latin American markets and began selling fashion

denims thus paving the way for bigger business in the future. New brands were added to the Company's portfolio in the American markets, while strengthening relations with the existing ones. The Company is confident of registering a handsome increase both in volume and value terms during the current year on account of the new product development and its presence in the high-end denim market. Also, the Company engaged reputed Italian designers to enhance its high fashion collection.

Further issue of Capital

The Company issued 11,60,000 equity shares at a price of ₹135 per share to the promoters by way of preferential allotment of the shares pursuant to the approvals granted by the Company in the General Meeting. The funds received against the issue of these shares of ₹15.66 crores were utilised to set up a 25 MW captive power plant in the denim division at Ramtek.

During the year the Company has redeemed 2,71,600 Cumulative Redeemable Preference Shares issued to IFCL.

Future outlook

The government is taking various steps to stabilise the industry including measures to increase the export of textile and clothing as India's share of exports to the world markets is far behind that of the other countries.

The Company is confident of doing well despite the unfavourable industry scenario, in view of the brightening situation in the denim market and development of new products in the high-end segment of the market. The Company is planning to set up a 30,000 spindle unit in Ramtek at a cost of ₹ 100 crores to further improve the profitability of the denim unit and also avail of the capital incentives and interest subsidies in addition to TUFs benefit in Maharashtra. The unit is expected to be commissioned during the current year. The Company's 25 MW captive power plant in Ramtek is nearing completion and is expected to be commissioned soon.

Directors

During the year, Mr. B. Rama Rao has been withdrawn and Mr. R. S. Vidyasagar has been nominated by IDBI as its Nominee Director.

Mr. R. Surender Reddy and Mr. N. L. Tibrewal 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 Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance of 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 judgments 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 2012 and of the profit of the Company for the year ended on that date.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the annual accounts have been prepared on a going concern basis

Subsidiary

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the Subsidiary Company is not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the Company who may be interested in

obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary company. The information required to be furnished of the subsidiary company is provided elsewhere in the Annual Report.

Auditors

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

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given at Annexure-I.

Deposits

There are no overdue deposits as on 31st March 2012

Employees

Periodic training programmes to develop a skilled workforce are undertaken like personality development programmes, yoga camps. Employee participation in district/state level sports events, among others is also encouraged.

An integrated woman-oriented programme trains women to undertake skilled jobs at its units.

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

Acknowledgements

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

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

By order of the Board

L.N. Agarwal

Chairman and Managing Director

Place: Secunderabad

Date: 17th May 2012

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 sub-section (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 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	2011-12	2010-11
1. Electricity		
a) Purchased		
Units (000)	89,903	89,196
Total amount (₹ lacs)	4,237	3,642
Rate/Unit (₹)	4.71	4.08
b) Own generation		
Units (000)	27	188
Unit per ltr. of diesel oil	2.91	3.12
Cost/Unit (₹)	16.17	13.19
2. Coal (₹ in lacs)	875	760
3. Furnace oil	–	–
4. Others/internal Generators	4	25
4. Others/LPG	207	34
B. Consumption per Unit of production		
Electricity (No. of units)		
Per kg/Yarn	2.10	2.54
Per metre/Fabric	1.72	1.86
Furnace Oil	–	–
Coal(specify quality)	–	–
Others (specify)	–	–
Grand Total	5,324	4,461

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 has introduced R & D in 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 their quality.
4. Expenditure on R&D		
(i) Capital	:	₹6,74,460
(ii) Recurring	:	₹65,88,003
(iii) Total	:	₹72,62,464
(iv) Total R&D expenditure as a percentage of total turnover	:	0.1%

Technology absorption, adaptation and innovation

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

C. Foreign exchange earnings and outgo

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

g) Total foreign exchange used and earned		(₹ in lacs)	
		2011-12	2010-11
i) Foreign exchange earned			
FOB value of exports		10,964	13,963
CIF value of exports		11,180	14,299
ii) Foreign Exchange used			
a) Commission on export sales		80	103
b) Foreign travel expenses		19	13
c) Raw material		24	108
d) Plant & machinery		2673	878
e) Stores & spares		1170	1114
f) Interest		77	-
h) Foreign technical and consultancy services		34	24

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 2012.

Name	Age (years)	Qualification	Date of employment	Designation	Remuneration (₹)	Experience (years)	Last employment
Sri L.N.Agarwal	78	Under graduate	22.06.2009	Chairman and Managing Director	86,43,400	51	Chairman and Managing Director, Suryalakshmi Cotton Mills Limited
Sri Paritosh K.Agarwal	39	Graduate	21.06.2005	Managing Director	75,76,100	19	Executive Director, Suryalakshmi Cotton Mills Limited

Note:

Remuneration as shown above includes Salary, Commission, Company's contribution to Provident Fund, Reimbursement of Medical Expenses, Leave Travel Assistance and other perquisites.

Management DISCUSSION AND ANALYSIS

Forming part of the annual report discusses below the following matters with reference to the Company's core business namely, yarn and denim.

Industry structure, development and product-wise performance

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

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

Yarn

Yarn production in the country declined last year and spinning capacity is operating at around 60 to 70%. There is some increase in the Company's yarn production of around 15% and the cotton cost in the spinning division was higher by around 23%. The PSF cost was also high at around 16%. The year also witnessed an increase in cotton prices leading to severe losses in the spinning division. The export realisations for yarn was in fact lower on account of

restrictions in yarn exports during part of the year. The power cost was higher during the year together with power cuts in the spinning division leading to higher cost of production.

Denim

Originally, denim was made into work clothing, overalls and jeans but presently it is also used to make purses, skirts and other fashionable clothing. Denim has become a symbol of modern culture. The Indian denim market is on a high growth path with a growth rate in the range of 8 to 12 %. The per capita consumption of denim wear in India is much below the world consumption rate, leaving a wide gap for the industry to exploit. The main growth driver is the presence of a young population. The domestic sales realisation in denim is better than the previous year. The Company's denim exports declined by 15% but the Company forayed into the Latin American markets and began selling fashion denims thus paving the way for bigger business in future. New brands were added to the Company's portfolio in the American markets while strengthening relations with existing ones. The Company is confident of registering a significant increase both in volume and value terms during the current year.

Opportunities and threats, risks and concerns

To strengthen the industry, the government is considering various measures like restructuring the massive debt accumulated by textile firms, schemes like modified TUFs, the scheme for integrating textile parks, among others. However, there is still more to be done in terms of infrastructure, energy costs, hidden costs of doing business, interest rate regime, among others.

The government is also taking several steps to increase the export of textiles and clothing as India's share of exports to the world markets lags behind other countries.

However, the Company is confident of doing well despite these difficulties in view of the brightening situation in the denim market and the development of new products in the high-end segment of the market. The Company's 25 MW captive power plant in Ramtek is expected to be commissioned before the end of September 2012.

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 upgrade 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 including the number of people employed

There are no material developments in human resources. The industrial relations have been generally satisfactory. The Company constantly reviews manpower requirements and has a well-equipped department to take care of the requirements. The total number of people employed by the Company is 3,538.

Discussion on financial performance

Operations

The Company's turnover at ₹ 678.43 crores for the year ended 31st March 2012 registered an increase of 10.73% over the previous year. However, the profit after tax (PAT) at ₹ 28.31 crores shows a decline of around 18.70%. There is

an overall increase in production with yarn production showing a growth of around 15% despite denim showing a marginal decline of 2%. Yarn production was affected by frequent power cuts and shut downs in the spinning division at Amanagallu. Denim production is slightly low owing to the modernisation of looms. The profit before interest depreciation and tax at Rs. 92.48 crores is down by 4.72% compared with the previous year. Profits are lower mainly on account of reduced margins due to increased raw material prices. The cotton cost in the spinning division was higher by around 23% and in the denim division by around 19%. The PSF cost was also high at around 16%. The year also witnessed a highly volatile situation in cotton prices leading to severe losses to the industry. The sales realisation has however been only marginally higher at around 4% in the spinning division and the export realisation of yarn was lower owing to restrictions in yarn exports during part of the year. Denim sales realisations were better than last year although average realisations declined towards the end of the year. Despite average realisations being higher in denim exports, volumes declined steeply on account of intense competition from other countries. The power cost was higher during the year together with power cuts in the spinning division leading to higher cost of production. The industry was also badly affected by steep increases in the cost of finance during the year.

Note

Readers are advised to kindly note that the above discussion contains statements about risks, concerns, opportunities, among others, 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 underlying presumptions.

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

CORPORATE GOVERNANCE REPORT

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

Suryalakshmi's corporate culture means working 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 framework both in letter and spirit. The Company believes Corporate Governance is an effective instrument for realising 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 2012/Number of other Board of Directors or Committees of which Member/Chairman.

Name of Directors	Category	No. of other Directorships in public limited Companies	No. of other Board Committees of which Member	No. of other Board Committees of which Chairman
L.N.Agarwal	Chairman & Managing Director–Promoter/ Executive	1	NIL	NIL
Paritosh K.Agarwal	Managing Director – Promoter/ Executive	1	NIL	NIL
R.Surender Reddy	Non-Executive – Independent	7	2	7
Dr.A.Nageswara Rao	Non-Executive – Independent	3	2	1
R. S. Vidyasagar	Non-Executive – IDBI Nominee – Independent	1	1	NIL
Navrang Lal Tibrewal	Non-Executive – Independent	2	3	NIL
R.S.Agarwal	Non-Executive – Independent	6	4	2
H.L.Ralhan	Executive – Non-promoter	NIL	NIL	NIL
V.S.V.Rao	IFCI Nominee Non-Executive – Independent	1	NIL	NIL

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

Names of Directors	No. of Board Meetings attended during the period 01.04.2011 to 31.03. 2012	Attendance at the last Annual General Meeting held on 29.09.2011
L.N.Agarwal	4	Present
Paritosh K.Agarwal	3	Present
R.Surender Reddy	3	Present
Dr.A.Nageswara Rao	4	Absent
B.Rama Rao	1	Absent
Navrang Lal Tibrewal	4	Absent
R.S.Agarwal	4	Absent
H.L.Ralhan	3	Absent
V S V Rao	4	Absent
R. S. Vidyasagar	2	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.

Mr. R. Surender Reddy

Mr. 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 Andhra Pradesh State Financial Corporation. He has been the Chairman of Hyderabad Race Club for several years and is well known in the corporate circle.

Names of the companies in which he is a Director/Chairman

1. Suryalata Spinning Mills Limited
2. Hyderabad Race Club
3. Suryavanshi Spinning Mills Ltd
4. Suryakiran International Ltd
5. Surana Ventures Ltd
6. Bhagyanagar India Ltd
7. Lakshmi Finance & Industries Corpn. Ltd

Mr. N. L. Tibrewal

Mr. Navrang Lal Tibrewal is an advocate by profession and was appointed as a judge at 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 in January, 1999.

Names of the companies in which he is a Director.

1. Jaipur Stock Exchange Ltd.
2. Suryakiran International Limited

3. Audit Committee

a. Brief description of terms of reference

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

b. Composition, name of members and Chairperson

1. Mr. R.Surender Reddy – Chairman, Non-Executive & Independent
2. Mr. B.Rama Rao – Member, IDBI Nominee & Independent
(Nomination withdrawn by IDBI w.e.f. 10th August 2011)
3. Mr. R.S.Agarwal – Member, Non-Executive & Independent
4. Mr. R. S. Vidyasagar – Member, IDBI Nominee & Independent
(Nominated by IDBI with effect from 10th August 2011)
5. Mr. N. L. Tibrewal – Member, Non-Executive & Independent
(Nominated with effect from. 7th May 2011)

c. Meetings and attendance during the year

During the financial year 31/03/2012 – four Audit Committee meetings were held on 07/05/2011, 16/07/2011, 29/10/2011 and 07/02/2012

Name	No. of meetings attended
R. S. Agarwal	4
R. Surender Reddy	3
B. Rama Rao	1
R. S. Vidyasagar	2
N. L. Tibrewal	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. Mr. Navrang - Chairman - Non-Executive – Independent
Lal Tibrewal
2. Mr. R.S. Agarwal - Member - Non-Executive – Independent
3. Mr. R. S. Vidyasagar - Member - Non-Executive – Independent

c) Attendance during the year

During the financial year 31/03/2012, Remuneration Committee meetings held were – Nil.

d) Remuneration policy

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

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

(During 1st April 2011 to 31st March 2012)

Name	Designation	Salary and commission (₹)	Perquisites (₹)	Total (₹)
L N Agarwal	Chairman & Managing Director	72,00,000	14,43,400	86,43,400
Paritosh K Agarwal	Managing Director	63,00,000	12,76,100	75,76,100
H.L.Ralhan	Director & Chief Executive (Denim Division)	23,40,000	3,67,279	27,07,279

Sitting fees

Name	Designation	Amount (₹)
R. Surender Reddy	Director	22,500
Navrang Lal Tibrewal	Director	30,000
Dr. A. Nageswara Rao	Director	20,000
R. S. Agarwal	Director	30,000
B. Rama Rao	Nominee – IDBI	7,500
V. S. V. Rao	Nominee (IFCI)	20,000
R. S. Vidyasagar	Nominee – IDBI	15,000

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

- Name of Non-Executive Director heading the Committee
Mr. Navrang Lal Tibrewal
- Name and designation of Compliance Officer.
Mr. E.V.S.V.Sarma, Company Secretary.
- Number of shareholders complaints received so far.
No. of complaints received for the fourth quarter - Nil
No. of complaints received for the year ended 31/03/2012 – 6
- Number not solved to the satisfaction of shareholders- Nil
- Number of pending share transfers- Nil

6. General Body Meetings

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

Financial year	Date	Venue	Time
2008-2009	30/09/2009	Rajdhani Hall, 1st Flr, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	11.30 AM
2009-2010	29/09/2010	Rajdhani Hall, 1st Flr, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	10.30 AM
2010-2011	29/09/2011	"Triveni" Hotel Kamat Lingapur, 1-10-44/2, Chikoti gardens, Begumpet, Hyderabad 500 016.	10.30 AM

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

- At the AGM held on 30/09/2009 - Approving the reappointment of Mr. L. N. Agarwal, Chairman and Managing Director.
- At the AGM held on 29/09/2010 –
 - Revising the remuneration to Mr. L. N. Agarwal
 - Revising the remuneration to Mr. Paritosh K. Agarwal
 - Resolution giving consent to holding of Office or place

of profit by Mrs. Padmini Agarwal

- Revising the remuneration payable to Mr. H. L. Ralhan
- At the AGM held on 29/09/2011 –
Reappointment of Mr. H. L. Ralhan as Director and Chief Executive – Denim Division.
 - Whether special resolutions were put through postal ballot last year, details of voting pattern.
No

7. Disclosures

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

Name of the party	Relationship	Nature of transaction	Current Year Amount (₹)
Mr. L.N Agarwal Chairman & Managing Director	Key Management	a) Remuneration b) Interest c) Commission	62,43,400 1,61,490 24,00,000
Mr. P K Agarwal Managing Director	Key Management	a) Remuneration b) Interest c) Commission	54,76,100 90,871 21,00,000
Mr. L N Agarwal (HUF)	Key Management	Interest	1,67,793
Mr. H L Ralhan Director	Key Management	Remuneration	27,07,279
Mrs. Sathyabhamabai	Wife of Shri L N Agarwal	Interest	10,75,644
Mrs. Padmini Agarwal	Wife of Shri P K Agarwal	Interest	5,61,032
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	Interest	5,90,908
Master Vedanth Agarwal	Son of Shri P K Agarwal	Interest	4,97,605
M/s Suryalata Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	Purchase of Rawmaterial Sale of raw material	23,07,680 23,07,680
M/s Suryakiran International Ltd.,	Subsidiary	Sale of DEPB licenses Purchase of FMS licences Sale of Fabric Others	7,45,585 9,28,244 15,00,48,349
M/s Suryajyothi Spinning Mills Ltd.,	Enterprise in which the relatives of Key Management personnel are interested	Sale of Yarn Sale of Fabric Purchase of raw material	96,75,180 49,33,209 49,33,209
M/s Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	Cost of Machinery Cotton purchases	2,08,13,496
M/s Jayman Dealers Pvt. Ltd	Enterprise in which the relatives of Key Management personnel are interested	Interest Rent	4,95,518 60,000
M/s SVP Distributors Pvt. Ltd.,	Enterprise in which the relatives of Key Management personnel are interested	Interest	22,89,646

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 2012, at its meeting held on 17th May 2012.

c) Particulars of Cost Auditor :

Name : Ms. K. Aruna Prasad,
Cost Accountant,
Membership No : 11816
"Krishna", Plot 802/2,
D.No. 28, 64th Street, 10th Sector,
K.K. Nagar, Chennai 600 078 (TN)

Due date of filing

Cost Audit Report

For the year 2010-11 : 27/09/2011

Actual date of filing

the report : 27/09/2011

The Cost Audit Report for the relevant financial year viz 2011-12 will be filed within the prescribed time.

d) 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

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

Mandatory requirements: All complied with.

Non-mandatory requirements:

- i. The Board: The Board is headed by an Executive Chairman.
- ii) Remuneration Committee: Please refer to the Clause 4 above.
- iii) Shareholder Rights: Half-yearly reports are 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 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.

f) Proceeds from Preferential Issues:

The proceeds from the preferential issues of 11,60,000 equity shares of the promoters at a price of Rs. 135 per share have been utilised towards the 25 MW captive power project at the Company's denim division.

g) Shares held by Non-Executive Directors:

1. Mr. R. Surender Reddy	28,000
2. Mr. R. S. Agarwal	1903
3. Mr. N. L. Tibrewal	Nil
4. Dr. Akkineni Nageswara Rao	666
5. Mr. V. S. V. Rao	Nil
6. Mr. R. S. Vidyasagar	Nil

8. Means of communication

a) Quarterly results.

Quarterly report is not 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 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 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, 2012
 Time : 10.30 a.m.
 Venue : Triveni, Kamat Lingapur Hotel,
 1-10-44/2, Chikoti Gardens,
 Begumpet, Hyderabad 500 016

b) Financial year

1st April to 31st March following

c) Date of book closure

22nd September, 2012 to 29th September, 2012

d) Dividend payment date

On or after 5th October, 2012

e) Listing on stock exchanges and stock code

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

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

f) Market Price Data : High, low during each month in last financial year and performance in comparison to broad-based indices such as BSE sensex, CRISIL index, among others

Month	National Stock Exchange		The Stock Exchange, Mumbai			
	Share price (₹)		Share price (₹)		Sensex	
	High	Low	High	Low	High	Low
April, 2011	103.50	84.10	104.00	83.65	19,811.14	18,976.19
May, 2011	84.00	67.00	98.70	77.60	19,253.87	17,786.13
June, 2011	98.00	76.65	80.50	67.05	18,873.39	17,314.38
July, 2011	74.00	65.05	73.95	65.25	19,131.70	18,131.86
August, 2011	67.85	50.15	67.85	50.05	18,440.07	15,765.53
September, 2011	69.00	53.10	70.65	52.00	17,211.80	15,801.01
October, 2011	68.85	56.55	68.55	56.15	17,908.13	15,745.43
November, 2011	72.90	50.45	68.00	51.00	17,702.26	15,478.69
December, 2011	57.80	45.05	59.45	44.10	17,003.71	15,135.86
January, 2012	56.00	51.00	58.50	42.25	17,258.97	15,358.02
February, 2012	68.10	54.70	68.00	52.00	18,523.78	17,061.55
March, 2012	60.00	50.30	61.90	50.55	18,040.69	16,920.61

g) Registrar and Transfer Agents

Karvy Computershare Pvt. Ltd.
Plot No.17 to 24, Vittal Rao Nagar, Madhapur,
Hyderabad 500 081 (A.P.) India
Ph # +91 040 44655208

h) Share transfer system

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

i) Shareholding pattern as on 31.03.2012.

Particulars	No. of shares	% of holding
Promoters	93,26,889	64.22
Mutual funds	11,900	0.08
Banks and financial institutions	1,52,857	1.05
FII's	2,70,000	1.86
Private corporate bodies	12,83,818	8.84
NRI's	64,038	0.44
Indian public	34,12,788	23.51
Total	1,45,22,290	100.00

Distribution of shareholding

As on 31st March 2012

Nominal value	Holders		Amount	
	Number	% to total	In ₹	% to total
Upto 5000	6,555	85.87	88,03,990	6.06
5001 - 10000	530	6.94	42,00,170	2.89
10001 - 20000	259	3.39	39,80,190	2.74
20001 - 30000	94	1.23	24,12,700	1.66
30001 - 40000	43	0.56	15,25,190	1.05
40001 - 50000	30	0.39	13,96,130	0.96
50001 - 100000	54	0.71	38,60,020	2.66
100001 - above	69	0.90	11,90,44,510	81.97
Total	7,634	100.00	14,52,22,900	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) 1,43,30,660 shares amounting to 98.68% of the capital have been dematerialised by investors as on 31st March 2012.

ISIN: INE713B01026

Address of Registrars for dematerialisation of shares.

Karvy Computershare Pvt. Ltd.
Plot No.17 to 24, Vittal Rao Nagar, Madhapur,
Hyderabad 500 081 (A.P.) India
Ph # +91 040 44655208

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 shares, change of address of members and other queries relating to the shares of the Company:

&

ii. Any queries relating to dividend, annual reports, among others

The Company Secretary,
Suryalakshmi Cotton Mills Limited,
6th Floor, Surya Towers, 105, S.P.Road,
Secunderabad – 500 003.
Phone No(s): 040 - 30571600.
Fax No : 040 - 27846854.
Email ID: cs@suryalakshmi.com

The above report has been approved by the Board of Directors in their meeting held on 17th May 2012

DECLARATION

As provided under Clause 49 of the Listing Agreement with the stock exchanges, all board members and senior management personnel affirmed compliance with Suryalakshmi Cotton Mills Limited Code of Conduct for the year ended 31st March 2012.

for **Suryalakshmi Cotton Mills Limited**

Secunderabad
17.05.2012

L.N. Agarwal
Chairman and Managing Director

AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE

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

We have examined the compliance of conditions of Corporate Governance by SURYALAKSHMI COTTON MILLS LIMITED, for the year ended 31st March 2012 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 was limited to 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March 2012, no investor grievances are pending against the Company as on 17th May 2012 as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **Brahmayya & Co.,**

Chartered Accountants

Firm Registration No. 0005135

K.S. Rao

Partner

(Membership no.15850)

Place: Hyderabad

Date : 17.05.2012

Auditors' Report

To

The Members of

SURYALAKSHMI COTTON MILLS LIMITED, SECUNDERABAD.

1. We have audited the attached Balance Sheet of SURYALAKSHMI COTTON MILLS LIMITED, SECUNDERABAD, (A.P) as at 31st March, 2012 and also the Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet, Statement of Profit and Loss 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, 2012 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2012 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, 2012;
 - b) in the case of the Statement of Profit and Loss, 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.000513S

K. S. Rao

Partner

Membership No.15850

Place: Hyderabad

Date : May 17, 2012

Annexure

Re: Suryalakshmi Cotton Mills Limited, Secunderabad.
Referred to in paragraph 3 of our report of even date,

- 1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
 - c) 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, 4 (iii) (b), (c) & (d) of the aforesaid order are not applicable to the Company.
 - c) During the year, the Company had taken unsecured loans from 8 parties covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the year was ₹ 291.00 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, 2012 for a period of more than six months from the date they became payable.

- c) According to the records of the Company and the information and explanations given to us, the dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of any dispute are as follows.

Nature of amount	Amount (₹ in Lacs)*	Period to which the amount relates	Forum where dispute is pending
Excise Duty	78.50	2004-05	Customs, Excise, Service Tax Appellate Tribunal, Mumbai.
Excise Duty	32.89	2005-06	CESTAT, Mumbai
VAT	29.37	2005-06 & 2006-07	Dy Commissioner (CT), Hyderabad
TPS	3307.33	2004-05	Jt.DGFT, Hyderabad
Customs Duty	559.37	2004-05	DRI, Hyderabad

* Net of pre-deposit paid in getting the stay/appeal admitted

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 (Auditor's 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 (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has given guarantee for ₹5.00 crores to its subsidiary M/s.Suryakiran International Ltd for the loan taken from State Bank of India.
16. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.
17. In our opinion and according to the information and explanations given to us the funds raised on short-term basis have not been used for long-term investment.
18. During the year, the Company has issued 11,60,000 Equity Shares of ₹ 10/- each at a premium of ₹ 125/- per equity share by preferential allotment to the 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 17, 2012

Membership No.15850

Balance Sheet as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' funds:			
Share capital	1	2,029.53	2,185.13
Reserves and surplus	2	16,404.23	12,546.20
Money received against share warrants		–	783.00
		18,433.76	15,514.33
Non-current liabilities:			
Long-term borrowings	3	18,961.37	13,991.06
Deferred tax liabilities (Net)		2,488.18	2,357.92
Long-term provisions	4	210.61	131.35
		21,660.16	16,480.33
Current liabilities:			
Short-term borrowings	5	12,312.86	12,531.10
Trade payables		3,616.03	4,650.48
Other current liabilities	6	5,432.25	3,446.38
Short-term provisions	7	988.86	701.05
		22,350.00	21,329.01
Total		62,443.92	53,323.67
ASSETS			
Non-current assets:			
Fixed assets	8		
(i) Tangible assets		25,540.78	24,407.48
(ii) Intangible assets		32.14	15.91
(iii) Capital work-in-progress		9,037.71	1,015.69
Non-current investments	9	447.97	447.97
Long-term loans and advances	10	269.42	209.93
		35,328.02	26,096.98
Current assets:			
Current investments	11	312.39	22.97
Inventories	12	10,356.27	11,986.04
Trade receivables	13	10,444.91	7,639.46
Cash and cash equivalents	14	600.23	970.17
Short-term loans and advances	15	2,459.40	2,932.24
Other current assets	16	2,942.70	3,675.81
		27,115.90	27,226.69
Total		62,443.92	53,323.67

The notes referred to above, form an integral part of these financial statements.

per Our Report of even date

for **Brahmayya & Co**

Chartered Accountants

Firm Registration No. 000513S

K. S. Rao

Partner

Membership No.15850

Place : Hyderabad

Date : 17.05.2012

P. S. Subramanyam

Vice President (Finance)

E.V.S.V. Sarma

Company Secretary

For and on behalf of the Board

L. N. Agarwal

Chairman & Managing Director

P. K. Agarwal

Managing Director

Navrang Lal Tibrewal

Director

Statement of Profit and Loss for the year ended 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Note No.	Current Year 31.03.2012	Previous Year 31.03.2011
Revenue from operations	17	66,873.12	60,093.98
Other income	18	969.89	1,176.42
Total Revenue (I + II)		67,843.01	61,270.40
Expenses:			
Cost of materials consumed	19	42,382.21	35,427.53
Purchases of Stock-in-Trade		–	321.92
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	20	-323.98	164.69
Employee benefits expense	21	3,102.92	2,687.71
Finance costs	22	2,980.96	2,326.41
Depreciation and amortization expense	23	2,456.51	2,292.45
Other expenses	24	13,433.59	12,961.99
Total expenses		64,032.21	56,182.70
Profit before tax		3,810.80	5,087.70
Tax expense :			
(1) Current tax		850.00	1,025.00
(2) For earlier years		–	111.93
(3) Deferred tax		130.25	470.16
Sub-Total - Tax expense :		980.25	1,607.09
Profit for the period, after tax		2,830.55	3,480.61
Earnings per equity share:			
(1) Basic		21.16	26.04
(2) Diluted		19.49	26.04

The notes referred to above, form an integral part of these financial statements.

per Our Report of even date

for **Brahmayya & Co**
Chartered Accountants
Firm Registration No. 000513S

K. S. Rao
Partner
Membership No.15850

Place : Hyderabad
Date : 17.05.2012

P. S. Subramanyam
Vice President (Finance)

E.V.S.V. Sarma
Company Secretary

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director

Notes forming part of the Financial Statements as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number	₹	Number	₹
Note 1 SHARE CAPITAL				
Authorised				
Equity Shares of ₹ 10 each	25,000,000	2,500.00	25,000,000	2,500.00
0.1% Cumulative Redeemable Preference shares of ₹ 100 each	672,000	672.00	672,000	672.00
	25,672,000	3,172.00	25,672,000	3,172.00
Issued				
Equity Shares of ₹ 10 each	21,051,556	2,105.16	19,891,556	1,989.16
0.1% Cumulative Redeemable Preference shares of ₹ 100 each	672,000	672.00	672,000	672.00
	21,723,556	2,777.16	20,563,556	2,661.16
Subscribed & Paid up				
Equity Shares of ₹ 10 each	14,522,290	1,452.23	13,362,290	1,336.23
0.1% Cumulative Redeemable Preference shares of ₹ 100 each	400,000	400.00	671,600	671.60
	14,922,290	1,852.23	14,033,890	2,007.83
Forfeited Shares :		177.30		177.30
Total	14,922,290	2,029.53	14,033,890	2,185.13

- (a) 80,32,267/- Equity shares of ₹ 10 each are allotted as fully paid up by way of Bonus shares by capitalisation of reserves.
- (b) 400,000 0.1% Cumulative Redeemable Preference shares of ₹ 100 each are allotted as fully paid up without payment being received in cash as per the scheme of restructuring package with IDBI.
- (c) Disclosure pursuant to Note no. 6(A)(d) of Part I of Schedule VI to the Companies Act, 1956

Particulars	Equity Shares		Preference Shares	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Shares outstanding at the beginning of the year	13,362,290	13,362,290	671,600	671,600
Shares Issued during the year	1,160,000	-	-	-
Shares redeemed / bought back during the year	-	-	271,600	-
Shares outstanding at the end of the year	14,522,290	13,362,290	400,000	671,600

- (d) Disclosure pursuant to Note no. 6(A)(g) of Part I of Schedule VI to the Companies Act, 1956 (if more than 5%)

Name of Shareholder	As at 31 March, 2012		As at 31 March, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Smt. Satyabhama Bai	3023032	20.82%	2580832	19.31%
Sri Paritosh Agarwal	1478472	10.18%	1258272	9.42%
Sri L N Agarwal	1364516	9.40%	1164916	8.72%
Master Vedanth Agarwal	1065356	7.34%	909506	6.81%
Smt. Padmini Agarwal	971815	6.69%	829665	6.21%

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 2 RESERVES & SURPLUS		
a. Capital Redemption Reserve		
At the commencement of the year	2.09	2.09
Closing Balance	2.09	2.09
b. Securities Premium Account		
At the commencement of the year	5,404.51	5,404.51
Add : on issue of Equity Shares	1,450.00	-
Closing Balance	6,854.51	5,404.51
c. Investment Allowance Reserve (Utilised)		
At the commencement of the year	109.41	109.41
Closing Balance	109.41	109.41
d. Export Allowance Reserve		
At the commencement of the year	2.67	2.67
Closing Balance	2.67	2.67
e. Preference Capital Redemption Reserve		
At the commencement of the year	671.60	671.60
Closing Balance	671.60	671.60
f. Special capital incentive		
At the commencement of the year	30.00	30.00
Closing Balance	30.00	30.00
g. General Reserve		
At the commencement of the year	2,800.81	2,400.81
(+) Current Year Transfer	300.00	400.00
Closing Balance	3,100.81	2,800.81
h. Surplus		
At the commencement of the year	3,525.11	955.64
Add : For the current year	2,830.55	3,480.61
Less : Proposed Dividend on Equity Shares	363.06	200.43
Proposed Dividend on Preference Shares	0.49	0.67
Interim Dividend	-	133.62
Corporate Dividend Tax	58.97	54.82
Preference Capital Redemption Reserve	-	121.60
Transfer to General Reserve	300.00	400.00
Closing Balance	5,633.14	3,525.11
Total	16,404.23	12,546.20

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 3 LONG TERM BORROWINGS		
SECURED		
A)		
(I) Term loans		
from banks (Under TUFs)		
(a) IDBI Bank Ltd. - TUF Scheme-I	–	61.51
(b) IDBI Bank Ltd. - 1	55.69	63.94
(c) IDBI Bank Ltd. - 2	433.09	497.25
(d) IDBI Bank Ltd. - TUF Scheme-II	3,764.00	4,966.50
(e) IDBI Bank Ltd. - 3	47.85	55.22
(f) IFCI Ltd. - II	–	–
(g) State Bank of India - TUFs - I	1,685.00	2,167.00
(h) State Bank of India - TUFs - II	2,526.00	3,249.00
(i) State Bank of Mysore - TUFs	691.00	860.00
(j) Andhra Bank	1,196.26	1,211.01
(k) State Bank of Travancore	1,949.11	–
(l) State Bank of Hyderabad - TUFs	1,478.02	–
(ii) Foreign Currency Loans :		
(a) IDBI Bank Ltd. - ECB (USD 9 Million)	4,290.12	–
	18,116.14	13,131.43

Note:

- The Loans referred at (a) to (f), (h) to (i) above are secured by mortgage of (present & future) movable and immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the Company in their personal capacities.
- The Loan referred at (j) above is secured by mortgage of the fixed assets created by virtue of the said term loan for the present movable and immovable properties of the Company on first charge pari passu basis.
- The Loan referred to in (g) above is secured by hypothecation of specified plant and machinery as per the scheme and guaranteed by two Directors of the Company.
- The Loan referred to in (i)-(k) & (ii)-(a) are secured by pari passu first charge on the entire fixed assets (movable & immovable, present & future) of the Company & second pari passu charge on the current assets of the Company with existing term lenders, guaranteed by two Directors of the Company.
- The Loan referred to in (i)-(l) is secured by pari passu first charge on the entire fixed assets (present & future) of the Company & second pari passu charge on the current assets of the Company with existing term lenders, guaranteed by two Directors of the Company.

Terms of Repayment:

Particulars	Sanction Date	Rate of Interest	Quarterly Instalments
a. IDBI - TUF Scheme - 1	31.03.2004	13.00%	3
b. IDBI-1	04.12.1997	10.25%	23
c. IDBI-2	28.09.1995	10.25%	23
d. IDBI Tuf Scheme -II	15.12.2005	9.88%	15
e. IDBI-3	28.09.1995	14.25%	23
f. SBI-TUF Scheme-1	12.08.2005	14.25%	16
g. SBI-TUF Scheme-II	25.01.2006	14.25%	16
h. SBM-TUF Scheme	28.04.2006	15.25%	16
i. Andhra Bank - TUF Scheme	04.09.2010	15.00%	27
j. SBH under TUF Scheme	13.07.2011	15.00%	24
k. SBT	22.06.2011	14.50%	35
l. IDBI Bank (ECB)	12.07.2011	6 MONTH LIBOR +300 BASIC POINTS	23

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 3 LONG TERM BORROWINGS (Contd.)		
Other loans and advances		
b) Vehicle Hire Purchase Loan	12.19	7.97
from Kotak Mahindra Prime Limited		
Hire Purchase Loan above are secured by hypothecation of the respective asset and guaranteed by one of the Directors of the Company		
Terms of Repayment : Monthly instalments	12.19	7.97
c) Unsecured		
Other Long Term Borrowings		
(I) Deposits		
From others Fixed deposits	2.00	2.00
(II) Loans and advances from related parties		
Unsecured Loan from Directors	39.00	36.00
Fixed Deposits from related parties	109.00	274.00
Inter-corporate Deposits	488.00	339.50
	638.00	651.50
Deferred Sales Tax Liability	195.04	200.16
	195.04	200.16
Total (a+b+c+d)	18,961.37	13,991.06

The Salestax deferment liability amounting to ₹ 195.04 lakhs shown under unsecured loans above, is due for repayment as under.

Year	Amount ₹ Lakhs	Repayment due on
1999-2000	29.88	01.04.2013
2000-2001	28.73	01.04.2014
2001-2002	22.28	01.04.2015
2002-2003	20.52	01.04.2016
2003-2004	7.85	01.04.2017
2004-2005	3.27	01.04.2018
2006-2007	5.14	01.04.2020
2007-2008	0.41	01.04.2021
2008-2009	19.56	01.04.2022
2009-2010	57.40	01.04.2023
Total	195.04	

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 4 LONG TERM PROVISIONS		
(a) Provision for employee benefits		
Gratuity (unfunded)	153.40	74.79
Leave Encashment (unfunded)	57.21	56.56
Total	210.61	131.35

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 5 SHORT TERM BORROWINGS		
Secured		
(a) Loans repayable on demand from banks		
(I) State Bank of India		
Cash Credit	848.86	5,349.34
Packing Credit	1,912.69	2,069.20
SLC	500.00	400.00
STL	2,000.00	–
WCDL FCNRB	2,302.04	–
(II) State Bank of Hyderabad		
Cash Credit	322.44	876.97
Packing Credit	459.56	753.69
Packing Credit in Foreign Currency	298.70	–
SLC	300.00	300.08
STL	600.00	–
(III) State Bank of Mysore		
Cash Credit	59.50	1,195.12
STL	1,000.00	–
Packing Credit	303.19	–
(IV) IDBI Bank Ltd.		
Cash Credit	866.34	843.66
Packing Credit	–	500.00
STL	500.00	–
	12,273.32	12,288.06
(b) Other loans and advances		
Vehicle Hire Purchase Loan from Kotak Mahindra Prime Limited	22.29	20.54
	22.29	20.54
Unsecured		
(a) Loans and advances from related parties		
Fixed Deposits from related parties	17.25	222.50
	17.25	222.50
Total	12,312.86	12,531.10

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.

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 6 OTHER CURRENT LIABILITIES		
(a) Current maturities of long-term debt		
Term Loan under TUFS from Bank		
(a) IDBI Bank Ltd. - TUF Scheme-I	61.51	92.51
(b) IDBI Bank Ltd. - 1	8.25	8.25
(c) IDBI Bank Ltd. - 2	64.16	64.16
(d) IDBI Bank Ltd. - TUF Scheme-II	1,202.50	1,072.50
(e) IDBI Bank Ltd. - 3	7.36	7.36
(f) IFCI Ltd. - II	–	81.34
(g) State Bank of India - TUFS - I	482.00	321.75
(h) State Bank of India - TUFS - II	723.00	482.25
(i) State Bank of Mysore - TUFS	169.00	21.00
(j) Andhra Bank	212.72	53.18
(k) State Bank of Travancore	200.00	–
(l) State Bank of Hyderabad - TUFS	300.00	–
(ii) Foreign Currency Loans :		
(a) IDBI Bank Ltd. - ECB (USD 9 Million)	313.97	–
	3,744.47	2,204.30
(b) Interest accrued but not due on borrowings	138.48	126.31
(c) Unpaid dividends	10.21	10.78
(d) Creditors for Capital purchases	390.46	168.99
(e) Other payables	960.91	658.90
(f) Other payables - Statutory dues	98.47	106.82
(g) Advances received against sales	84.14	164.89
(h) Sales tax deferment payable	5.11	5.39
	1,687.78	1,242.08
Total	5,432.25	3,446.38

Note 7 SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
Salary & Reimbursements	203.40	206.15
Contribution to PF & ESI	16.99	14.75
Gratuity (Funded)	24.00	–
Bonus Payable	150.87	148.07
(b) Others (Specify nature)		
Proposed Preference Shares dividend	0.49	0.67
Proposed Equity Shares dividend	363.06	200.43
Corporate Dividend Tax	58.98	32.63
Provision for Income Tax (Net)	171.07	98.35
Total	988.86	701.05

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

Note 8 FIXED ASSETS

(Figures in ₹ Lakhs)

Particulars	Gross Block				Accumulated Depreciation			Net Block		
	Balance as at 1 April 2011	Additions	Disposals	As at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	On disposals	Balance 31 March 2012	Balance 31 March 2012	Balance as at 1 April 2011
a. Tangible Assets										
Land	318.19	64.49	-	382.68	-	-	-	-	382.68	318.19
Buildings :										
Factory Buildings	4,894.11	72.17		4,966.28	1,074.68	164.60		1,239.28	3,727.00	3,819.43
Non-Factory Buildings	1,597.40	149.84		1,747.24	214.87	27.44		242.31	1,504.93	1,382.53
Township	455.94	121.36		577.30	26.69	7.56		34.25	543.05	429.25
Plant and Equipment :										
Workshop Equipment	7.16	0.66		7.82	2.03	0.33		2.36	5.46	5.13
Plant and Machinery	30,855.32	2,831.26	1,631.93	32,054.65	14,425.28	2,011.54	1,550.33	14,886.49	17,168.16	16,430.04
Testing Equipment	315.86	6.74		322.60	94.65	14.91		109.56	213.04	221.21
Electrical Installations	2,100.53	19.56		2,120.09	689.33	100.17		789.50	1,330.59	1,411.20
Weighing Machines	26.89	0.83		27.72	13.89	1.15		15.04	12.68	13.00
Water Works	176.86	278.88		455.74	26.90	13.96		40.86	414.88	149.96
Furniture and Fixtures	217.52	24.78		242.30	122.02	19.59		141.61	100.69	95.50
Vehicles	146.09	35.66	18.23	163.52	47.73	17.19	8.92	56.00	107.52	98.36
Data Processing Equipment	108.10	6.36		114.46	74.42	9.94		84.36	30.10	33.68
Total	41,219.97	3,612.59	1,650.16	43,182.40	16,812.49	2,388.38	1,559.25	17,641.62	25,540.78	24,407.48
b. Intangible Assets										
Computer software	35.60	22.59	-	58.19	19.69	6.36	-	26.05	32.14	15.91
Total	35.60	22.59	-	58.19	19.69	6.36	-	26.05	32.14	15.91
c. Capital Work In Progress	1,015.69	11,657.20	3,635.18	9,037.71	-	-	-	-	9,037.71	1,015.69
Total	1,015.69	11,657.20	3,635.18	9,037.71	-	-	-	-	9,037.71	1,015.69
Total (a+b+c)	42,271.26	15,292.38	5,285.34	52,278.30	16,832.18	2,394.74	1,559.25	17,667.67	34,610.63	25,439.08
Less: Internal Transfers		3,635.18	3,635.18	-						
Total	42,271.26	11,657.20	1,650.16	52,278.30	16,832.18	2,394.74	1,559.25	17,667.67	34,610.63	25,439.08
Previous Year	38,190.61	4,130.77	50.12	42,271.26	14,674.67	2,204.54	47.04	16,832.18	25,439.08	23,515.94

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 9 NON-CURRENT INVESTMENTS		
At Cost - Non-Trade - Unquoted :		
Investment in Subsidiary Company		
22,69,860 Equity shares @ ₹ 10/- each in Suryakiran International Limited	447.97	447.97
Total	447.97	447.97

(Aggregate amount of unquoted investments - ₹ 447.97 Lakhs)

50.92% Investment in Subsidiary Company, M/s. Suryakiran International Limited

Note 10 LONG TERM LOANS AND ADVANCES

a. Deposits Recoverable	269.31	209.82
(Unsecured considered good)		
(Telephone, APSEB Electricity, Coal Deposit & other deposits)		
b. Security Deposit	0.11	0.11
(Secured, considered good)		
(NSC pledged as security for ₹ 1000/- with Central Excise Dept. & ₹ 10,000/- with Sales Tax Dept.)		
Total	269.42	209.93

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 11 CURRENT INVESTMENTS		
(At Cost - Traded - Quoted)		
(a) Investment in Equity instruments		
1,02,100 Equity Shares of ₹ 10/- each in Suryavanshi Spinning Mills Ltd.	105.19	105.19
Less : Provision for diminution in the value of Investments	92.94	82.22
	12.25	22.97
(b) Investments in Mutual Funds		
SBI Mutual Fund	300.14	-
Total	312.39	22.97

(Aggregate market value of Quoted investments - ₹ 312.39 Lakhs (Previous Year ₹ 22.97 Lakhs))

Note 12 INVENTORIES		
(Valued and certified by the Management)		
a. Raw Materials	4,088.70	6,531.90
(Valued at cost on weighted average basis)		
b. Stores and spares	1,449.74	960.29
(Valued at cost on weighted average basis)		
c. Finished goods	2,805.62	1,975.25
(Valued at lower of cost or net realisable value basis)		
b. Work-in-progress	1,998.82	2,503.34
(Valued at lower of cost or net realisable value basis)		
g. Others - Cotton & PV Waste (at realisable value)	13.39	15.26
Total	10,356.27	11,986.04
Details of Raw Materials :		
Cotton	3,507.38	5,002.02
Yarn	274.34	839.04
Polyster Staple Fibre	226.61	646.62
Viscose Staple Fibre	80.37	44.22
Total	4,088.70	6,531.90

Note 13 TRADE RECEIVABLES		
Receivables for a period exceeding six months		
Unsecured, considered good	389.68	140.98
Unsecured, considered doubtful	60.27	60.27
Less: Provision for doubtful debts	-60.27	-60.27
	389.68	140.98
Receivables for a period less than six months		
Unsecured, considered good	10,055.23	7,498.48
	10,055.23	7,498.48
Total	10,444.91	7,639.46
Trade Receivable stated above include debts due by:		
Subsidiary Company	1,090.05	789.48
	1,090.05	789.48

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 14 CASH AND CASH EQUIVALENTS		
a. Balances with Banks		
With Scheduled Banks	335.80	29.60
b. Cash on hand	17.85	20.94
c. Balance with Banks against Dividends payments	10.21	10.78
d. Balance with Banks against Margin Money / Guarantees	224.25	218.89
e. Fixed Deposits	12.11	689.95
f. Post office Savings Bank	0.01	0.01
Total :	600.23	970.17

Note 15 SHORT-TERM LOANS AND ADVANCES		
(Unsecured considered good)		
a. Advances for Capital purchases	703.29	656.80
(Plant & Machinery to be received in FY 2012-13)		
b. Advances for purchases of Raw Material & Stores	490.54	1,511.33
c. Advances to Staff	28.64	27.18
d. Other Advances	1,236.93	736.93
	2,459.40	2,932.24
Disclosure pursuant to Note No. R (iv) of Part I of Schedule VI to the Companies Act, 1956		
Other officers of the Company *	18.87	20.15
	18.87	20.15

Note 16 OTHER CURRENT ASSETS		
TED Refund receivable	531.26	219.68
Interest subsidy receivable	298.23	620.53
Deposits recoverable	137.27	690.70
Claims/Other Receivable	1,381.14	1,161.59
Export Benefit Entitlement Receivable	388.31	633.23
Pre-paid expenses	125.90	39.62
Excise Duty Refund Receivable	45.16	207.29
Balance With Central Excise Department	2.93	12.37
Accrued interest	32.50	29.03
Miscellaneous Expenses	-	61.77
(To the extent not written off)		
	2,942.70	3,675.81

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
Note 17 SALE OF PRODUCTS		
Yarn	26,995.31	23,320.82
Fabric	39,587.89	36,538.79
Waste	455.31	547.73
Total Sales :	67,038.51	60,407.34
Less:		
Excise duty	165.39	313.36
Total	66,873.12	60,093.98
Note 18 OTHER INCOME		
Interest Income	51.85	36.81
Dividend Income	0.58	0.09
Export Benefit entitlement	835.08	1,035.34
Excess provisions written back	35.38	0.85
Packing & Forwarding collection charges	12.92	18.43
Scrap Sales	20.93	16.90
Profit on sale of Assets	–	18.13
Increase in value of investments	–	1.89
Miscellaneous Receipts	13.15	47.98
Total	969.89	1,176.42

(Figures in ₹ Lakhs)

Particulars	Current Year 31 March 2012		Previous Year 31 March 2011	
Note 19 COST OF MATERIALS CONSUMED				
Opening Stock		6,531.89		3,061.41
Add : Purchases		39,939.02		38,954.31
		46,470.91		42,015.72
Less : Cost of Raw materials sold		–		56.30
Less : Closing Stock		4,088.70		6,531.89
Total Cost of materials consumed :		42,382.21		35,427.53
Imported and Indigeneous Raw Materials consumed :				
Indigeneous	99.67%	42,243.54	99.64%	35,301.07
Imported	0.33%	138.67	0.36%	126.46
Total :	100%	42,382.21	100%	35,427.53
Details of Raw Material Consumed :				
Cotton		15,469.31		12,938.85
Yarn		7,010.22		7,964.18
Polyster Staple Fibre		17,594.32		12,935.14
Viscose Staple Fibre		2,308.36		1,585.81
Grey Fabric		–		3.55
Total :		42,382.21		35,427.53

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31 March 2012		Previous Year 31 March 2011	
Note 20				
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (INCREASE)/DECREASE IN STOCKS				
OPENING STOCKS:				
Yarn		570.23		674.83
Fabric		1,405.02		1,858.23
Work-in-process		2,503.34		2,105.29
Cotton Waste		15.26		20.19
		4,493.85		4,658.54
CLOSING STOCKS:				
Yarn		742.91		570.23
Fabric		2,062.71		1,405.02
Work-in-process		1,998.82		2,503.34
Cotton Waste		13.39		15.26
		4,817.83		4,493.85
(INCREASE)/DECREASE IN STOCKS		-323.98		164.69

Note 21 EMPLOYEE BENEFITS EXPENSE

(a) Salaries and incentives		2,620.66		2,364.01
(b) Contributions to Provident Fund		158.96		128.42
(c) Gratuity fund contributions		112.61		31.02
(d) Contributions to Employee State Insurance		20.69		15.80
(e) Staff welfare expenses		190.00		148.46
Total		3,102.92		2,687.71

Note 22 FINANCE COST

Interest expense		2,705.22		2,063.37
Other borrowing costs		120.79		262.92
Net loss on foreign currency transactions & translation		154.95		0.12
Total		2,980.96		2,326.41

Note 23 DEPRECIATION AND AMORTISATION EXPENSE

Depreciation		2,394.74		2,204.54
Amortisation expense		61.77		87.91
Total		2,456.51		2,292.45

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year		Previous Year	
	31 March 2012		31 March 2011	
Note 24 OTHER EXPENSES				
Stores & spare parts consumption :				
Consumable Stores	631.19		675.02	
Dyes and Chemicals	3,483.62		3,784.11	
Packing Material Consumed	487.52	4,602.33	437.10	4,896.23
Power & Fuel :				
Electricity Charges	4,419.10		3,641.60	
Fuel Consumed	905.29	5,324.39	819.31	4,460.91
Rent		7.48		7.90
Security Charges		23.78		18.69
Rates & Taxes		530.14		458.92
Printing & Stationery		27.21		26.99
Postage, Telegrams & Telephones		44.97		62.10
Travelling & Conveyance		140.73		131.20
Directors' Sitting fees & Travelling expenses		6.04		5.71
Advertisements		12.42		15.05
Expenses on Sales		843.21		894.18
Commission on Sales		169.26		307.66
Insurance		70.94		78.31
Legal & Professional Charges		47.76		83.28
Payments to auditors :				
As auditor :	1.69		1.66	
for taxation matters	0.56		0.55	
for Certification	1.53	3.78	1.01	3.22
Repairs to : Buildings	68.13		46.63	
Machinery	790.70		759.34	
Other Assets	29.57	888.40	26.83	832.80
Vehicle Maintenance		31.19		26.62
Miscellaneous Expenses		286.71		296.31
Donations		22.87		15.51
Loss on sale of assets		29.08		0.17
Bad debts and Debit Balances written off		1.06		2.26
Investments written off		10.72		-
Claims written off		-		34.33
Other Manufacturing expenses		119.85		125.32
Managerial remuneration		189.27		178.32
Total		13,433.59		12,961.99
Imported and Indigeneous Stores & spare parts consumption :				
Indigeneous	75.65%	3,481.57	78.01%	3,819.47
Imported	24.35%	1,120.76	21.99%	1,076.77
Total :	100%	4,602.33	100%	4,896.23

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 25		
NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2012 AND STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON THAT DATE.		
1. Contingent Liabilities not provided for		
a) Contracts to be executed on capital accounts.	5557.80	11532.39
b) Against Foreign & Inland Letters of Credit	257.05	96.44
c) Against Bank Guarantees	763.37	129.67
d) Against Bills discounted	2308.17	4489.84
e) 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.	78.50	78.50
f) 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	32.89	32.89
g) 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	58.74	58.74
h) Disputed demand from sales tax department on subjecting the turnover of unit at Maharashtra to tax along with the turnover of Andhra Pradesh and set off. The company has filed appeal before STAT(A.P), Hyderabad against the revised demand issued by the DC(CT), Begumpet Division, Hyderabad.	28.82	28.82

- The legal proceedings against M/s. Rajvir Industries Ltd., for the recovery of the balance outstanding in the books of the company of ₹ 236.93 lakhs (Previous year ₹ 236.93 lakhs) 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 ₹ 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 totaling to ₹ 1348 lakhs 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 the 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 an application before the Hon'ble High court of Andhra Pradesh for modification of the Order of the High Court in the scheme of arrangement for transfer of the liability of ₹ 1000 lakhs to the company. The application has been dismissed with costs by the High Court and the applicant has preferred an appeal before the High Court which is pending.
- An order has been received from the office of DGFT Hyderabad for alleged violation of Target plus scheme to recover ₹ 3807 lakhs including interest and penalties. Apart from this a penalty of ₹ 25 lakhs each on CMD and MD and ₹ 5 lakhs on some other Directors of the company has been imposed. The High Court of Andhra Pradesh has granted an interim stay on the dismissal of the appeal by the Company. The Company in compliance with the orders of the High Court has paid ₹ 500 lakhs to DGFT, Hyderabad. (The Company has already paid ₹ 500 lakhs to DRI in the same matter). A show cause notice on the same issue was issued by DRI. The Company has been advised that no liability is likely to arise under the notice as the allegations are unfounded and the company is taking adequate steps to defend itself.

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
Note 25 (Contd.)		
7. Expenditure in Foreign Currency during the year on account of :		
i) Interest	77.18	0.00
ii) Commission on Export Sales	80.26	102.92
iii) Foreign Travel (Excluding tickets purchased in India)	19.32	13.46
iv) Foreign Technical & Consultancy services	20.34	23.95
v) Others	13.80	0.00
	210.90	140.33
8. Value of Imports calculated on CIF basis in respect of :		
i) Plant and Machinery - Imported (CIF Value)	2672.69	878.22
ii) Rawmaterials (CIF Value)	23.64	108.14
iii) Stores and Spares (CIF Value)	1169.72	1113.63
	3866.05	2099.99
9. Earnings in Foreign Exchange		
FOB Value of Exports	10964.36	13963.05
10. Composition of Net Deferred Tax Liability		
DEFERRED TAX LIABILITIES		
Depreciation	2565.29	2363.66
Deferred Revenue Expenses	0.00	14.28
	2565.29	2377.94
DEFERRED TAX ASSETS		
Provision for Doubtful Debts & Others	19.55	20.02
Provision for Gratuity	57.56	0.00
	77.11	20.02
Deferred Tax Liability (Net)	2488.18	2357.92

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

11. Information about business segments

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
1. SEGMENT REVENUE		
Spinning	26876.37	23063.17
Denim	39996.75	37030.81
Total	66873.12	60093.98
2. SEGMENT RESULTS		
Spinning	1269.60	3370.50
Denim	5522.16	4043.61
Total	6791.76	7414.11
3. INTEREST	2980.96	2326.41
4. PROFIT / LOSS BEFORE TAX	3810.80	5087.70
5. OTHER INFORMATION SEGMENT ASSETS		
Spinning	17538.67	19329.09
Denim	33944.18	32735.14
Power Project & others	10961.07	1197.67
Total	62443.92	53261.90
6. SEGMENT LIABILITIES		
Spinning	2397.21	1793.41
Denim	3767.34	4916.47
Power Project & others	333.61	9.69
Total	6498.16	6719.57
7. CAPITAL EXPENDITURE		
Spinning	313.42	2278.97
Denim	3257.28	675.72
Power Project & others	64.48	211.52
Total	3635.18	3166.21
8. DEPRECIATION & AMORTISATION EXPENSE		
Spinning	697.12	568.98
Denim	1759.39	1723.47
Total	2456.51	2292.45

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

12. 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 31.03.2012	Previous Year 31.03.2011
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	62.43	57.77
		b) Interest (Gross)	1.61	2.24
		c) Commission	24.00	21.10
Shri P K Agarwal Managing Director	Key Management	a) Remuneration	54.76	55.70
		b) Interest (Gross)	0.91	1.60
		c) Commission	21.00	21.36
Shri L N Agarwal (HUF)	Key Management	b) Interest (Gross)	1.68	1.31
Shri H L Ralhan Director	Key Management	a) Remuneration	27.07	22.38
Smt Sathyabhamabai	Wife of Shri L N Agarwal	a) Interest (Gross)	10.76	20.98
Smt Padmini Agarwal	Wife of Shri P K Agarwal	a) Interest (Gross)	5.61	11.90
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	a) Interest (Gross)	5.91	3.87
Master Vedanth Agarwal	Son of Shri P K Agarwal	a) Interest (Gross)	4.98	4.93
M/s Suryalata Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	a) Purchase of R.M.	23.08	28.60
		b) Sale of R.M.	23.08	0.00
M/s Suryakiran International Ltd.,	Subsidiary	a) Sale of Fabric	1500.48	1258.70
		b) Sale of DEPB Lic.	7.46	7.61
		c) Purch. of FMS Lic	9.28	-
M/s Suryajyothi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	a) Sale of Yarn	96.75	0.39
		b) Sale of Fabric	-	0.18
		c) Purchase of Fabric	-	271.59
		d) Sale of RM	49.33	-
		e) Purchase of RM	49.33	-
M/s Suryavanshi Spinning Mills Ltd	Enterprise in which the relatives of Key Management personnel are interested	a) Sale of P S F	-	0.45
M/s Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	a) Cotton Purchases	208.13	389.19
M/s. Jayman Dealers Pvt Ltd.	Enterprise in which the relatives of Key Management personnel are interested	a) Claim of Fabric	-	8.50
		b) Interest (Gross)	4.96	-
		c) Rent	0.60	-
M/s.SVP Distributors Pvt. Ltd.	Enterprise in which the relatives of Key Management personnel are interested	a) Interest (Gross)	22.90	19.88

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

Note 25 (Contd.)

12. Related Party Disclosure (Contd.)

(Figures in ₹ Lakhs)

Name of the Party	Relationship	Nature of Transaction	Current Year 31.03.2012	Previous Year 31.03.2011
b) Payable as at 31.03.2012				
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration (Net)	4.70	2.50
		b) Interest (net)	0.33	0.75
		c) Unsecured Loan	37.00	21.00
		d) Commission	16.58	21.10
Shri P K Agarwal Managing Director	Key Management	a) Remuneration (Net)	4.40	2.35
		b) Interest (net)	0.02	0.54
		c) Unsecured Loan	2.00	15.00
		d) Commission	14.51	21.36
Shri L N Agarwal (HUF)	Key Management	a) Interest (net)	0.33	0.45
		b) Deposits	38.50	20.50
Shri H L Ralhan Director	Key Management	Remuneration (Net)	1.42	1.30
Smt Sathyabhamabai	Wife of Shri L N Agarwal	a) Interest (net)	0.18	7.04
		b) Deposits	22.00	196.75
Smt Padmini Agarwal	Wife of Shri P K Agarwal	a) Interest (net)	0.10	4.06
		b) Deposits	10.00	160.50
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	a) Interest (net)	6.62	1.31
		b) Deposits	55.75	44.75
Master Vedanth Agarwal	Son of Shri P K Agarwal	a) Interest (net)	–	1.67
		b) Deposits	–	74.00
M/s. Jayman Dealers Pvt Ltd.	Enterprise in which the relatives of Key Management personnel are interested	a) Interest (net)	4.46	–
		b) Rent	0.60	–
		c) Deposits	48.00	–
S. V. P. Distributors Pvt Ltd.	Enterprise in which the relatives of Key Management personnel are interested	a) Interest (net)	20.61	17.89
		b) Deposits	440.00	339.50
M/s Suryavanshi Industries Ltd.	Enterprise in which the relatives of Key Management personnel are interested	a) Purchase of RM	32.36	–
c) Receivable as at 31-03-2012				
M/s Suryakiran International Ltd.,	Subsidiary Company	Sale of Fabric and others	1340.49	977.96
M/s Suryavanshi Industries Ltd	Enterprise in which the relatives of Key Management personnel are interested	Sale of Raw Material	0.00	10.81
M/s. Jayman Dealers Pvt Ltd.	Enterprise in which the relatives of Key Management personnel are interested	Claim of Fabric	0.00	8.50

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

Note 25 (Contd.)

13. 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

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
1. Table showing changes in present value of obligations	As on 31/03/2012	As on 31/03/2011
Present value of obligations as at beginning of year	181.33	1,131.70
Interest cost	14.51	10.53
Current Service Cost	27.98	22.50
Benefits Paid	(16.35)	(8.38)
Actuarial gain / (Loss) on obligations	57.70	24.98
Present value of obligations as at end of year	265.17	181.33
2. Table showing changes in the fair value of plan assets	As on 31/03/2012	As on 31/03/2011
Fair value of plan assets at beginning of year	81.28	41.90
Expected return on plan assets	6.84	4.77
Contributions	6.00	42.99
Benefits Paid	(16.35)	(8.38)
Actuarial gain / (Loss) on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	77.77	81.28
3. Table showing fair value of plan assets	As on 31/03/2012	As on 31/03/2011
Fair value of plan assets at beginning of year	81.28	41.90
Actual return on plan assets	6.84	4.77
Contributions	6.00	42.99
Benefits Paid	(16.35)	(8.38)
Fair value of plan assets at the end of year	77.77	81.28
Funded status	187.40	(100.05)
Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March)	Nil	Nil
4. Assumptions	As on 31/03/2012	As on 31/03/2011
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

(Figures in ₹ Lakhs)

Particulars	2011-12	2010-11
Current Service cost	0.19	5.71
Interest Cost on benefit obligation	4.53	2.99
Expected return on plan assets	Nil	Nil
Net Actuarial (gain). Loss recognised in the year	18.28	26.46
Past service cost	Nil	Nil
Net Benefit expense	23.00	35.16
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	56.56	37.41
Interest Cost	4.53	2.99
Current Service cost	0.19	5.71

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

Note 25 (Contd.)

Profit & Loss Account (Contd.)

(Figures in ₹ Lakhs)

Particulars	2011-12	2010-11
Benefits Paid	(22.35)	(16.01)
Actuarial (gains) / losses on obligation	18.28	26.46
Closing defined benefit obligation	57.21	56.56
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

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

(Figures in ₹ Lakhs)

Particulars	Current Year	Previous year
Profit after Tax	2830.55	3480.61
Less : Dividend on Preference Share Capital with dividend tax there on	0.57	0.79
	2829.98	3479.83
Weighted average Number of Equity Shares	133.75	133.62
Diluted Number of Equity Shares	145.22	133.62
Basic Earnings per share	21.16	26.04
Diluted Earnings per share	19.49	26.04

15. Pursuant to Scheme of restructuring package of Term Loans the Company has allotted 0.1% Cumulative Redeemable Preference Shares of ₹ 100/- each on 28th October, 2002 to IDBI and IFCI. Out of which the company has redeemed ₹ 271.60 Lakhs on 31.07.2011 to IFCI & the balance of ₹ 400 Lakhs to be redeemed to IDBI before May,2012.
16. 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.
17. 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 / viscose / blended yarn we have taken cenvat credit on part of the rawmaterial which are used for production of polyester / viscose / blended yarn meant for export, and cleared the material for export on payment of duty.
18. 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 ₹ 2609 lakhs from the Insurance Company including salvage. The part claim of ₹ 490 lakhs which is still to be settled by the Insurance Company is shown under Claims receivable.
19. The company has given corporate guarantee to its subsidiary M/s SuryaKiran International Limited, to the extent of ₹ 500 Lakhs.
20. Consequent to the Notification under the Companies Act, 1956, the financial statements for the year ended 31st March,2012 are prepared under Revised Schedule VI accordingly. The Previous year's figures also have been reclassified to conform to this year's classification.

Note 26 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.

Notes forming part of the Financial Statements (Contd.) as at 31st March, 2012

Note 26 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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.

6. Retirement Benefits :

Provident Fund contribution is charged to the Profit and Loss Account as and when the contributions are due In respect of Gratuity, the Company has covered the gratuity liability by obtaining the group gratuity policy. The premium charged by Life Insurance Corporation of India is paid as stipulated and charged to Profit and Loss Account. Leave encashment provision is made as per actuarial valuation.

7. Foreign Exchange Transactions :

a) Export Sales are initially accounted at the exchange rate prevailing on the date of documentation/invoicing and the same is adjusted with the difference in the rate of exchange arising on actual receipt of proceeds in foreign exchange.

b) Earnings in foreign currency other than export sales are accounted for at the rate of conversion on the date of realisation.

c) Imports of material / capital equipment are accounted at the rates at which the actual payments are made.

d) Assets and liabilities arising out of foreign exchange transactions are translated at the rates of exchange ruling on the date of Balance Sheet and are suitably adjusted to the appropriate Revenue/Capital account.

8. Impairment of Assets :

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

9. Sales :

Sales represents the amount receivable for goods sold including excise duty and VAT/CST 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.

per Our Report of even date

for **Brahmayya & Co**

Chartered Accountants

Firm Registration No. 0005135

K. S. Rao

Partner

Membership No.15850

Place : Hyderabad

Date : 17.05.2012

P. S. Subramanyam

Vice President (Finance)

E.V.S.V. Sarma

Company Secretary

For and on behalf of the Board

L. N. Agarwal

Chairman & Managing Director

P. K. Agarwal

Managing Director

Navrang Lal Tibrewal

Director

Cash Flow Statement for the year ended 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET : PROFIT /(LOSS) BEFORE TAX	3810.80	5087.70
Adjustment for		
Add: Depreciation & Amortisation expense	2456.51	2292.45
Finance costs	2980.96	2326.41
Debit balance written off	1.06	2.26
Loss on sale of assets	29.09	0.17
Diminution / (Increase) in Value of Current investments	10.72	-1.89
	9289.14	9707.10
Less: Interest Income	51.85	36.81
: Excess provision written back	35.38	0.85
Profit on sale of assets	-	18.13
	87.23	55.79
Operating profit before working capital changes	9201.91	9651.31
Adjustment for changes in :		
Decrease / (Increase) in Inventories	1629.77	-3010.80
(Increase) in Trade Receivables	-2771.12	-2113.08
(Increase)/Decrease in Long Term Loans and advances	-59.49	190.06
(Increase)/Decrease in Short Term Loans and advances	472.84	-1531.97
(Increase)/Decrease in Other Current Assets	674.81	-1324.08
Increase/(Decrease) in Trade & other payables	-494.79	1387.21
Cash generated from Operations	8653.93	3248.65
Income tax (Net)	-777.28	-1043.44
Net cash generated from operating activities (A)	7876.65	2205.21
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of fixed assets	61.82	21.04
Interest received	48.37	30.57
Acquisition of fixed assets	-11657.20	-4130.77
Purchase of Current investments	-300.13	0.00
Net cash used in Investing activities (B)	-11847.14	-4079.15

Cash Flow Statement (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Share capital and Share premium	1566.00	0.00
Redemption of Preference Share Capital	-271.60	0.00
Share Warrant Application Money (appropriated)/received	-783.00	783.00
Proceeds from Term Loans	8729.19	1264.18
(Decrease)/Increase in bank borrowings	-14.74	4625.34
Proceeds from Hire purchase loan	26.51	25.93
Proceeds from other unsecured borrowings	609.50	270.75
Repayment of Term Loan	-2204.30	-1220.57
Repayment of Hire Purchase loan	-20.54	-9.61
Repayment of other unsecured borrowings	-833.37	-489.75
Finance costs paid	-2968.80	-2286.66
Dividend paid	-201.68	-264.20
Dividend Distribution Tax paid	-32.62	-44.50
Net cash generated in Financing Activities (C)	3600.55	2653.91
Net (Decrease)/Increase in cash and cash equivalents (A+B+C)	-369.94	779.97
Cash/Cash Equivalents at the Beginning of the year	970.17	190.20
Cash/Cash Equivalents at the end of the period	600.23	970.17

The notes referred to above, form an integral part of these financial statements.

per Our Report of even date

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

K. S. Rao
Partner
Membership No.15850
Place : Hyderabad
Date : 17.05.2012

P. S. Subramanyam
Vice President (Finance)

E.V.S.V. Sarma
Company Secretary

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director

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

1	Name of the Subsidiary	Suryakiran International Ltd
2	Financial year of the Subsidiary ended on	31st March 2012
3	Shares of the Subsidiary held by the Company on the above date:	
	a) Number of shares	22,69,860
	Face Value	Equity shares of ₹10 each
	b) Extent of Holding	50.92%
4	Net aggregate amount of profits/(losses) of the Subsidiary for the above financial year so far as they concern members of the Company	
	a) dealt with in the accounts of the Company for the year ended 31st March, 2012	NIL
	b) not dealt with in the accounts of the Company for the year ended 31st March 2012	₹22.86 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 2011	NIL
	b) Not dealt with in the accounts of the Company for the year ended 31st March 2011	₹ (169.90) Lakhs
6	Change in the interest of the Company in the subsidiary between the end of the financial year of the subsidiary and that of the Company.	NIL
7	Material changes between the end of the financial year of the Subsidiary and end of the financial year of the Company in respect of the Subsidiary's fixed assets, investments, lending and borrowing for the purpose other than meeting their current liabilities.	NIL
8	Remarks	NIL

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. S. Subramanyam
Vice President (Finance)

P. K. Agarwal
Managing Director

Place : Hyderabad
Date : 17.05.2012

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

Consolidated Auditors' Report

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

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, 2012, the Consolidated Statement of Profit and Loss 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 Mills Limited and Suryakiran International Limited, included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on consideration of the separate Audit Reports on individual audited financial statements of Suryalakshmi Cotton Mills Limited and its subsidiary, we are of opinion that :

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Suryalakshmi Cotton Mills Limited and its subsidiary as at 31st March, 2012;
- b) the Consolidated Statement of Profit and Loss gives a true and fair view of the consolidated results of operations of Suryalakshmi Cotton Mills Limited and its subsidiary for the year ended on that date; and
- c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Suryalakshmi Cotton Mills Limited and its subsidiary for the year ended on that date.

for **BRAHMAYYA & CO.**
Chartered Accountants.
Firm Registration No.0005135

Place: Hyderabad
Date : May 17, 2012

K. S. Rao
Partner
Membership No. 15850

Consolidated Balance Sheet as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	2,229.53	2,385.13
Reserves and surplus	2	16,257.19	12,376.30
Money received against share warrants		–	783.00
		18,486.72	15,544.43
Minority Interest	2A	293.67	271.63
Non-current liabilities			
Long-term borrowings	3	20,190.58	15,368.78
Deferred tax liabilities (Net)		2,488.18	2,357.92
Long-term provisions	4	230.61	140.60
		22,909.37	17,867.30
Current liabilities			
Short-term borrowings	5	12,410.60	12,901.43
Trade payables		3,803.91	4,867.29
Other current liabilities	6	5,824.64	3,899.96
Short-term provisions	7	1,026.39	737.23
		23,065.54	22,405.91
Total		64,755.30	56,089.27
ASSETS			
Non-current assets			
Fixed assets	8		
(i) Tangible assets		27,760.17	26,730.91
(ii) Intangible assets		39.00	15.91
(iii) Capital work-in-progress		9,037.71	1,015.69
Long-term loans and advances	9	280.73	219.63
Other non-current assets	10	142.56	171.31
		37,260.17	28,153.45
Current assets			
Current investments	11	312.38	22.97
Inventories	12	11,536.10	13,291.48
Trade receivables	13	9,740.01	7,016.15
Cash and cash equivalents	14	616.39	983.13
Short-term loans and advances	15	2,236.76	2,773.98
Other current assets	16	3,053.49	3,848.10
		27,495.13	27,935.82
Total		64,755.30	56,089.27

The notes referred to above, form an integral part of these financial statements.

per Our Report of even date

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

K. S. Rao
Partner
Membership No.15850

Place : Hyderabad
Date : 17.05.2012

P. S. Subramanyam
Vice President (Finance)

E.V.S.V. Sarma
Company Secretary

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director

Consolidated Statement of Profit and Loss for the year ended 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Note No.	Current Year 31.03.2012	Previous Year 31.03.2011
Revenue from operations	17	69,140.75	61,708.22
Other income	18	1,061.57	1,315.33
Total Revenue		70,202.32	63,023.55
Expenses:			
Cost of materials consumed	19	42,446.09	35,508.87
Purchases of Stock-in-Trade		–	321.92
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	20	-248.48	-340.23
Employee benefits expense	21	3,787.19	3,248.80
Finance costs	22	3,166.89	2,495.30
Depreciation and amortization expense	23	2,596.11	2,429.33
Other expenses	24	14,598.81	14,203.96
Total expenses		66,346.61	57,867.95
Profit before tax		3,855.71	5,155.60
Tax expense:			
(1) Current tax		850.00	1,025.00
(2) For earlier years		–	111.93
(3) Deferred tax		130.25	470.16
Sub-Total - Tax expense :		980.25	1,607.09
Profit for the period, after tax		2,875.46	3,548.51
Less : Minority Interest		22.04	33.32
Net Profit after taxes & minority interest		2,853.42	3,515.19
Earnings per equity share:			
(1) Basic		21.33	26.30
(2) Diluted		19.64	26.30

The notes referred to above, form an integral part of these financial statements.

per Our Report of even date

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

K. S. Rao
Partner
Membership No.15850
Place : Hyderabad
Date : 17.05.2012

P. S. Subramanyam
Vice President (Finance)

E.V.S.V. Sarma
Company Secretary

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

P. K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director

Notes forming part of the Consolidated Financial Statements as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number	₹	Number	₹
Note 1 SHARE CAPITAL				
Authorised				
Equity Shares of ₹ 10 each	25,000,000	2,500.00	25,000,000	2,500.00
0.1% Cumulative Redeemable Preference shares of ₹ 100 each	672,000	672.00	672,000	672.00
5% Non-cumulative Redeemable Preference shares of ₹ 100 each	200,000	200.00	200,000	200.00
	25,872,000	3,372.00	25,872,000	3,372.00
Issued				
Equity Shares of ₹ 10 each	21,051,556	2,105.16	19,891,556	1,989.16
0.1% Cumulative Redeemable Preference shares of ₹ 100 each	672,000	672.00	672,000	672.00
5% Non-cumulative Redeemable Preference shares of ₹ 100 each	200,000	200.00	200,000	200.00
	21,923,556	2,977.16	20,763,556	2,861.16
Subscribed & Paid up				
Equity Shares of ₹ 10 each	14,522,290	1,452.23	13,362,290	1,336.23
0.1% Cumulative Redeemable Preference shares of ₹ 100 each	400,000	400.00	671,600	671.60
5% Non-cumulative Redeemable Preference shares of ₹ 100 each	200,000	200.00	200,000	200.00
	15,122,290	2,052.23	14,233,890	2,207.83
Forfeited Shares :		177.30		177.30
Total	15,122,290	2,229.53	14,233,890	2,385.13

- (a) 80,32,267/- Equity shares of ₹ 10 each are allotted as fully paid up by way of Bonus shares by capitalisation of reserves.
- (b) 400,000 0.1% Cumulative Redeemable Preference shares of ₹ 100 each are allotted as fully paid up without payment being received in cash as per the scheme of restructuring package with IDBI.
- (c) 200,000 5% Non-Cumulative Redeemable Preference shares of ₹ 100 each are allotted as fully paid up.
- (d) Disclosure pursuant to Note no. 6(A)(d) of Part I of Schedule VI to the Companies Act, 1956.

Particulars	Equity Shares		0.1% Cum. Red. Preference Shares		5% Non-Cum. Red. Preference Shares	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Shares outstanding at the beginning of the year	13,362,290	13,362,290	671,600	671,600	200,000	200,000
Shares Issued during the year	1,160,000	-	-	-	-	-
Shares redeemed /bought back during the year	-	-	271,600	-	-	-
Shares outstanding at the end of the year	14,522,290	13,362,290	400,000	671,600	200,000	200,000

- (d) Disclosure pursuant to Note no. 6(A)(g) of Part I of Schedule VI to the Companies Act, 1956 (if more than 5%)

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Smt. Satyabhama Bai	3023032	20.82%	2580832	19.31%
Sri P. K. Agarwal	1478472	10.18%	1258272	9.42%
Sri L N Agarwal	1364516	9.40%	1164916	8.72%
Master Vedanth Agarwal	1065356	7.34%	909506	6.81%
Smt. Padmini Agarwal	971815	6.69%	829665	6.21%

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012
(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 2 RESERVES & SURPLUS		
a. Capital Redemption Reserve		
At the commencement of the year	2.09	2.09
Closing Balance	2.09	2.09
b. Securities Premium Account		
At the commencement of the year	5,404.51	5,404.51
Add : on issue of Equity Shares	1,450.00	-
Closing Balance	6,854.51	5,404.51
c. Investment Allowance Reserve (Utilised)		
At the commencement of the year	109.41	109.41
Closing Balance	109.41	109.41
d. Export Allowance Reserve		
At the commencement of the year	2.67	2.67
Closing Balance	2.67	2.67
e. Preference Capital Redemption Reserve		
At the commencement of the year	671.60	671.60
Closing Balance	671.60	671.60
f. Special capital incentive		
At the commencement of the year	30.00	30.00
Closing Balance	30.00	30.00
g. General Reserve		
At the commencement of the year	2,800.81	2,400.81
(+) Current Year Transfer	300.00	400.00
Closing Balance	3,100.81	2,800.81
h. Surplus		
At the commencement of the year	3,355.21	751.17
Add : For the current year	2,853.42	3,515.19
Less : Proposed Dividend on Equity Shares	363.06	200.44
Proposed Dividend on Preference Shares	0.49	0.67
Interim Dividend	-	133.62
Corporate Dividend Tax	58.98	54.82
Preference Capital Redemption Reserve	-	121.60
Transfer to General Reserve	300.00	400.00
Closing Balance	5,486.10	3,355.21
Total	16,257.19	12,376.30

Note 2A MINORITY INTEREST		
Share Capital	218.79	218.79
Security Premium	213.59	213.59
Profit / (Loss)	(138.71)	(160.75)
	293.67	271.63

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 3 LONG TERM BORROWINGS		
SECURED		
A)		
(I) Term loans		
from banks (Under TUFs)		
(a) IDBI Bank Ltd. - TUF Scheme-I	–	61.51
(b) IDBI Bank Ltd. - 1	55.69	63.94
(c) IDBI Bank Ltd. - 2	433.09	497.25
(d) IDBI Bank Ltd. - TUF Scheme-II	3,764.00	4,966.50
(e) IDBI Bank Ltd. - 3	47.85	55.22
(f) IFCI Ltd. - II	–	–
(g) State Bank of India - TUFs - I	1,685.00	2,167.00
(h) State Bank of India - TUFs - II	2,526.00	3,249.00
(i) State Bank of Mysore - TUFs	691.00	860.00
(j) State Bank of India (Subsidiary)	844.50	1,085.49
(k) Andhra Bank	1,196.26	1,211.01
(l) State Bank of Travancore	1,949.11	–
(m) State Bank of Hyderabad - TUFs	1,478.02	–
(ii) Foreign Currency Loans :		
(a) IDBI Bank Ltd. - ECB (USD 9 Million)	4,290.12	–
	18,960.64	14,216.92

Note:

- The Loans referred at (a) to (f), (h) to (i) above are secured by mortgage of (present & future) movable and immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the Company in their personal capacities.
- The Loan referred at (j) above is secured by mortgage of present and future movable and immovable properties of the subsidiary Company and guaranteed by two Directors of the Company.
- The Loan referred at (k) above is secured by mortgage of the fixed assets created by virtue of the said term loan for the present movable and immovable properties of the Company on first charge pari passu basis.
- The Loan referred to in (g) above is secured by hypothecation of specified plant and machinery as per the scheme and guaranteed by two Directors of the Company.
- The Loan referred to in (i)-(l) & (ii)-(a) are secured by pari passu first charge on the entire fixed assets (movable & immovable, present & future) of the Company & second pari passu charge on the current assets of the Company with existing term lenders, guaranteed by two Directors of the Company.
- The Loan referred to in (i)-(m) is secured by pari passu first charge on the entire fixed assets (present & future) of the Company & second pari passu charge on the current assets of the Company with existing term lenders, guaranteed by two Directors of the Company.

Terms of Repayment:

Particulars	Sanction Date	Rate of Interest	Quarterly Instalments
a. IDBI - TUF Scheme - 1	31.03.2004	13.00%	3
b. IDBI-1	04.12.1997	10.25%	23
c. IDBI-2	28.09.1995	10.25%	23
d. IDBI Tuf Scheme -II	15.12.2005	9.88%	15
e. IDBI-3	28.09.1995	14.25%	23
f. SBI-TUF Scheme-1	12.08.2005	14.25%	16
g. SBI-TUF Scheme-II	25.01.2006	14.25%	16
h. SBM-TUF Scheme	28.04.2006	15.25%	16
i. State Bank of India TUFs	14.11.2005	15.25%	15
j. Andhra Bank - TUF Scheme	04.09.2010	15.00%	27
k. SBH under TUF Scheme	13.07.2011	15.00%	24
l. SBT	22.06.2011	14.50%	35
m. IDBI Bank (ECB)	12.07.2011	6 MONTH LIBOR +300 BASIC POINTS	23

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 3 LONG TERM BORROWINGS (Contd.)		
Other loans and advances		
b) Vehicle Hire Purchase Loan	12.19	7.97
from Kotak Mahindra Prime Limited		
Hire Purchase Loan above are secured by hypothecation of the respective asset and guaranteed by one of the Directors of the Company		
Terms of Repayment : Monthly instalments	12.19	7.97
Unsecured		
c) Other Long Term Borrowings		
(I) Deposits		
From others Fixed deposits	2.00	2.00
(II) Loans and advances from related parties		
Unsecured Loan from Directors	75.09	71.20
Fixed Deposits from related parties	109.00	274.00
Inter-corporate Deposits	836.62	596.53
	1,022.71	943.73
d) Deferred Sales Tax Liability	195.04	200.16
	195.04	200.16
Total (a+b+c+d) :	20,190.58	15,368.78

The Salestax deferment liability amounting to ₹ 195.04 lakhs shown under unsecured loans above, is due for repayment as under.

Year	Amount ₹ Lakhs	Repayment due on
1999-2000	29.88	01.04.2013
2000-2001	28.73	01.04.2014
2001-2002	22.28	01.04.2015
2002-2003	20.52	01.04.2016
2003-2004	7.85	01.04.2017
2004-2005	3.27	01.04.2018
2006-2007	5.14	01.04.2020
2007-2008	0.41	01.04.2021
2008-2009	19.56	01.04.2022
2009-2010	57.40	01.04.2023
Total	195.04	

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 4 LONG TERM PROVISIONS		
(a) Provision for employee benefits		
Gratuity (unfunded)	161.83	74.79
Leave Encashment (unfunded)	68.78	65.81
Total	230.61	140.60

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 5 SHORT TERM BORROWINGS		
Secured		
(a) Loans repayable on demand from banks		
(I) State Bank of India		
Cash Credit	881.51	5,683.70
Packing Credit	1,977.78	2,105.17
SLC	500.00	400.00
STL	2,000.00	–
WCDL FCNRB	2,302.04	–
(II) State Bank of Hyderabad		
Cash Credit	322.44	876.97
Packing Credit	459.56	753.69
Packing Credit in Foreign Currency	298.70	–
SLC	300.00	300.08
STL	600.00	–
(III) State Bank of Mysore		
Cash Credit	59.50	1,195.12
STL	1,000.00	–
Packing Credit	303.19	–
(IV) IDBI Bank Ltd.		
Cash Credit	866.34	843.66
Packing Credit	–	500.00
STL	500.00	–
	12,371.06	12,658.39
(b) Other loans and advances		
Vehicle Hire Purchase Loan from Kotak Mahindra Prime Limited	22.29	20.54
	22.29	20.54
Unsecured		
(a) Loans and advances from related parties		
Fixed Deposits from related parties	17.25	222.50
	17.25	222.50
Total	12,410.60	12,901.43

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 and its subsidiary on pari-passu basis and further guaranteed by two Directors of the Company in their personal capacities.

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 6 OTHER CURRENT LIABILITIES		
(a) Current maturities of long-term debt		
Term Loan under TUFs from Bank		
(a) IDBI Bank Ltd. - TUF Scheme-I	61.51	92.51
(b) IDBI Bank Ltd. - 1	8.25	8.25
(c) IDBI Bank Ltd. - 2	64.16	64.16
(d) IDBI Bank Ltd. - TUF Scheme-II	1,202.50	1,072.50
(e) IDBI Bank Ltd. - 3	7.36	7.36
(f) IFCI Ltd. - II	–	81.34
(g) State Bank of India - TUFs - I	482.00	321.75
(h) State Bank of India - TUFs - II	723.00	482.25
(i) State Bank of Mysore - TUFs	169.00	21.00
(j) State Bank of India (Subsidiary)	241.00	243.50
(k) Andhra Bank	212.72	53.18
(l) State Bank of Travancore	200.00	–
(m) State Bank of Hyderabad - TUFs	300.00	–
(ii) Foreign Currency Loans :		
(a) IDBI Bank Ltd. - ECB (USD 9 Million)	313.97	–
	3,985.47	2,447.80
(b) Interest accrued but not due on borrowings	154.06	143.58
(c) Unpaid dividends	10.21	10.78
(d) Creditors for Capital purchases	390.46	168.99
(e) Other payables	1,073.79	770.86
(f) Other payables - Statutory dues	105.63	125.85
(g) Advances received against sales	99.91	226.72
(h) Sales tax deferment payable	5.11	5.39
	1,839.17	1,452.16
Total	5,824.64	3,899.96

Note 7 SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
Salary & Reimbursements	238.36	241.53
Contribution to PF & ESI	20.89	16.73
Gratuity (Funded)	24.00	–
Bonus Payable	150.87	148.07
(b) Others (Specify nature)	–	–
Proposed Preference Shares dividend	0.49	0.67
Proposed Equity Shares dividend	363.06	200.43
Corporate Dividend Tax	58.98	32.63
Provision for Income Tax (Net)	169.74	97.17
Total	1,026.39	737.23

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

Note 8 FIXED ASSETS

(Figures in ₹ Lakhs)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at 1 April 2011	Additions	Disposals	As at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	On disposals	Balance 31 March 2012	Balance 31 March 2012	Balance as at 1 April 2011
a. Tangible Assets										
Land	371.22	64.49		435.71	-	-	-	-	435.71	371.22
Buildings :										
Factory Buildings	5,431.12	72.17	-	5,503.29	1,146.97	182.53	-	1,329.50	4,173.79	4,284.15
Non-Factory Buildings	2,090.92	149.84	-	2,240.76	241.96	35.48	-	277.44	1,963.32	1,848.96
Township	455.94	121.36	-	577.30	26.69	7.56	-	34.25	543.05	429.25
Plant and Equipment :										
Workshop Equipment	7.16	0.66	-	7.82	2.03	0.33	-	2.36	5.46	5.13
Plant and Machinery	32,182.41	2,833.98	1,631.93	33,384.46	14,683.42	2,074.66	1,550.34	15,207.74	18,176.72	17,498.99
Testing Equipment	315.86	6.74	-	322.60	94.65	14.91	-	109.56	213.04	221.21
Electrical Installations	2,338.73	20.27	-	2,359.00	737.28	111.49	-	848.77	1,510.23	1,601.45
Weighing Machines	26.89	0.83	-	27.72	13.89	1.15	-	15.04	12.68	13.00
Water Works	185.30	278.88	-	464.18	27.33	14.10	-	41.43	422.75	157.97
Furniture and Fixtures	276.24	24.94	-	301.18	135.96	23.47	-	159.43	141.75	140.28
Office equipment	12.75	1.20	-	13.95	3.96	0.85	-	4.81	9.14	8.79
Vehicles	155.74	35.66	18.23	173.17	49.91	18.11	8.92	59.10	114.07	105.83
Data Processing Equipment	129.82	7.34	-	137.16	85.14	13.56	-	98.70	38.46	44.68
Total	43,980.10	3,618.36	1,650.16	45,948.30	17,249.19	2,498.20	1,559.26	18,188.13	27,760.17	26,730.91
b. Intangible Assets										
Computer software	35.60	30.48	-	66.08	19.69	7.39	-	27.08	39.00	15.91
Total	35.60	30.48	-	66.08	19.69	7.39	-	27.08	39.00	15.91
c. Capital Work In Progress	1,015.69	11,670.86	3,648.84	9,037.71	-	-	-	-	9,037.71	1,015.69
Total	1,015.69	11,670.86	3,648.84	9,037.71	-	-	-	-	9,037.71	1,015.69
Total (a+b+c)	45,031.39	15,319.70	5,299.00	55,052.08	17,268.88	2,505.59	1,559.26	18,215.21	36,836.88	27,762.51
Less : Internal Transfers		3,648.84	3,648.84							
Total :	45,031.39	11,670.86	1,650.16	55,052.08	17,268.88	2,505.59	1,559.26	18,215.21	36,836.88	27,762.51
Previous Year	40,883.16	4,198.35	50.12	45,031.39	15,003.25	2,312.67	47.04	17,268.88	27,762.51	25,879.91

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 9 LONG TERM LOANS AND ADVANCES		
a. Deposits Recoverable	280.62	219.52
(Unsecured considered good)		
(Telephone, APSEB Electricity, Coal Deposit & other deposits)		
b. Security Deposit	0.11	0.11
(Secured, considered good)		
(NSC pledged as security for ₹ 1000/- with Central Excise Dept. & ₹ 10,000/- with Sales Tax Dept.)		
Total	280.73	219.63

Note 10 OTHER NON-CURRENT ASSETS

I. Miscellaneous Expenses :		
(To the extent not written off or adjusted)		
(a) Preliminary Expenses	0.40	0.60
Less : Written off during the year	-0.20	-0.20
Sub-Total (a)	0.20	0.40
(b) Pre-operative expenses :	0.19	0.29
Less : Written off during the year	-0.10	-0.10
Sub-Total (b)	0.09	0.19
(c) Trial Run Expenses :	170.72	199.17
Less : Written off during the year	-28.45	-28.45
Sub-Total (c)	142.27	170.72
Total (a+b+c)	142.56	171.31

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 11 CURRENT INVESTMENTS		
(At Cost - Traded - Quoted)		
(a) Investment in Equity instruments		
1,02,100 Equity Shares of ₹ 10/- each in Suryavanshi Spinning Mills Ltd.	105.19	105.19
Less : Provision for diminution in the value of Investments	92.94	82.22
	12.25	22.97
(b) Investments in Mutual Funds		
SBI Mutual Fund	300.13	-
Total	312.38	22.97

(Aggregate market value of Quoted investments - ₹ 312.39 Lakhs (Previous Year ₹ 22.97 Lakhs))

Note 12 INVENTORIES		
(Valued and certified by the Management)		
a. Raw Materials (Valued at cost on weighted average basis)	4,216.08	6,715.64
b. Stores and spares (Valued at cost on weighted average basis)	1,584.72	1,089.02
c. Finished goods (Valued at lower of cost or net realisable value basis)	3,253.98	2,328.94
b. Work-in-progress (Valued at lower of cost or net realisable value basis)	2,467.93	3,142.62
g. Others - Cotton & PV Waste (at realisable value)	13.39	15.26
Total	11,536.10	13,291.48

Note 13 TRADE RECEIVABLES		
Receivables for a period exceeding six months		
Unsecured, considered good	112.55	137.22
Unsecured, considered doubtful	60.27	60.27
Less: Provision for doubtful debts	-60.27	-60.27
	112.55	137.22
Receivables for a period less than six months		
Unsecured, considered good	9,627.46	6,878.93
	9,627.46	6,878.93
Total	9,740.01	7,016.15

Note 14 CASH AND CASH EQUIVALENTS		
a. Balances with Banks		
With Scheduled Banks	344.42	37.38
b. Cash on hand	20.85	22.12
c. Balance with Banks against Dividends payments	10.21	10.78
d. Balance with Banks against Margin Money / Guarantees	228.79	222.89
e. Fixed Deposits	12.11	689.95
f. Post office Savings Bank	0.01	0.01
Total	616.39	983.13

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 15 SHORT-TERM LOANS AND ADVANCES		
(Unsecured considered good)		
a. Advances for Capital purchases (Plant & Machinery to be received in 2012-13)	703.29	656.80
b. Advances for purchases of Raw Material & Stores	264.84	1,351.48
c. Advances to Staff	31.70	28.77
d. Other Advances	1,236.93	736.93
	2,236.76	2,773.98
Disclosure pursuant to Note no.R (iv) of Part I of Schedule VI to the Companies Act, 1956		
Other officers of the Company *	21.60	21.68
	21.60	21.68

Note 16 OTHER CURRENT ASSETS

TED Refund receivable	531.26	219.68
Interest subsidy receivable	327.67	687.07
Deposits recoverable	139.30	692.74
Claims/Other Receivable	1,408.85	1,204.29
Export Benefit Entitlement Receivable	433.90	689.24
Pre-paid expenses	131.32	43.87
Excise Duty Refund Receivable	45.16	207.29
Balance With Central Excise Department	2.93	12.37
Accrued interest	33.10	29.78
Miscellaneous Expenses	–	61.77
	3,053.49	3,848.10

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
Note 17 SALE OF PRODUCTS		
Yarn	26,995.31	23,320.82
Fabric	38,087.40	35,280.09
Waste	455.31	547.73
Garments	4,225.97	2,896.59
Total Sales :	69,763.99	62,045.23
Other operating revenues	–	–
Less:		
Excise duty	623.24	337.01
Total	69,140.75	61,708.22

Note 18 OTHER INCOME		
Interest Income	53.43	37.62
Dividend Income	0.58	0.09
Export Benefit entitlement	890.64	1,144.62
Excess provisions written back	36.08	2.33
Packing & Forwarding collection charges	12.92	18.42
Scrap Sales	51.47	34.84
Profit on sale of Assets	–	18.13
Increase in value of investments	–	1.89
Miscellaneous Receipts	16.45	57.39
Total	1,061.57	1,315.33

Note 19 COST OF MATERIALS CONSUMED		
Opening Stocks	6,715.64	3,211.49
Add : Purchases	39,946.53	39,069.32
	46,662.17	42,280.81
Less : Cost of Raw materials sold	–	56.30
Less : Closing Stocks	4,216.08	6,715.64
	42,446.09	35,508.87

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
Note 20 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
(INCREASE)/DECREASE IN STOCKS		
OPENING STOCKS:		
Yarn	570.23	674.84
Fabric	1,405.03	1,858.23
Garments	353.68	162.18
Work-in-process	3,142.62	2,431.15
Cotton Waste	15.26	20.19
	5,486.82	5,146.59
CLOSING STOCKS:		
Yarn	742.91	570.23
Fabric	2,062.71	1,405.03
Garments	448.36	353.68
Work-in-process	2,467.93	3,142.62
Cotton Waste	13.39	15.26
	5,735.30	5,486.82
(INCREASE)/DECREASE IN STOCKS	-248.48	-340.23

Note 21 EMPLOYEE BENEFITS EXPENSE

(a) Salaries and incentives	3,240.17	2,888.80
(b) Contributions to Provident Fund	185.94	152.78
(c) Gratuity fund contributions	121.04	31.01
(d) Contributions to Employee State Insurance	20.95	15.80
(e) Staff welfare expenses	219.09	160.41
Total	3,787.19	3,248.80

Note 22 FINANCE COST

Interest expense	2,888.07	2,228.45
Other borrowing costs	123.95	267.17
Net gain/loss on foreign currency transactions & translation	154.87	-0.33
Total	3,166.89	2,495.30

Note 23 DEPRECIATION AND AMORTISATION EXPENSE

Depreciation	2,505.59	2,312.67
Amortisation expense	90.52	116.66
	2,596.11	2,429.33

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year		Previous Year	
	31 March 2012		31 March 2011	
Note 24 OTHER EXPENSES				
Stores & spare parts consumption :				
Consumable Stores	1,120.22		1,190.38	
Dyes and Chemicals	3,561.94		3,868.26	
Packing Material Consumed	556.80	5,238.96	540.55	5,599.19
Power & Fuel :				
Electricity Charges	4,484.12		3,700.73	
Fuel Consumed	913.58	5,397.70	825.72	4,526.45
Rent		12.50		14.01
Security Charges		42.11		19.71
Rates & Taxes		611.03		504.05
Printing & Stationery		34.21		35.07
Postage, Telegrams & Telephones		53.33		73.48
Travelling & Conveyance		154.37		145.97
Directors' Sitting fees & Travelling expenses		6.15		5.95
Advertisements		12.42		15.05
Expenses on Sales		969.87		1,027.98
Commission on Sales		195.70		338.36
Insurance		74.71		86.14
Legal & Professional Charges		80.16		104.23
Payments to auditors :				
As auditor :	2.13		2.10	
for taxation matters	0.73		0.71	
for Certification	1.53	4.39	1.01	3.82
Repairs to : Buildings		68.13		46.79
: Machinery		798.08		791.96
: Other Assets		31.14		28.42
Vehicle Maintenance		67.72		68.73
Miscellaneous Expenses		322.73		329.78
Donations		22.91		15.51
Loss on sale of assets		29.09		0.17
Bad debts and Debit Balances written off		1.09		2.27
Investments written off		10.72		-
Claims written off		-		34.33
Other Manufacturing expenses		155.32		197.14
Managerial remuneration		204.27		189.40
Total		14,598.81		14,203.96

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	As at 31.03.2012	As at 31.03.2011
Note 25		
NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2012 AND STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON THAT DATE.		
1. Contingent Liabilities not provided for		
a) Contracts to be executed on capital accounts.	5557.80	11532.39
b) Against Foreign Letters of Credit & Inland Letter of Credit	257.05	96.44
c) Against Bank Gaurantees	767.37	133.67
d) Against Bills discounted	2308.17	4489.84
e) 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.	78.50	78.50
f) 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.	32.89	32.89
g) 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.	58.74	58.74
h) 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.	28.82	28.82

2. The legal proceedings against M/s.Rajvir Industries Ltd., for the recovery of the balance outstanding in the books of the company of ₹ 236.93 lakhs (Previous year ₹ 236.93 lakhs) are pending.
3. Claim against the company not acknowledged as debts :
M/s Rajvir Industries Limited has filed a suit against the company claiming export incentives allegedly due to them amounting to ₹ 295.70 Lakhs relating to export performance of erstwhile Mahabubnagar Unit of the periods prior to demerger. The Company has been advised that the claim is not admissible and is taking adequate steps to resist the claim.
4. Three cases have been filed against the Company for amounts totaling to ₹ 1348 lakhs 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 the absence of any legally enforceable debt or liability the company has been advised that the complaints are not maintainable and no liability is likely to arise.
5. Rajvir Industries Ltd., has filed an application before the Hon,ble High court of Andhra Pradesh for modification of the Order of the High Court in the scheme of arrangement for transfer of the liability of ₹ 1000 lakhs to the company. The application has been dismissed with costs by the High Court and the applicant has preferred an appeal before the High Court which is pending.
6. An order has been received from the office of DGFT Hyderabad for alleged violation of Target plus scheme to recover ₹ 3807 lakhs including interest and penalties. Apart from this a penalty of ₹ 25 lakhs each on CMD and MD and ₹ 5 lakhs on some other Directors of the company has been imposed. The High Court of Andhra Pradesh has granted an interim stay on the dismissal of the appeal by the Company. The Company in compliance with the orders of the High Court has paid ₹ 500 lakhs to DGFT, Hyderabad. (The Company has already paid ₹ 500 lakhs to DRI in the same matter). A show cause notice on the same issue was issued by DRI. The Company has been advised that no liability is likely to arise under the notice as the allegations are unfounded and the company is taking adequate steps to defend itself.

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

Note 25 (Contd.)

11. 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 31.03.2012	Previous Year 31.03.2011
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	62.43	57.77
		b) Interest (Gross)	2.00	2.63
		c) Commission	24.00	21.10
Shri P K Agarwal Managing Director	Key Management	a) Remuneration	54.76	55.70
		b) Interest (Gross)	1.51	2.20
		c) Commission	21.00	21.36
Shri L N Agarwal (HUF)	Key Management	Interest (Gross)	1.68	1.31
Shri H L Ralhan Director	Key Management	Remuneration	27.07	22.38
Smt Sathyabhamabai	Wife of Shri L N Agarwal	Interest (Gross)	10.76	20.98
Smt Padmini Agarwal	Wife of Shri P K Agarwal	a) Interest (Gross)	5.61	11.90
		b) Remuneration	15.00	11.08
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	Interest (Gross)	5.91	3.87
Master Vedanth Agarwal	Son of Shri P K Agarwal	Interest (Gross)	4.98	4.93
Smt Sabita Jain	Daughter of Shri LN Agarwal	Office Rent	4.20	4.20
M/s. Suryalata Spinning Mills Ltd.	Enterprises in which the relatives of key management personnel are interested	a) Purchase of Raw material	23.08	28.60
		b) Sale of Raw material	23.08	0.00
M/s. Suryajyothi Spinning Mills Ltd.	Enterprises in which the relatives of key management personnel are interested	a) Sale of Yarn	96.75	0.39
		b) Sale of Fabric	0.00	0.18
		c) Purchase of Fabric	0.00	271.59
		d) Sale of RM	49.33	0.00
		e) Purchase of RM	49.33	0.00
M/s. Suryavanshi Spinning Mills Ltd.	Enterprises in which the relatives of key management personnel are interested	Sale of PSF	0.00	0.45
M/s. Suryavanshi Industries Ltd.	Enterprises in which the relatives of key management personnel are interested	Cotton Purchases	208.13	389.19
M/s. Jayman Dealer Pvt Ltd.	Enterprises in which the relatives of key management personnel are interested	a) Claim of Fabric	0.00	8.50
		b) Interest (Gross)	5.87	0.00
		c) Rent	0.60	0.00
M/s. S V P Distributors Pvt Ltd.	Enterprises in which the relatives of key management personnel are interested	Interest (Gross)	36.75	33.24
b) Balance as at 31-03-2012 (Payable)				
Shri L N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	4.70	2.50
		b) Interest (net)	11.85	11.92
		c) Unsecured Loan	43.50	27.50
		d) Commission	16.58	21.10
Shri P K Agarwal Managing Director	Key Management	a) Remuneration	4.40	2.35
		b) Interest (net)	8.08	8.06
		c) Unsecured Loan	12.00	25.00
		d) Commission	14.51	21.36
Shri L N Agarwal (HUF)	Key Management	a) Interest (net)	0.33	0.45
		b) Deposits	38.50	20.50

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

Note 25 (Contd.)

11. Related Party Disclosure (Contd.)

(Figures in ₹ Lakhs)

Name of the Party	Relationship	Nature of Transaction	Current Year 31.03.2012	Previous Year 31.03.2011
Shri H L Ralhan Director	Key Management	Remuneration	1.42	1.30
Smt Sathyabhamabai	Wife of Shri L N Agarwal	a) Interest (net) b) Deposits	0.18 22.00	7.04 196.75
Smt Padmini Agarwal	Wife of Shri P K Agarwal	a) Interest (net) b) Remuneration c) Deposits	0.10 6.39 10.00	4.06 9.47 160.50
Kum Aparna Agarwal	Daughter of Shri P K Agarwal	a) Interest (net) b) Deposits	6.62 55.75	1.31 44.75
Master Vedanth Agarwal	Son of Shri P K Agarwal	a) Interest (net) b) Deposits	0.00 0.00	1.67 74.00
Smt Sabita Jain	Daughter of Shri LN Agarwal	Office Rent	3.05	1.89
M/s. S V P Distributors Pvt Ltd.	Enterprises in Which the relatives of key management personnel are interested	a) Interest (net) b) Deposits	51.90 719.50	46.42 568.00
M/s. Jayman Dealer Pvt Ltd.	Enterprises in Which the relatives of key management personnel are interested	a) Interest (net) b) Deposits c) Rent	5.28 85.00 0.60	0.00 0.00 0
M/s. Suryavanshi Industries Ltd.	Enterprise in which the relatives of Key Management personnel are interested.	Purchase of R.M.	32.36	0.00
c) Receivable as at 31.03.2012				
M/s. Suryavanshi Industries Ltd.	Enterprise in which the relatives of Key Management personnel are interested.	Sale of Raw Material	0.00	10.81
M/s. Jayman Dealer Pvt Ltd.	Enterprises in Which the relatives of key management personnel are interested	Claim of Fabric	0.00	8.50

8. Pursuant to Scheme of restructuring package of Term Loans the Company has allotted 0.1% Cumulative Redeemable Preference Shares of ₹ 100/- each on 28th October, 2002 to IDBI and IFCI. Out of which the company has redeemed ₹ 271.60 Lakhs on 31.07.2011 to IFCI & the balance of ₹ 400 Lakhs to be redeemed to IDBI before May,2012.
9. 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.
10. 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.
11. 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 ₹ 2609 lakhs from the Insurance Company including salvage. The part claim of ₹ 490 lakhs which is still to be settled by the Insurance Company is shown under Claims receivable.

Notes forming part of the Consolidated Financial Statements (Contd.) as at 31st March, 2012

Note 25 (Contd.)

12. Repayment of 2,00,000 - 5% Non-Cumulative redeemable Preference Shares of ₹ 100/- each redeemable on 21st December, 2021.
13. Trial Run Expenditure of ₹ 2,84,52,771/- treated as Deferred Revenue Expenditure, to be written off in 10 years.
14. Consequent to the Notification under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared under Revised Schedule VI accordingly. The Previous year's figures also have been reclassified to conform to this year's classification.

Note 26 SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS :

1. Principles of Consolidation :

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

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

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

2. Accounting Convention :

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

3. Fixed Assets :

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

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

4. Inventories :

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

5. Investments :

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

6. Contingent Liabilities and Provisions :

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

7. Retirement Benefits :

All the employees are eligible for retirement benefits like Provident Fund and Leave encashment. Contribution to Provident Fund are made at preascertained rate and remitted to the concerned authorities on accrual basis. Leave encashment is provided on the basis of actuarial valuation. In respect of Gratuity, the Company has covered the gratuity liability by obtaining the group gratuity policy. The premium charged by Life Insurance Corporation of India is paid as stipulated and charged to Profit and Loss Account. In respect of subsidiary Company employees, provision is made towards gratuity liabilities on the basis of actuarial valuation.

Notes forming part of the Consolidated Financial Statements (*Contd.*) as at 31st March, 2012

Note 26 SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS (*Contd.*)

8. Foreign Exchange Transactions :

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

9. Impairment of Assets :

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

10 Sales :

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

11 Provision for taxation :

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

12 Miscellaneous Expenditure

Miscellaneous Expenses is written off over a period of 10 years commencing from 2003-04 in respect of Preliminary and Preoperative Expenses and from 2007-08 in respect of Trial Run Expenses.

per Our Report of even date
for **Brahmayya & Co**
Chartered Accountants
Firm Registration No. 0005135

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

K. S. Rao
Partner
Membership No.15850
Place : Hyderabad
Date : 17.05.2012

P. S. Subramanyam
Vice President (Finance)

P. K. Agarwal
Managing Director

E.V.S.V. Sarma
Company Secretary

Navrang Lal Tibrewal
Director

Consolidated Cash Flow Statement for the year ended 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET : PROFIT /(LOSS) BEFORE TAX	3,855.71	5,155.60
Adjustment for		
Add: Depreciation & Amortisation expense	2,596.11	2,429.33
Finance costs	3,163.72	2,491.03
Debit balance written off	1.09	2.27
Loss on sale of assets	29.09	0.17
Diminution / (Increase) in Value of Current investments	10.72	(1.89)
	9,656.44	10,076.51
Less: Interest Income	53.43	37.62
Excess provision written back	35.38	0.85
Profit on sale of assets	–	18.13
	88.81	56.60
Operating profit before working capital changes	9,567.63	10,019.91
Adjustment for changes in :		
Decrease / (Increase) in Inventories	1,755.38	(3,537.51)
(Increase) in Trade Receivables	(2,689.56)	(2,004.21)
(Increase)/Decrease in Long Term Loans and advances	(61.10)	190.05
(Increase)/Decrease in Short Term Loans and advances	537.22	(1,327.05)
(Increase)/Decrease in Other Current Assets	736.16	(1,351.40)
Increase/(Decrease) in Trade & other payables	(568.47)	1,489.63
Cash generated from Operations	9,277.26	3,479.42
Income tax (Net)	(777.43)	(1,043.46)
Net cash generated from operating activities (A)	8,499.83	2,435.96
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of fixed assets	61.82	21.04
Interest received	50.11	31.09
Acquisition of fixed assets	(11,670.86)	(4,198.35)
Purchase of Current investments	(300.13)	–
Net cash used in Investing activities (B)	(11,859.06)	(4,146.22)

Consolidated Cash Flow Statement (Contd.) as at 31st March, 2012

(Figures in ₹ Lakhs)

Particulars	Current Year 31.03.2012	Previous Year 31.03.2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Share capital and Share premium	1,566.00	-
Redemption of Preference Share Capital	(271.60)	-
Share Warrant Application Money (appropriated)/received	(783.00)	783.00
Proceeds from Term Loans	8,729.19	1,264.19
(Decrease)/Increase in bank borrowings	(287.33)	4,593.52
Proceeds from Hire purchase loan	26.51	25.93
Proceeds from other unsecured borrowings	711.68	290.10
Repayment of Term Loan	(2,447.80)	(1,227.57)
Repayment of Hire Purchase loan	(20.54)	(9.61)
Repayment of other unsecured borrowings	(843.06)	(491.18)
Finance costs paid	(3,153.25)	(2,447.40)
Dividend paid	(201.68)	(264.20)
Dividend Distribution Tax paid	(32.63)	(44.50)
Net cash generated in Financing Activities (C)	2,992.49	2,472.28
Net (Decrease)/Increase in cash and cash equivalents (A+B+C)	(366.74)	762.02
Cash/Cash Equivalents at the Beginning of the year	983.13	221.11
Cash/Cash Equivalents at the end of the period	616.39	983.13

The notes referred to above, form an integral part of these financial statements.

per Our Report of even date

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

For and on behalf of the Board

L. N. Agarwal
Chairman & Managing Director

K. S. Rao
Partner
Membership No.15850

Place : Hyderabad
Date : 17.05.2012

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 ₹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

49th Annual General Meeting, 29th September, 2012, at 10.30 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 49th Annual General Meeting of the Company at "Triveni", Kamat Lingapur Hotel, 1-10-44/2 Chikoti Gardens, Begumpet, Hyderabad - 500016.

Signature of the member or the Proxy Attending the meeting

If Member, please sign here

If Proxy, please sign here

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

* Applicable for investors holding shares in electronic form.



SURYALAKSHMI COTTON MILLS LTD.

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

PROXY FORM

Folio No:		* DP ID	
		* Client ID	

I/We _____
 Of _____ being a member / member(s) of
 SURYALAKSHMI COTTON MILLS LIMITED hereby appoint _____ of
 _____ or failing him _____ of
 _____ as my/our proxy to attend and vote for me/us on
 my/our behalf at the 49th Annual General Meeting of the Company to be held on 29th September, 2012 and at any adjournment
 thereof.

As witness my/our hand(s) this _____ day of _____ 2012

Signed by the said _____



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.

CORPORATE INFORMATION

Board of Directors

Sri L.N. Agarwal	Chairman and Managing Director
Sri Paritosh K. Agarwal	Managing Director
Sri R. Surender Reddy	
Dr. A. Nageswara Rao	
Sri Navrang Lal Tibrewal	
Sri R.S. Agarwal	
Sri R.S. Vidyasagar	Nominee - IDBI Bank Limited
Sri H L Ralhan	Director and Chief Executive (Denim Division)
Sri V.S.V. Rao	Nominee - IFCI

Company Secretary

Sri E.V.S.V.Sarma

Vice-President (Finance)

Sri P.S.Subramanyam

Auditors

M/s.Brahmayya & Co
Hyderabad

Bankers

State Bank of India
Industrial Finance Branch
Hyderabad
State Bank of Hyderabad
Commercial Branch
Secunderabad
State Bank of Mysore
Sarojini Devi Road, Secunderabad
IDBI Bank Limited
Saidapet, Chennai.

Registered Office

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

Factories

Yarn Division
Amanagallu
Mahabubnagar District
Andhra Pradesh – 509 321

Denim Division
Village Nagardhan
Tehsil Ramtek
Nagpur
Maharashtra – 440 010

Registrar & Transfer Agent

Karvy Computershare Private Limited,
Plot No 17-24, Vittalrao Nagar, Madhapur,
Hyderabad - 500 081
Phone Nos: (040) 44655208



SURYALAKSHMI COTTON MILLS LTD.

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