



Suryalakshmi Cotton Mills Limited

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Suryalakshmi Cotton Mills Limited

BOARD OF DIRECTORS

Sri L N Agarwal

Chairman & Managing Director

Sri Paritosh K Agarwal

Managing Director

Sri R Surender Reddy

Dr. A Nageswara Rao

Sri B Rama Rao

Sri Navrang Lal Tibrewal

Sri R S Agarwal

Sri K Sunil Kumar

Sri H L Ralhan

Sri N D Auddy

L N AGARWAL

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

PARITOSH K AGARWAL

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.

Suryalakshmi Cotton Mills Limited

BOARD OF DIRECTORS DR.AKKINENI NAGESWARA RAO

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

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.

B RAMA RAO

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

SUNIL KUMAR K

Sri Sunil Kumar K, is B.Tech., M.B.A., with wide experience in Capital Markets and Corporate Finance. He has been with UTI Ventures since 2003 and is their nominee on the Company's Board.

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.

N D AUDDY

Sri N.D. Auddy is General Manager, IFCI Limited, Hyderabad. A Chartered Accountant, he has been with IFCI Limited for the past 23 years. He is the Nominee Director of IFCI Limited.



Suryalakshmi Cotton Mills Limited

NOTICE

NOTICE is hereby given that the 45th Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on Monday, the 29th September 2008, at Rajdhani Hall, 1st Floor, Lions Bhavan, Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad – 500 003 at 11.00 A.M to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2008 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, 2008.
3. To appoint a Director in the place of **Dr. A. Nageswara Rao** who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of **Sri R. Surender Reddy** who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS:

- 6. TO CONSIDER AND IF THOUGHT FIT TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION.**

“RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956, Sri Sunil Kumar K. be and is hereby appointed as a Director of the

Company, whose period of office shall be liable to retire by rotation.”

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 General Meeting held on 31.07.2006 and subject to the provision of sections 198, 269, 309, 314 and other applicable provisions if any of the Companies Act, 1956 read with schedule XIII thereof as amended upto date, and the consent of the Term Lenders, the consent of the Company be and is hereby accorded to revision in the remuneration payable to Sri H.L.Ralhan as Director and Chief Executive –Denim Division for the remaining period of the term of his employment i.e. from 28.06.2008 to 29.01.2011 as under:

- a) Basic Pay and Allowances at Rs.1,29,220/- per month.
- b) Medical reimbursement and Leave Travel Allowance as per Company’s rules.

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

CATEGORY –A

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

CATEGORY – B

- i) the company shall provide a Car with driver and a telephone at the residence.

Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

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

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

“RESOLVED THAT the Company do hereby approve in terms of section 293 (1) (a) and other applicable provisions if any, of the Companies Act, 1956 the mortgaging and/or charging by the Board of Directors of the Company of all the movable and immovable properties of the Company wheresoever situate, present and future, of the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events to or in favour of State Bank of India (SBI) to secure the Corporate Loan of Rs. 25 crores on FIRST CHARGE BASIS and on.

SECOND CHARGE BASIS TO :

- a) State Bank of India (SBI) of its additional working capital facilities aggregating Rs.84.75 crores;
- b) State Bank of Hyderabad (SBH) of its additional working capital facilities aggregating Rs.20.72 crores;

- c) State Bank of Mysore (SBM) of its additional working capital facilities aggregating Rs.14.50 crores;
- d) State Bank of Indore (State Bank of Indore) of its working capital facilities aggregating Rs.21.78 crores ;

with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, cost, charges, expenses and other monies, payable by the Company vide its loan agreement(s) entered into by the Company.

Provided that the above mortgage/ charge in favour of SBI shall rank paripassu with the mortgages and or charges already created/ to be created by the company to secure the term loans sanctioned/ to be sanctioned by IDBI Ltd/IFCI/SBI/SBM and provided further that the above mortgage in favour of SBI/SBH/SBM /State Bank of Indore shall rank second and subservient to the charges created/to be created by the Company in favour of IDBI/IFCI/SBI/SBM to secure the term loans sanctioned/to be sanctioned by them.

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

By order of the Board

SECUNDERABAD
28th June, 2008

E.V.S.V. SARMA
COMPANY SECRETARY



Suryalakshmi Cotton Mills Limited

NOTES :

1. The register of members and share transfer books will be closed from 22nd September, 2008 to 29th September, 2008 (both days inclusive) for the purpose of Annual General Meeting.
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 :
6. The Companies Act, 1956 provides for the facility of nomination to the holders of Shares/Debentures/Fixed Deposits in a Company. Accordingly members can avail the facility of nomination in respect of their shares held either singly or jointly. Members desiring to avail this facility are requested to fill up the prescribed nomination form and send the same to the Registered Office of the Company.
7. The shares of the Company continue to be listed on the Stock Exchanges at Mumbai and on the National Stock Exchange and the Company has paid upto date all the listing fees to these Exchanges.
8. Members are requested to notify immediately any change in their addresses to the Company.
9. The Members are requested to bring their copy of the Annual Report with them at the time of attending Annual General Meeting.

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

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**ITEM NOS.3 &4****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.3:**DR. AKKINENI NAGESWARA RAO**

Dr. Akkineni Nageswara Rao is a Cine Artiste of international reputation who has been honoured with a Dada Saheb Phalke Award by the Government of India.

Names of the Companies in which he is a Director

1. Suryavanshi Spinning Mills Ltd.
2. Heart Entertainment Ltd.
3. Suryajyothi Spinning Mills Ltd.
4. Prasad Media Corporation Ltd.
5. Annapurna Apex Chemicals Pvt. Ltd.
6. Akkineni Agros Pvt. Ltd.
7. Heart Animation Academy Pvt. Ltd.
8. Annapurna Studios Pvt. Ltd.

ITEM NO.4**SRIR. SURENDER REDDY**

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

Names of the Companies in which he is a Director

1. Suryalata Spinning Mills Limited

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

ITEM NO.6

Sri Sunil Kumar K. was appointed as Additional Director of the Company by the Board of Directors at their meeting held on 30/01/2008 u/s.260 of the Companies Act, 1956 and hence vacates office at the ensuing Annual General Meeting. In this regard the Company has received notices required under Section 257 of the Companies Act, 1956 proposing his appointment as Additional Director of the Company.

Sri Sunil Kumar K. has been nominated by Unit Trust of India Investment Advisory Services Limited (UTI – IAS), in the place of Sri Baratam Srinivas who has since resigned.

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

The Board recommends the appointment of Sri Sunil Kumar K. to the members. Except Sri Sunil Kumar K. no other Director is interested in the matter.



Suryalakshmi Cotton Mills Limited

ITEM NO.7

Sri H.L. Ralhan was appointed as a Director and Chief Executive Denim Division with effect from 30th Jan 2006 on a remuneration of Rs.72,000/- per month PLUS perquisites. There has been no revision in his remuneration in the last 2 years. The Board of Directors in their meeting held on 28/06/2008 has approved the revision in his remuneration to Rs. 1,29,220/-.

This proposed revision has been approved by the Remuneration Committee in its meeting held on 28/06/2008.

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

ITEM NO.8

The Rupee Term Loans / Foreign Currency Loans sanctioned by the Financial Institutions are secured by First Charge by way of immovable properties. The working capital bankers have second charge over these movable and immovable properties as an additional security.

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

The Board recommends the resolution for the members' approval and ratification.

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

By order of the Board

SECUNDERABAD
28th June, 2008

E.V.S.V. SARMA
COMPANY SECRETARY

DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their Forty Fifth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2008.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2007-2008		2006-2007	
Gross Profit before Interest & Depreciation		3900.57		2597.19
Less : Interest	1748.90		1098.20	
: Depreciation	2004.15	3753.05	1872.90	2971.10
Profit/(Loss) before prior year adjustment		147.52		(373.91)
Prior year adjustment (Net)		(27.03)		501.05
Profit before tax for the year		120.49		127.14
LESS : Provision for Income Tax				
for the year	20.00		15.00	
Fringe Benefit tax	10.00	30.00	20.00	35.00
LESS : Deferred tax liability		55.54		89.98
Profit / (Loss) after tax		34.95		2.16
ADD : Profit brought forward from last year		2313.75		2312.35
		2348.70		2314.51
Dividend on Preference Share Capital		0.67		0.67
Corporate Dividend Tax		0.11		0.09
Profit transferred to Balance Sheet		2347.92		2313.75
		2348.70		2314.51



Suryalakshmi Cotton Mills Limited

OPERATIONS

The operations during the year under review ended with a profit of Rs.34.95 lakhs against Rs.2 lakhs during previous year. The turnover at Rs.357.04 crores was higher by 53% over the previous year.

Last year has been one of the extremely difficult periods for the textile industry in general and your company was no exception.

The euphoria generated by the abolition of quota regime and the impressive growth that immediately followed have given way to despair in the textile industry in the country. The recent appreciation in rupee against the US \$ to the extent of around 12% together with various other problems like high cost and non availability of the required varieties of cotton, excess capacity, high cost of power, labour issues etc. have resulted in fall in exports and sickness in the textile industry.

The operations in the Company's Denim Division were seriously affected due to an unfortunate fire accident in January 2008. One of the spinning units in the Denim Division was badly damaged, dislocating the operations. The new machinery are expected to be installed shortly and the Spinning Unit is expected to resume operations. Though the machinery is completely insured the dislocation in the operations was also responsible for the lower profits.

The production of Denim was higher by 10% compared to the previous year. Denim Industry continues to be adversely affected by glut in the supplies resulting in lower realization. There is only a marginal improvement in realization compared to the previous year. The turnover of the Denim Division has been higher by around 18% compared to the previous year. The commercial production of Bottom Weights has already commenced and the product has been received well by the market, though the realization is still low.

YARN

The production of Yarn in the Amanagallu Unit at 126.71 tonnes is higher by 41% over the previous year. The realization in Yarn has been adversely affected.

DIVIDEND

In view of the inadequacy of profits the Directors regret their inability to recommend Dividend.

CAPITALEXPENDITURE

During the year under review the company has incurred Capital Expenditure of Rs. 2,376 lakhs.

EXPORTS :

The exports during the year under review at Rs. 8,258 lakhs is higher by 80% over the previous year. The exports were badly affected by the appreciating rupee. During the year the Company added new niche customers like Marks & Spencer, George/ASDA, VF Europe and also reached new destinations like Serbia (Port Bar), Lao PDR. The Company has added many new value added items like 100% Excel Denim, Coated Denim, etc.

FUTURE OUTLOOK

The denim industry which is already reeling under excess capacity and low realization has been further hit by appreciating rupee and high cost and non availability of low staple fibre cotton and many units have resorted to production cuts.

Countries like Bangladesh and Turkey have in the recent past added capacities which have seriously affected the position of the domestic market in the Denim Industry. The supply demand mismatch is expected to last for some more time while the world demand for denim is expected to grow only around 3 to 4 % p.a. Many manufacturers have been forced to diversify into garmenting and speciality denim products like industrial textiles etc.

The Company has already been making only value added varieties of Denim fabric and is now increasing the variety of fancy and mercerized Denims where the price sensitivity is relatively low. The Company has also started making coated Denims which are speciality fashion products of high value consumed in high end expensive brands.

DIRECTORS

Pursuant to the Articles of Association of the Company **Sri R.Surender Reddy** and **Dr.A.Nageswara Rao** will retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

During the year Sri Sunil Kumar K. has been nominated as a Director by UTI Venture Funds in place of Sri Baratham Srinivas who has resigned from UTI Venture Funds.

Suryalakshmi Cotton Mills Limited

During the year Sri B. Rama Rao has been nominated as Director by IDBI in place of Sri.M.H.Kulkarni.

During the year Sri N.D. Auddy has been nominated as Director by IFCI on the Board of the Company.

CORPORATE GOVERNANCE

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms :

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

AUDITORS

With reference to the qualification by Auditors regarding the non-provision of derivative loss, your attention is invited to the explanation under the relevant note no. 6, Schedule 23, which is self-explanatory.

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

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

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

DEPOSITS

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

EMPLOYEES

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

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

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

ACKNOWLEDGEMENTS

The Board of Directors 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

28th June, 2008.
Secunderabad

LN AGARWAL
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

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

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

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

The above measures have reduced the cost of production.

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

FORM A

Form for disclosure of particulars with respect to conservation of energy

A. Power & Fuel consumption	2007-2008	2006-2007
1. ELECTRICITY		
a) Purchased		
Units (000)	80356	60398
Total amount (Rs. lakhs)	2585	2087
Rate / Unit (Rs.)	3.22	3.46
b) Own Generation		
Units (000)	75	434
Unit per ltr. of Diesel Oil	2.99	2.93
Cost / Unit (Rs.)	12.06	12.58
2. COAL (Rs. in lakhs)	466	298
3. FURNACE OIL	–	–
4. OTHERS / INTERNAL GENERATORS	38	55
B. Consumption per Unit of Production		
Electricity (No. of Units)	–	–
per kg./Yarn	2.65	2.82
per metre/Fabric	1.63	1.90
Furnace Oil	–	–
Coal (Specify Quality)	–	–
Others (Specify)	–	–

B. TECHNOLOGY ABSORPTION

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

Suryalakshmi Cotton Mills Limited

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 Company : The Company is having R & D in introduction and the development of value added products.
2. Benefits derived as a result of the above R&D : New value added products were developed.
3. Future plan of action : To further develop more value added products and improve the quality of the products.
4. Expenditure on R & D
 - (i) Capital Rs.60,06,419/-
 - (ii) Recurring Rs.12,62,089/-
 - (iii) Total Rs.72,68,508/-
 - (iv) Total R&D expenditure as a percentage of total turnover 0.21%

Technology absorption, adaptation and innovation

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

C. Foreign Exchange Earnings and Outgo :

- f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for production and service and export plans. : Exports exploration activities mainly include development of exports to new markets and increasing exports to traditional markets. (Rs. lakhs)

g) Total foreign exchange used and earned :		2007-2008	2006-2007
(i) Foreign Exchange Earned :			
	FOB Value of Exports	8043	4446
	CIF Value of Exports	8258	4567
(ii) Foreign Exchange used			
a.	Commission on export Sales	88	115
b.	Foreign Travel expenses	11	20
c.	Raw Material	334	789
d.	Plant & Machinery	98	1429
e.	Stores & Spares	767	1336
f.	Repayment of loans	555	709
g.	Interest	68	131
h.	Product Development Exp.	4	-

ANNEXURE 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, 2008.

Name	Age	Qualification	Date of Employment	Designation	Remuneration (Rs.)	Experience	Last Employment
Sri L.N. Agarwal	75	Under Graduate	22.06.2004	Chairman & Managing Director	24,00,000	48 years	Chairman & Managing Director, Suryalakshmi Cotton Mills Limited
Sri Paritosh K. Agarwal	35	Graduate	21.06.2005	Managing Director	24,00,000	16 years	Executive Director, Suryalakshmi Cotton Mills Limited

NOTE:

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

MANAGEMENT DISCUSSION AND ANALYSIS FORMING PART OF THE ANNUAL REPORT DISCUSSES BELOW THE FOLLOWING MATTERS WITH REFERENCE TO THE COMPANY'S CORE BUSINESS VIZ., YARN AND DENIM.

Industry structure, developments and product wise performance.

The Company manufactures Cotton, Polyester and Blended Yarns in its Spinning Division at Amanagallu in Mahabubnagar District, Andhra Pradesh and Denim Fabric at its Denim Division at Village Nagardhan, near Ramtek, Maharashtra.

Textile Industry continues to play a pivotal role in the economic life of the country. It contributes about 14% to industrial production 4% to the GDP and 15% to the country's foreign exchange earnings, and is the largest employer, next only to agriculture providing direct employment to about 38 million people. The textile industry is extremely complex and diversified ranging from small scale sector to highly sophisticated mills. The yarn industry comprises 3044 mills (including SSI) with installed spindleage of about 39.50 million. Three Fourths of the production in the spinning industry is from the private sector and the balance from the Cooperative / Public Sector units.

The euphoria generated by the abolition of quota regime and the impressive growth that immediately followed have given way to despair in the textile industry in the country. The recent appreciation in rupee against the US \$ to the extent of around 12% together with various other problems like high cost and non availability of the required varieties of cotton, excess capacity, high cost of power, labour issues etc. have resulted in fall in exports and sickness in the textile industry.

The rising rupee has highlighted the inherited problems in textile industry like fragmented set up, absence of economies of scale, geographically widely dispersed state of industry, outdated technology, several layers of stakeholders and unfriendly labour legislation, etc.

Considering the pivotal role played by the textile industry in the Indian economy the Government of India has attempted to mitigate the problems faced by the industry by revising the draw back rates etc. The cotton prices continue to rule high while the yarn prices have not shown any corresponding increase resulting in the closure of many small units.

YARN

The Indian market has been very badly affected by strengthening of Rupee vis-à-vis US \$. There has been a significant drop in the realization in the export market which has also affected the domestic market. In the recent past the market has been further affected by the high prices of the rawmaterials, cotton, polyester and chemicals.

DENIM:

The denim industry which is already reeling under excess capacity and low realization has been further hit by appreciating rupee and high cost and non availability of low staple fibre cotton and many units have resorted to production cuts.

Countries like Bangladesh and Turkey have in the recent past added capacities which have seriously affected the position of the domestic market in the Denim Industry. The supply demand mismatch is expected to last for some more time while the world demand for denim is expected to grow only around 3 to 4 % p.a. Many manufacturers have been forced to diversify into garmenting and speciality denim products like industrial textiles etc.

Opportunities and threats, risks and concerns

The past few months have very strikingly demonstrated the threats and risks to which the textile industry has been exposed. The free export of cotton has deprived the industry of its rawmaterial at reasonable rates. The required varieties of cotton are very difficult to procure for the Denim industry. The strengthening of Rupee against US\$ has most adversely affected the exports. The inflexible labour laws have put the Indian Industry at a great disadvantage in the fiercely competitive market abroad. The surging inflationary trends have affected the purchasing power of the consumers.

In this scenario the Industry needs to innovate and explore different options to survive in the new global competitive world. The new growth areas like technical textiles needs to be seriously considered; industry may also have to establish backward linkages facilitating production of the required cotton. Some Companies have already taken up contract farming in the country.

The Company has already been making only value added varieties of Denim fabric and is now increasing the variety of fancy and mercerized Denims where the

price sensitivity is relatively low. The Company has also started making coated Denims which are speciality fashion products of high value consumed in high end expensive brands.

India is still a favoured destination for the international brands as an outsourcing hub. The superior design and processing capabilities of the Indian mind and the large base of skilled labour needs to be gainfully exploited. The Company is seriously exploring different options to improve its competitive edge in the fast changing market.

Internal Control Systems and their adequacy

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

Material Developments in Human Resources / Industrial Relations Front, including number of people employed :

There are no material developments in the Human Resources area. The industrial relations have been generally satisfactory. The Company constantly reviews the man power requirements and has a properly equipped Department to take care of the requirements. The total number of people employed by the Company is 1582.

Discussion on financial performance

The operations during the year under review ended with a profit of Rs. 34.95 lakhs against Rs. 2 lakhs during previous year. The turnover at Rs. 357.04 crores was higher by 53% over the previous year.

The operations in the Company's Denim Division were seriously affected due to an unfortunate fire accident in January 2008. One of the spinning units in the Denim Division was badly damaged, dislocating the operations. The new machinery are expected to be installed shortly and the Spinning Unit is expected to resume operations. Though the machinery is completely insured the dislocation in the operations was also responsible for the lower profits.

The production of Denim was higher by 10% compared to the previous year. Denim Industry continues to be adversely affected by glut in the supplies resulting in lower realization. There is only a marginal improvement in realization compared to the previous year. The turnover of the Denim Division has been higher by around 18% compared to the previous year. The

commercial production of Bottom Weights has already commenced and the product has been received well by the market, though the realization is still low.

YARN

The production of Yarn in the Amanagallu Unit at 126.71 tonnes is higher by 41% over the previous year. The realization in Yarn has been adversely affected.

NOTE:

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

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

CORPORATE GOVERNANCE REPORT
1. Brief statement on Company's philosophy on code of governance.

Suryalakshmi's Corporate culture has meant working always proactively to meet the expectations of its customers, shareholders, employees, business associates, the society at large and in complying with the dictates of the regulatory frame work both in letter and spirit. The Company believes Corporate Governance is an effective instrument for realisation of this corporate aim and accordingly endeavours to function with integrity in a transparent environment.

2. Board of Directors :

- a) Composition and category of Directors as on 31.03.2008 / Number of other Board of Directors or Committees of which Member / Chairman.

Name of the Director	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	8	7	3
Dr.A.Nageswara Rao	Non-Executive – Independent	5	2	1
B. Rama Rao	Non-Executive–IDBI Nominee – Independent	NIL	NIL	NIL
Navrang Lal Tibrewal	Non-Executive – Independent	2	1	NIL
R.S. Agarwal	Non-Executive – Independent	7	6	1
Sunil Kumar K.	Non-Executive – Nominee of UTI Venture Funds Management Co.Pvt. Ltd., - Equity investor	4	3	NIL
H.L.Ralhan	Executive – Non-promoter	NIL	NIL	NIL
Narayanadas Auddy	Non-Executive – IFCI Nominee – Independent	3	2	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 1st April, 2007 to 31st March, 2008	Attendance at the last Annual General Meeting held on 28.09.2007
L.N.Agarwal	5	Present
Paritosh K.Agarwal	5	Present
R.Surender Reddy	2	Present
Dr.A.Nageswara Rao	5	Absent
Sri M.H. Kulkarni	1	Absent
With drawn : w.e.f. 5/2/2008		
Sri B Rama Rao Appointed : w.e.f. 5/2/2008	NA	NA
Navrang Lal Tibrewal	3	Absent
R.S. Agarwal	5	Absent
Baratam Srinivas Resigned : w.e.f. 2/1/2008	3	Absent
Sunil Kumar K. Appointed : w.e.f. 30/1/2008	1	NA
H.L.Ralhan	2	Absent
N.D. Auddy Appointed : w.e.f. 30/1/2008	1	NA

REAPPOINTMENT OF RETIRING DIRECTORS

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

DR. AKKINENI NAGESWARA RAO

Dr.Akkineni Nageswara Rao is a Cine Artiste of international reputation who has been honoured with a Dada Saheb Phalke Award by the Government of India.

Name of the Companies in which he is a Director

1. Suryavanshi Spinning Mills Ltd.
2. Heart Entertainment Ltd.
3. Suryajyothi Spinning Mills Ltd.
4. Prasad Media Corporation Ltd.
5. Annapurna Apex Chemicals Pvt Ltd.
6. Akkineni Agros Pvt Ltd.
7. Heart Animation Academy Pvt Ltd.
8. Annapurna Studios Pvt Ltd.

No. of shares held 666.



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SRIR.SURENDER REDDY

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

Name 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. Suryaamba Spinning Mills Ltd.
6. Novopan Industries Ltd.
7. Surana Telecom Ltd.
8. Bhagyanagar India Ltd.
9. Lakshmi Finance & Industries Corpn. Ltd.
10. L Pack Polymers Ltd.

No. of shares held 28,000.

- c) Number of Board of Directors meetings held, dates on which held.

During the Financial year ended 31st March, 2008, Five Board Meetings were held on 02/04/2007, 27/06/2007, 30/07/2007, 31/10/2007 and 30/01/2008.

3. AUDIT COMMITTEE

- a) Brief description of terms of reference

- i) Overseeing of 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. Sri R.Surender Reddy | - | Chairman, Non-Executive & Independent |
| 2. Sri B Rama Rao | - | Member, IDBI Nominee & Independent |
| 3. Sri R.S.Agarwal | - | Member, Non-Executive & Independent |
| 4. Sri Sunil Kumar K. | - | Member, Nominee Non-Executive |

c) Meetings and attendance during the year

During the financial year ended March 31, 2008, Five Audit Committee Meetings were held on 02/04/2007, 27/06/2007, 30/07/2007, 31/10/2007 and 30/01/2008.

Name	No. of Meetings attended
M.H.Kulkarni	1
R.S.Agarwal	5
R.Surender Reddy	2
Baratam Srinivas	3
Sunil Kumar K.	1

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. Shri Navrang Lal Tibrewal | - | Chairman – Non-executive – Independent |
| 2. Sri B. Rama Rao | - | Member – IDBI Nominee – Independent |
| 3. Sri R.Surender Reddy | - | Member – Non -executive – Independent |
| 4. Sri Sunil Kumar .K | - | Member – Nominee – Equity Investor |

c) Attendance during the year

During the financial year March 31, 2008, No Remuneration Committee Meeting was held.

d) Remuneration policy

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

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

(During 01.04.2007 – 31.03.2008)

Name	Designation	Salary & Commission Rs.	Perquisites Rs.	Total Rs.
L.N.Agarwal	Chairman & Managing Director	24,00,000	NIL	24,00,000
Paritosh Agarwal	Managing Director	24,00,000	NIL	24,00,000
H.L.Ralhan	Director & Chief Executive (Denim Division)	8,64,000	56,134	9,20,134

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Sitting Fees

Name	Designation	Amount Rs.
Sri R.Surender Reddy	Director	15,000
Sri Navrang Lal Tibrewal	Director	15,000
Dr. A.Nageswara Rao	Director	25,000
Sri R.S.Agarwal	Director	37,500
Sri Baratam Srinivas	Director	22,500
Narayandas Auddy	Nominee-IFCI	5,000/-
Sunil Kumar K.	Director	7,500/-
M.H. Kulkarni	Nominee-IDBI	7,500/-

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
Shri Navrang Lal Tibrewal
- Name and designation of Compliance Officer.
Shri E.V.S.V.Sarma, Company Secretary
- Number of Shareholders Complaints received so far.
51
- Number not solved to the satisfaction of shareholders
NIL
- Number of pending share transfers.
NIL

6. GENERAL BODY MEETINGS:

- Location and time, where last three AGMs held.

Financial Year	Date	Venue	Time
2004-2005	10.09.2005	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad – 500 026.	11.30 A.M.
2005-2006	31.07.2006	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad – 500 026.	10.30 A.M.
2006-2007	28.09.2007	Rajdhani Hall, 1st Floor, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3.	11.00 A.M.

- (i) A meeting of the shareholders of the Company was convened on January 20, 2005 as per the directions of the Hon'ble High Court of Andhra Pradesh to consider the Scheme of Demerger.
- (ii) An Extraordinary General Meeting of the Members of the Company was held on 19th January 2006 to consider the issue of equity shares by private placement.
- b) Whether Special resolutions were put through postal ballot last year, details of voting pattern.

NO

- c) Person who conducted the postal ballot exercise.

- NOT APPLICABLE -

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

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

- e) Procedure for postal ballot.

Prescribed procedure shall be complied with whenever necessary.

7. DISCLOSURES

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

Name of the party	Relationship	Nature of Transaction	Amount Rupees
Shri L.N. Agarwal Chairman & Managing Director	Key Management	a) Remuneration	24,00,000
		b) Interest	2,79,500
Shri P.K.Agarwal Managing Director	Key Management	a) Remuneration	24,00,000
		b) Interest	3,52,750
Shri L.N.Agarwal (HUF)	Key Management	Interest	79,625
Shri H.L.Ralhan Director	Key Management	Remuneration	9,20,134
Smt. Sathyabhamabai	Wife of Shri L.N. Agarwal	Interest	13,43,875
Smt. Padmini Agarwal	Wife of Shri P.K. Agarwal	Interest	7,84,545
Kum. Aparna Agarwal	Daughter of Shri P.K.Agarwal	Interest	2,35,625
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	Interest	2,99,000
M/s Suryalata Spinning Mills Limited	Enterprise in which the relatives of key management personnel are interested	Interest	6,16,392
M/s Suryakiran International Limited	Subsidiary	Sale of Fabric	8,48,44,760

- 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 March 31st, 2008, at its meeting held on June 28, 2008.

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

NIL

- d) Whistle Blower Policy : The Company has not yet established a Whistle Blower Policy.
- e) Details of compliance with mandatory requirements and adoption of non-mandatory requirements.
Mandatory requirements : All complied with.
Non-mandatory requirements :
- (i) The Board : The Board is headed by an Executive Chairman.
 - (ii) Remuneration Committee : Please refer to the Clause 4 above.
 - (iii) Shareholder Rights : Half-yearly reports is not being sent to each household of shareholders as shareholders are intimated through the press and the Company's Website www.suryalakshmi.com
 - (iv) Audit qualifications : The Company shall move towards a regime of unqualified financial statements.
 - (v) Training of Board members : The Company shall work out a plan for training its Board members.
 - (vi) Mechanism for evaluating non-executive Board members : Not yet evolved.
 - (vii) Whistle Blower Policy : Not yet established.

8. MEANS OF COMMUNICATION

- a) Quarterly results.
Quarterly report is not being sent to each household of shareholders as shareholders are intimated through the press and the Company's Website www.suryalakshmi.com
- b) Quarterly results are normally published in which newspapers
The Quarterly results are usually published in Financial Express & 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 : Monday, September 29, 2008
Time : 11:00 a.m.
Venue : Rajdhani Hall, 1st Floor, Lions Bhavan, Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad – 500 003.
- b) Financial Year
1st April to 31st March following
- c) Date of Book Closure : 22nd September, 2008 to 29th September 2008
- d) Dividend Payment Date : Not applicable
- e) Listing on Stock Exchanges & 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 – 400001

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

Month	NATIONAL STOCK EXCHANGE		THE STOCK EXCHANGE, MUMBAI			
	SHARE PRICE - Rupees		SHARE PRICE - Rupees		SENSEX	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
April, 2007	62.95	53.00	64.70	52.00	14,383.72	12,425.52
May, 2007	60.45	51.30	62.80	51.00	14,576.37	13554.34
June, 2007	59.75	45.10	59.95	46.00	14,683.36	13,946.99
July, 2007	59.60	40.00	55.70	43.05	15,868.85	14,638.88
August, 2007	51.00	39.20	48.00	39.55	15,542.40	13,779.88
September, 2007	48.70	37.55	49.00	43.70	17,361.47	15,323.05
October, 2007	45.95	32.10	45.95	33.35	20,238.16	17,144.58
November, 2007	54.30	30.60	54.00	31.65	20,204.21	18,182.83
December, 2007	59.15	41.50	58.85	41.05	20,498.11	18,886.40
January, 2008	69.50	39.00	69.35	40.00	21,206.77	15,332.42
February, 2008	42.00	33.45	42.05	33.00	18,895.34	16,457.74
March, 2008	38.50	26.00	39.00	24.25	17,227.56	14,677.24

- g) Registrar & Transfer Agents
 M/s.Sathguru Management Consultants Pvt.Ltd.,
 Plot No.15,Hindi Nagar,Behind Saibaba Temple,
 Punjagutta,Hyderabad - 500 034.
 Phone No(s) - 23356507, 23356975, 23350586,
 Fax No - 23354042.

- h) Share Transfer System:

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

- i) Shareholding pattern as on 31.03.2008.

Particulars	No. of shares	% of holding
Promoters	8085844	60.51
Mutual Funds	2800	0.02
Banks & Financial Institutions	8600	0.06
FII's	0	0
Private Corporate Bodies	827406	6.19
NRI's	71253	0.54
Indian Public	4366387	32.68
Total	13362290	100.00

Suryalakshmi Cotton Mills Limited

Distribution of shareholding

As on 31.03.2008

Nominal Value	Holders		Amount	
	Number	% to Total	Rupees	% to Total
Upto 5000	5798	84.16	8427460	6.31
5001 – 10000	577	8.38	4470400	3.35
10001 – 20000	263	3.81	3970310	2.96
20001 – 30000	85	1.24	2115100	1.59
30001 – 40000	39	0.57	1383150	1.03
40001 – 50000	27	0.39	1258970	0.95
50001 – 100000	52	0.76	3781290	2.83
100001 and above	48	0.69	108216220	80.98
TOTAL	6889	100.00	133622900	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). 5254997 shares amounting to 39.33% of the Capital have been dematerialised by investors as on 31th March, 2008.

ISIN : INE713B01026

Address of Registrars for Dematerialisation of Shares.

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

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

NOT APPLICABLE as the Company has not issued any of the above instruments.

l) Plant Locations

Yarn Division

Amanagallu
Mahabubnagar Dist.
Andhra Pradesh - 509 321

Denim Division

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

m) Address for correspondence :

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

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

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

The Company Secretary,
Suryalakshmi Cotton Mills Limited,
6th Floor, Surya Towers, 105, S.P.Road,
Secunderabad – 500 003.
Phone No(s) – 27819856 / 57/ 58
Fax No - 27846854
Email ID: cs@suryalakshmi.com

The above report has been approved by the Board of Directors in their meeting held on 28.06.2008.

DECLARATION

As provided under clause 49 of the listing agreement with the stock exchanges, all Board members and senior management personnel have affirmed compliance with Suryalakshmi Cotton Mills Limited Code of Conduct for the year ended March 31, 2008.

For Suryalakshmi Cotton Mills Limited

Secunderabad
June 28, 2008

LN AGARWAL
Chairman & Managing Director



Suryalakshmi Cotton Mills Limited

Auditors' Certificate on compliance of Corporate Governance

To the members of SURYALAKSHMI COTTON MILLS LIMITED, SECUNDERABAD.

We have examined the compliance of conditions of Corporate Governance by SURYALAKSHMI COTTON MILLS LIMITED, Secunderabad, A.P., for the year ended 31st March, 2008 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, 2008, no investor grievances are pending against the Company as on 28th June, 2008 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

Place : Hyderabad
Date : 28.06.2008

K.S.RAO
Partner
(Membership No. 15850)

AUDITORS' REPORT

To the Members of
Suryalakshmi Cotton Mills Limited,
Secunderabad

1. We have audited the attached Balance Sheet of SURYALAKSHMI COTTON MILLS LIMITED, SECUNDERABAD, (A.P) as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this

report are in agreement with the books of account.

- iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith, subject to note no.6 of schedule 23 regarding non provision of derivative loss of Rs 90,23,042/- as per accounting standard, the current year profit and reserves are over stated to that extent give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2008;
 - b) in the case of the profit and loss account, of the 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

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

Place: Hyderabad
Date : 28.06.2008

Annexure referred to in paragraph 3 of our report of even date

- 1) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
c) The plant and machinery disposed off during the year by the company is not substantial and hence, it has not affected the going concern status of the Company.
- 2) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
- 3) a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
b) In view of our comment in paragraph 3(a) above, (b),(c) & (d) of the aforesaid order are not applicable to the Company.
c) During the year, the Company had not taken unsecured loans from parties covered in the register maintained under section 301 of the Companies Act, 1956.
d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
e) The Company is regular in payment of the principal amount and interest thereon as stipulated.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory 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

Suryalakshmi Cotton Mills Limited

Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.
- c) According to the records of the Company and the information and explanations given to us, the dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of any dispute are as follows.

Nature of the dues	Amount Rupees	Period to which the amount relates	Forum where the dispute is pending
Excise Duty	285,34,563	July 1999 to July 2004	Commissioner (Appeals) Central excise, Nagpur.
Excise Duty	78,50,277	2004-05	Customs, Excise Service tax Appellate Tribunal, Mumbai.
Service tax	55,82,034	2003-04	Additional Commissioner, Service tax, Hyderabad.
Income tax	44,621	ASST.Yr. 2003-04	CIT(Appeals) Hyderabad
AP Value Added Tax	58,74,266	2005-2006 & 2006-07	Dy. Commissioner (CT), Hyderabad.
Central Sales Tax	7,86,99,773	2001-02	Sales Tax Appellate Tribunal, AP, Hyderabad.

10. The Company has no accumulated losses as at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (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 not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.
17. In our opinion and according to the information and explanations given to us the funds raised on short-term basis have not been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. During the year, the Company has not issued any debentures and therefore the question of creating security or charge in respect thereof does not arise.
20. During the year, the Company has not made any public issue and therefore the question of disclosing the end use of money raised by public issue does not arise.
21. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

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

K.S.Rao
Partner

Place: Hyderabad
Date : 28.06.2008

(Membership No 15850)

Suryalakshmi Cotton Mills Limited

BALANCE SHEET AS AT 31st MARCH , 2008

	Schedule Reference	As at 31.03.2008		As at 31.03.2007	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS:					
SHARE HOLDERS' FUNDS:					
Share Capital	1	21,85,13,158		21,85,13,158	
Reserves & Surplus	2	107,47,40,485		107,13,23,943	
			129,32,53,643		128,98,37,101
LOAN FUNDS:					
Secured Loans	3	228,90,92,461		232,11,56,390	
Unsecured Loans	4	15,14,73,643		12,56,33,636	
			244,05,66,104		244,67,90,026
DEFERRED TAX LIABILITY (Net)			17,48,24,032		16,92,70,003
TOTAL			390,86,43,779		390,58,97,130
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block	5	369,07,75,971		347,55,95,173	
Less : Depreciation		106,78,24,163		87,70,68,995	
Net Block		262,29,51,808		259,85,26,178	
Add : Capital Work in Progress		6,18,390		7,26,65,538	
			262,35,70,198		267,11,91,716
INVESTMENTS	6		4,69,42,090		4,89,93,250
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	7	87,01,00,366		78,53,10,534	
Sundry Debtors	8	46,79,08,369		32,08,37,723	
Cash & Bank Balances	9	1,65,25,907		2,54,34,010	
Loans & Advances	10	43,42,65,420		45,26,95,224	
		178,88,00,062		158,42,77,491	
Less: Current Liabilities & Provisions	11	58,40,78,104		44,25,33,627	
Net Current Assets			120,47,21,958		114,17,43,864
Miscellaneous Expenditure	12		3,34,09,533		4,39,68,300
(To the extent not written off or adjusted)					
TOTAL			390,86,43,779		390,58,97,130
NOTES ON ACCOUNTS	23				
SIGNIFICANT ACCOUNTING POLICIES	24				

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

for Brahmaya & Co.
Chartered Accountants

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

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

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

P.K. Agarwal
Managing Director
Navrang Lal Tibrewal
Director

Suryalakshmi Cotton Mills Limited
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule Reference	Current Year Rupees	Previous Year Rupees
INCOME			
Sales	13	346,36,91,540	229,08,87,616
Other Income	14	10,67,48,827	4,19,93,400
	TOTAL	357,04,40,367	233,28,81,016
EXPENDITURE			
Raw Materials Consumed	15	200,39,75,788	140,98,13,714
Purchase of Cotton/Yarn/Fabric Trading		30,04,76,601	85,16,516
Other Manufacturing Expenses		99,11,348	82,31,593
Stores Consumed	16	28,34,09,573	24,36,45,339
Power and Fuel	17	30,89,31,657	24,40,00,693
Payments & Benefits to Employees	18	16,30,79,292	12,51,40,811
Other Expenses	19	19,09,58,051	19,54,35,209
Finance Charges	20	17,48,89,919	10,98,19,950
Managerial Remuneration		57,20,134	60,12,216
Depreciation	5	20,04,15,454	18,72,90,481
Miscellaneous Expenses Written off	12	1,05,58,767	86,80,542
Increase in stocks	21	(9,66,38,664)	(17,63,15,253)
	TOTAL	355,56,87,920	237,02,71,811
PROFIT BEFORE ADJUSTMENTS		1,47,52,447	(3,73,90,795)
ADD : Prior year adjustments(Net)	22	(27,03,302)	5,01,04,842
PROFIT / (LOSS) FOR THE YEAR		1,20,49,145	1,27,14,047
Less:Provision for Income Tax:for the Year		20,00,000	15,00,000
		:Fringe Benefit Tax	20,00,000
		:Deferred Tax	89,97,709
PROFIT AFTER TAX		34,95,116	2,16,338
Add: Profit brought forward from last year		23,13,74,946	23,12,35,188
Amount available for appropriation		23,48,70,062	23,14,51,526
APPROPRIATIONS			
Proposed Dividend on : Preference Shares		67,160	67,160
Corporate Dividend Tax		11,414	9,420
Surplus Carried to Balance Sheet		23,47,91,488	23,13,74,946
	TOTAL	23,48,70,062	23,14,51,526
Earnings Per Share (Face value Rs.10) (Basic and Diluted)		0.26	0.01
NOTES ON ACCOUNTS	23		
SIGNIFICANT ACCOUNTING POLICIES	24		

The schedules referred to above form an integral part of Profit and Loss Account.
per Our Report of even date

for Brahmayya & Co.
Chartered Accountants

K.S.Rao
Partner

Place : HYDERABAD
Date : 28.06.2008

P.S.Subramanyam
Vice President (Finance)

E.V.S.V. Sarma
Company Secretary

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

P.K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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

SCHEDULES FORMING PART OF THE ACCOUNTS

	Balance as on 01.04.2007 Rupees	Additions during the year Rupees	Deductions during the year Rupees	Balance as at 31.03.2008 Rupees	Balance as at 31.03.2007 Rupees
SCHEDULE - 2 RESERVES & SURPLUS					
Capital Redemption Reserve	2,08,780	–	–	2,08,780	2,08,780
Security Premium	54,04,51,525	–	–	54,04,51,525	54,04,51,525
Investment Allowance Reserve (Utilised)	1,09,41,200	–	–	1,09,41,200	1,09,41,200
Export Allowance Reserve	2,66,670	–	–	2,66,670	2,66,670
Preference Capital Redemption Reserve	4,50,00,000	–	–	4,50,00,000	4,50,00,000
Special capital incentive	30,00,000	–	–	30,00,000	30,00,000
General Reserve	24,00,80,822	–	–	24,00,80,822	24,00,80,822
Surplus in Profit & Loss account	23,13,74,946	23,47,91,488	23,13,74,946	23,47,91,488	23,13,74,946
TOTAL	<u>107,13,23,943</u>	<u>23,47,91,488</u>	<u>23,13,74,946</u>	<u>107,47,40,485</u>	<u>107,13,23,943</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
Notes:

1. The Loans referred at (a) to (f) and (h) to (l) above are secured by mortgage of (present and future) movable and immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the company, in their personal capacities.
2. 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.
3. 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 and immovable properties of the Company on pari-passu basis and further guaranteed by two Directors of the company in their personal capacities.
4. Hire purchase loans referred at (C) above are secured by hypothecation of the respective assets and Guaranteed by one of the Directors of the Company.

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE - 4 UNSECURED LOANS		
a) From Directors	1,00,90,603	1,07,55,000
b) Fixed Deposits	6,77,97,612	6,13,75,000
c) Inter Corporate Deposits	6,12,81,792	4,12,00,000
d) Deferred Sales tax Liability	1,23,03,636	1,23,03,636
TOTAL	<u>15,14,73,643</u>	<u>12,56,33,636</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 5

FIXED ASSETS

Description of the Asset	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as on 01-04-2007 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost as at 31-03-2008 Rs.	Up to 31-03-2007 Rs.	For the year Rs.	Deductions during the year Rs.	Up to 31-03-2008 Rs.	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
LAND	69,19,522	37,47,240	-	1,06,66,762	-	-	-	-	1,06,66,762	69,19,522
FACTORY BUILDINGS	41,58,09,264	2,43,49,123	-	44,01,58,387	4,99,10,700	1,38,40,584	-	6,37,51,284	37,64,07,103	36,58,98,564
NON-FACTORY BUILDINGS	13,50,29,452	44,99,813	-	13,95,29,265	1,22,33,001	21,97,124	-	1,44,30,125	12,50,99,140	12,27,96,451
TOWN SHIP	1,95,25,350	68,84,312	-	2,64,09,662	6,80,521	3,82,798	-	10,63,319	2,53,46,343	1,88,44,829
WORK SHOP EQUIPMENT	7,05,288	-	-	7,05,288	73,466	33,319	-	1,06,785	5,98,503	6,31,822
PLANT AND MACHINERY	264,04,69,079	18,10,06,660	2,06,23,712	280,08,52,027	75,90,12,132	17,05,06,946	84,76,584	92,10,42,494	187,98,09,533	188,14,56,947
TESTING EQUIPMENT	2,10,58,378	60,06,420	-	2,70,64,798	38,50,655	12,61,305	-	51,11,960	2,19,52,838	1,72,07,723
ELECTRICAL INSTALATIONS	18,26,48,363	61,28,603	-	18,87,76,966	3,26,89,754	86,38,311	-	4,13,28,065	14,74,48,901	14,99,58,609
WEIGHING MACHINES	23,50,233	1,51,589	-	25,01,822	9,29,467	1,17,052	-	10,46,519	14,55,303	14,20,766
WATER WORKS	1,31,14,855	6,96,346	-	1,38,11,201	16,64,389	2,24,981	-	18,89,370	1,19,21,831	1,14,50,466
FURNITURE & FIXTURES	1,64,52,272	7,41,151	-	1,71,93,423	74,98,362	11,16,957	-	86,15,319	85,78,104	89,53,910
VEHICLES	1,28,46,268	14,12,937	11,22,430	1,31,36,775	31,24,661	12,51,207	5,83,064	37,92,804	93,43,971	97,21,607
DATA PROCESSING EQUIPMENT	86,66,849	19,34,996	6,32,250	99,69,595	54,01,887	8,44,870	6,00,638	56,46,119	43,23,476	32,64,962
TOTAL	347,55,95,173	23,75,59,190	2,23,78,392	369,07,75,971	87,70,68,995	20,04,15,454	96,60,286	106,78,24,163	262,29,51,808	259,85,26,178
CAPITAL WORK IN PROGRESS	7,26,65,538	16,55,12,042	23,75,59,190	6,18,390	-	-	-	-	6,18,390	7,26,65,538
LESS : INTERNAL TRANSFERS	354,82,60,711	40,30,71,232	25,99,37,582	369,13,94,361	87,70,68,995	20,04,15,454	96,60,286	106,78,24,163	262,35,70,198	267,11,91,716
TOTAL	354,82,60,711	16,55,12,042	2,23,78,392	369,13,94,361	87,70,68,995	20,04,15,454	96,60,286	106,78,24,163	262,35,70,198	267,11,91,716
PREVIOUS YEAR	266,56,37,373	88,46,88,623	20,65,285	354,82,60,711	69,10,50,853	18,72,90,481	12,72,339	87,70,68,995	267,11,91,716	197,45,86,520

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE – 6		
INVESTMENTS - (LONG TERM, at Cost)		
(1) Un Quoted -Non Trade:		
(a) National Savings Certificates (1987) (Pledged as security with Central Excise Department)	1,000	1,000
(b) National Saving Certificates (1992) (Pledged as security with Sales Tax Department)	10,000	10,000
(2) Subsidiary Company: (at cost-non trade) 22,69,860 (22,69,860) Equity Shares of Rs.10 each in Suryakiran International Ltd	4,47,97,200	4,47,97,200
(3) Others [At cost -Trade - quote]		
(a) 1,02,100(1,02,100) Equity shares of Rs. 10 each. in Suryavanshi Spinning Mills Ltd.	1,05,19,000	1,05,19,000
(b) 1,000(1,000) Equity shares of Rs.10 each in Srei International Finance Ltd [partly paid up]	25,000	25,000
(c) 5,000(5,000) Equity shares of Rs.10 each in Merbank Financial Services Ltd [partly paid up]	50,000	50,000
(d) SBH Mutual Fund (Aggregate market value of quoted investments Rs. 21,33,890 (previous year Rs. 41,35,050))	–	50,000
	<u>5,54,02,200</u>	<u>5,54,52,200</u>
Less:Diminution in the value of Investments	84,60,110	64,58,950
TOTAL	<u>4,69,42,090</u>	<u>4,89,93,250</u>
SCHEDULE – 7		
INVENTORIES (Valued and certified by the management) (Valued at lower of cost and net realisable value unless otherwise stated)		
Rawmaterials	21,05,16,376	29,31,12,191
Stores and Spares	18,01,41,934	10,93,94,951
Finished Goods	27,31,74,498	26,33,58,507
Stock-in-process	20,49,39,381	11,82,76,549
Cotton Waste (at realisable value)	13,28,177	11,68,336
TOTAL	<u>87,01,00,366</u>	<u>78,53,10,534</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE – 8		
SUNDRY DEBTORS		
(Unsecured)		
Due over six months -Considered good	3,60,30,833	1,16,77,806
-Considered Doubtful	60,26,946	60,26,946
Less: Provision for Bad and Doubtful debts	60,26,946	60,26,946
Others	43,18,77,536	30,91,59,917
TOTAL	<u>46,79,08,369</u>	<u>32,08,37,723</u>
SCHEDULE – 9		
CASH AND BANK BALANCES		
Cash & Cheques on Hand	30,74,036	17,75,294
With Scheduled Banks:		
In Current Accounts	33,53,811	22,52,704
In Margin Money Deposits	57,94,060	1,04,05,012
In fixed deposits	43,03,000	1,10,00,000
With Post Office Saving Bank	1,000	1,000
(Kept as security with Central Excise Dept.)		
(Maximum balance Rs. 1,000)		
TOTAL	<u>1,65,25,907</u>	<u>2,54,34,010</u>
SCHEDULE – 10		
LOANS AND ADVANCES		
(Unsecured considered good, recoverable in cash or in kind or for value to be received)		
Advances for Purchases	7,88,28,716	7,60,52,735
TED refund receivable	60,25,425	5,29,90,354
Interest subsidy receivable	9,47,65,511	6,53,83,545
Advances to Staff	31,75,889	21,35,166
Deposits recoverable	2,69,45,797	2,44,72,309
Claims/Other Receivable	10,99,15,709	4,62,46,439
Export Benefit Entitlement Receivable	4,82,71,542	7,42,38,812
Addl. Excise Duty Refund Receivable	–	4,55,30,990
Pre-paid expenses	85,12,673	75,51,658
Balance With Central Excise Department	56,86,405	84,73,245
Accrued interest	11,88,098	19,27,522
Other advances	4,50,95,170	4,50,95,170
Income Tax (Net)	58,54,485	25,97,279
TOTAL	<u>43,42,65,420</u>	<u>45,26,95,224</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
SCHEDULE – 11		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for Raw material & stores/capital goods		
Due to Micro and Small Enterprises	97,38,075	31,65,903
Others	43,28,74,841	34,16,08,145
Creditors for Expenses	12,29,94,622	6,23,95,601
Creditors for other Finance	53,15,781	2,44,93,838
Unclaimed Dividend *	7,07,910	7,23,126
Advances received against sales	1,23,68,301	1,00,70,434
TOTAL	58,39,99,530	44,24,57,047
B. PROVISIONS		
Preference Dividend	67,160	67,160
Corporate Dividend Tax	11,414	9,420
TOTAL	78,574	76,580
TOTAL (A+B)	58,40,78,104	44,25,33,627
* There is no amount due (and outstanding) to be credited to Investor Education and Protection Fund.		
SCHEDULE - 12		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary & Capital issue expenses		
Opening Balance	1,44,77,198	1,68,23,576
Less : Written off during the year	25,52,421	23,46,377 1,44,77,199
Deferred Revenue Expenses		
Opening Balance	2,94,91,102	3,58,25,266
Less:Written off during the year	80,06,346	63,34,165 2,94,91,101
TOTAL	3,34,09,533	4,39,68,300

SCHEDULES FORMING PART OF THE ACCOUNTS

	Current Year Rupees	Previous Year Rupees
SCHEDULE - 13		
SALES		
Yarn	126,04,69,382	88,78,12,258
Fabric	184,86,73,008	135,17,20,196
Waste	3,70,36,971	5,13,55,162
Cotton	31,75,12,179	—
TOTAL	<u>346,36,91,540</u>	<u>229,08,87,616</u>
SCHEDULE - 14		
OTHER INCOME		
Interest-earned, TDS Rs.3,68,227/- (Previous year TDS Rs.6,49,229/-)	18,38,386	74,25,314
Profit on sale of assets	28,89,890	7,056
Insurance Claims	3,53,05,497	1,80,047
Dividend received	1,02,100	1,02,100
Export Benefit Entitlement	4,85,85,850	2,46,19,996
Excess Provisions written back	21,54,171	5,17,344
Exchange Variance	98,45,578	24,55,372
Packing & Forwarding Charges collections	22,10,522	23,67,543
Scrap Sales	27,61,721	22,22,813
Miscellaneous Receipts	10,55,112	20,95,815
TOTAL	<u>10,67,48,827</u>	<u>4,19,93,400</u>
SCHEDULE - 15		
RAW MATERIALS CONSUMED		
Opening Stocks	29,31,12,191	19,48,63,914
Add : Purchases	194,21,29,236	156,09,49,226
	<u>223,52,41,427</u>	<u>175,58,13,140</u>
Less : Cost of Raw materials sold	2,07,49,263	5,28,87,235
Less : Closing Stocks	21,05,16,376	29,31,12,191
TOTAL	<u>200,39,75,788</u>	<u>140,98,13,714</u>
SCHEDULE - 16		
STORES CONSUMED		
Consumable Stores	5,10,76,836	2,46,49,038
Dyes and Chemicals	19,26,17,047	18,84,72,823
Packing Material Consumed	3,97,15,690	3,05,23,478
TOTAL	<u>28,34,09,573</u>	<u>24,36,45,339</u>
SCHEDULE - 17		
POWER & FUEL		
Electricity Charges	25,85,00,924	20,86,86,585
Fuel Consumed	5,04,30,733	3,53,14,108
TOTAL	<u>30,89,31,657</u>	<u>24,40,00,693</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	Current Year Rupees	Previous Year Rupees
SCHEDULE - 18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	14,16,92,689	10,61,28,468
Contribution to Provident Fund & other funds	1,12,69,618	91,24,018
Welfare Expenses	1,01,16,985	98,88,325
TOTAL	<u>16,30,79,292</u>	<u>12,51,40,811</u>
SCHEDULE - 19		
OTHER EXPENSES		
Rent	3,97,660	3,64,000
Security Charges	14,21,897	3,14,322
Rates & Taxes	2,46,74,809	2,36,35,432
Printing & Stationery	24,16,144	26,89,346
Postage, Telegrams & Telephones	61,78,051	63,98,524
Travelling & Conveyance	87,08,560	98,28,847
Directors' Sitting fees & Travelling expenses	4,48,982	3,91,480
Advertisements	3,12,033	5,68,203
Expenses on Sales	6,80,12,529	5,46,55,405
Commission on Sales	48,10,966	1,87,60,641
Insurance	74,35,945	1,04,31,337
Auditors' Remuneration	2,32,752	2,31,630
Legal & Professional Charges	20,90,648	27,30,818
Repairs to : Buildings	17,40,562	13,77,481
: Machinery	2,18,29,406	3,63,81,246
: Other Assets	44,23,986	6,89,834
Vehicle Maintenance	23,50,885	23,97,799
Miscellaneous Expenses	2,31,72,615	2,06,80,557
Donations	2,56,988	2,55,262
Loss on sale of assets	79,17,711	-
Diminution in value of Investments	20,01,160	25,37,185
Bad debts /Debit Balances written off	1,23,762	1,15,860
TOTAL	<u>19,09,58,051</u>	<u>19,54,35,209</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	Current Year Rupees	Previous Year Rupees
SCHEDULE - 20		
FINANCE CHARGES		
Interest on Term Loans	8,28,14,272	6,69,31,462
Interest on others	8,67,15,879	3,96,38,218
Bank Charges	53,59,768	32,50,270
TOTAL	<u>17,48,89,919</u>	<u>10,98,19,950</u>
SCHEDULE - 21		
INCREASE IN STOCKS		
OPENING STOCKS:		
Yarn	6,41,50,740	1,36,98,448
Fabric	19,92,07,767	13,88,68,198
Work-in-process	11,82,76,549	5,32,32,943
Cotton Waste	11,68,336	6,88,550
TOTAL	<u>38,28,03,392</u>	<u>20,64,88,139</u>
CLOSING STOCKS:		
Yarn	4,70,04,507	6,41,50,740
Fabric	22,61,69,991	19,92,07,767
Work-in-process	20,49,39,381	11,82,76,549
Cotton Waste	13,28,177	11,68,336
TOTAL	<u>47,94,42,056</u>	<u>38,28,03,392</u>
Increase in stocks	<u>(9,66,38,664)</u>	<u>(17,63,15,253)</u>
SCHEDULE - 22		
PRIOR YEAR ADJUSTMENTS (NET):		
INCOME:		
Additional Excise duty refund	-	4,88,19,658
Others	3,708	13,25,584
EXPENDITURE:		
Less : Non fulfilment of export obligation	27,07,010	40,400
TOTAL	<u>(27,03,302)</u>	<u>5,01,04,842</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE - 23

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

	As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
1. Contingent Liabilities not provided for		
a) Contracts to be executed on capital accounts.	1,98,62,500	22,74,93,816
b) Against Foreign Letters of Credit	9,54,80,000	7,81,61,725
c) Against Bank Gaurantees	19,14,600	21,33,200
d) Against Bills discounted	10,40,48,820	8,72,55,051
e) Demand from the Central Excise Department under Textiles and Textile Articles Act (TTA), disputed by the Company pending in appeals with the Commissioner, Customs and Central Excise, Nagpur, not provided for.	2,85,34,563	2,85,34,563
f) Demand from Central Excise Department in connection with the 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.	78,50,277	78,50,277
g) Demand from Service Tax Department in connection with Service Tax on commission paid to non resident agents disputed by the Company with the Addl. Commissioner, Central Excise, Hyderabad. Appeal was allowed partly awaiting final orders. The Company has preferred an appeal for the balance amount before CESTAT (South Zonal Bench), Bangalore.	55,82,034	55,82,034
h) Disputed demand from sales tax department on input tax credit, pending in appeal before Dy. Commissioner, Hyderabad.	58,74,266	-
i) Disputed demand from sales tax department on subjecting the turnover of unit at Maharashtra to tax along with the turnover of Andhra Pradesh, pending disposal of the appeal before STAT (A.P.)	7,86,99,773	-
j) Demand raised by Income Tax Department for Assessment Year 2003-04 in connection with disallowance U/s 80 HHC disputed by the Company pending in appeal with CIT (Appeals), Hyderabad.	44,621	44,621



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 23

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

2. The company has initiated legal proceedings against M/s Rajvir Industries Ltd., for recovery of the balance outstanding in the books of the company, of Rs.4,44,89,553/- (Previous year Rs.4,44,89,553/-).
3. Claim against the company not acknowledged as debts:
M/s Rajvir Industries Limited has filed a suit against the company claiming export incentives allegedly due to them amounting to Rs.295.70 Lakhs relating to export performance of erstwhile Mahabubnagar Unit of the periods prior to demerger. The Company has been advised that the claim is not admissible and is taking adequate steps to resist the claim.
4. Three cases have been filed against the company for amounts totalling to Rs.13.48 crores in respect of three cheques allegedly issued by the company. These claims are being resisted on the plea that these cheques have been misused and in absence of any legally enforceable debt or liability the company has been advised that the complaints are not maintainable and no liability is likely to arise.
5. Two claims have been made against the company for gratuity allegedly due to them by two ex-employees for amounts totalling to Rs.23.72 lakhs. The company has been advised that the claims are not admissible and is taking adequate steps to resist the same.
6. Derivative's outstanding as at balance sheet date

Particulars	Currency	Purpose	Amount in foreign currency as at	
			31st March 2008	31st March 2007
Principal only Swap	USD	Cost Reduction	1 Mio	–

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

The loss on account of derivative transaction of Rs. 90,23,042/- was not provided in the books of account since in the opinion of the management, the same is covered under "European Knock Out" protection scheme.

		As at 31-03-2008	As at 31-03-2007
7. Licensed and Installed capacity			
Licensed Capacity	: No. of Spindles	48,240	48,240
	: No. of Looms	221	221
Installed Capacity	: No. of Spindles	48,240	48,240
	: No. of Looms	201	165

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

SCHEDULES FORMING PART OF THE ACCOUNTS
Schedule No: 23 (Contd....)

		Current Year Rupees		Previous Year Rupees		
9.	Opening and Closing Stocks					
	a) Opening Stocks					
	Yarn	Kgs	8,35,076	6,41,50,740	2,13,607	1,36,98,448
	Fabric	Mtrs	27,52,208	19,92,07,767	20,10,441	13,88,68,198
	Waste	Kgs	77,043	11,68,336	65,734	6,88,550
			26,45,26,843		15,32,55,196	
	b) Closing Stocks					
	Yarn	Kgs	4,91,372	4,70,04,507	8,35,076	6,41,50,740
	Fabric	Mtrs	25,17,578	22,61,69,991	27,52,208	19,92,07,767
	Waste	Kgs	1,00,566	13,28,177	77,043	11,68,336
			27,45,02,675		26,45,26,843	
10.	Stock of Rawmaterials					
	a) Opening Stocks					
	Cotton	Kgs	52,70,355	25,73,65,237	35,89,645	16,74,66,446
	Yarn	Kgs	2,23,708	2,36,02,384	2,91,637	2,63,41,064
	Polyster Staple Fibre	Kgs	93,010	62,04,554	16,170	10,56,404
	Viscose Staple Fibre	Kgs	57,139	59,40,016	–	–
			29,31,12,191		19,48,63,914	
	b) Closing Stocks					
	Cotton	Kgs	28,13,167	14,41,22,268	52,70,355	25,73,65,237
	Yarn	Kgs	4,61,067	4,79,91,651	2,23,708	2,36,02,384
	Polyster Staple Fibre	Kgs	1,53,097	95,55,406	93,010	62,04,554
	Viscose Staple Fibre	Kgs	62,391	75,26,745	57,139	59,40,016
	Grey Fabric	Mtrs	23,028	13,20,306	–	–
			21,05,16,376		29,31,12,191	
11.	Purchase of Rawmaterials					
	Cotton	Kgs	1,76,07,268	86,37,96,790	2,34,54,199	104,43,12,128
	Yarn	Kgs	41,43,058	43,07,89,853	22,31,865	22,26,28,816
	Polyster Staple Fibre	Kgs	87,61,293	56,16,24,511	42,07,525	26,97,29,454
	Viscose Staple Fibre	Kgs	7,65,105	8,73,70,839	2,38,030	2,42,78,828
	Grey Fabric	Mtrs	1,40,860	85,48,044	–	–
			195,21,30,037		156,09,49,226	
	Less Fire loss					
	Cotton	Kgs	15,360	7,98,801	–	–
	Yarn	Kgs	94,566	92,02,000	–	–
				1,00,00,801		–
	Net Purchases		194,21,29,236		156,09,49,226	

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

		Current Year Rupees		Previous Year Rupees		
12.	Cost of Rawmaterial Sold					
	Cotton	Kgs	3,84,645	2,06,59,283	11,36,847	5,00,12,727
	Polyster Staple Fibre	Kgs	1,304	89,980	–	–
	Viscose Staple Fibre	Kgs	–	–	27,913	28,74,508
				2,07,49,263		5,28,87,235
13.	Rawmaterial consumed					
	Cotton	Kgs	1,96,64,451	95,55,81,675	2,06,36,642	90,44,00,610
	Yarn	Kgs	38,11,133	39,71,98,586	22,99,794	22,53,67,496
	Polyster Staple Fibre	Kgs	86,99,902	55,81,83,679	41,30,685	26,45,81,304
	Viscose Staple Fibre	Kgs	7,59,853	8,57,84,110	1,52,978	1,54,64,304
	Grey Fabric	Mtrs	1,17,832	72,27,738	–	–
				200,39,75,788		140,98,13,714
14.	Rawmaterial consumed					
	Indigenous	%	95.21	190,79,65,092	94.93	1,33,83,21,867
	Imported	%	4.79	9,60,10,696	5.07	7,14,91,847
			100.00	200,39,75,788	100.00	140,98,13,714
15.	Spare parts and components consumed					
	Indigenous	%	71.30	17,37,59,033	60.93	12,98,63,406
	Imported	%	28.70	6,99,34,850	39.07	8,32,58,455
			100.00	24,36,93,883	100.00	21,31,21,861
16.	Managerial Remuneration					
a)	Shri L N Agarwal (Chairman & Managing Director)					
	Salary			24,00,000	24,00,000	
				24,00,000	24,00,000	
b)	Shri P K Agarwal (Managing Director)					
	Salary			24,00,000	24,00,000	
				24,00,000	24,00,000	
c)	Shri H L Ralhan (Director)					
	Salary			8,64,000	8,64,000	
	Perquisites			56,134	3,48,216	
				9,20,134	12,12,216	
				57,20,134	60,12,216	

Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

	Current Year Rupees	Previous Year Rupees
17. Computation of profits in accordance with Sec.349 of the Companies Act, 1956 :		
Profit for the year before taxation as per Profit and Loss Account	1,20,49,145	1,27,14,047
Add :Sitting fees	1,27,500	1,45,000
Add : Managerial Remuneration	<u>57,20,134</u>	<u>60,12,216</u>
	1,78,96,779	1,88,71,263
Less : Credit Balances written back	<u>1,83,528</u>	<u>1,94,127</u>
Net profit in accordance with Sec.349 of the Companies Act of 1956.	<u>1,77,13,251</u>	<u>1,86,77,136</u>
 Maximum Remuneration to whole time Directors in accordance with Sec.198 of the Companies Act,1956	 19,48,458	 20,54,485
Maximum Commission @ 1% of Net Profit to each of the eligible working Directors.	-	-
Restricted to 50% of the salary	-	-
Note: Due to inadequacy of profits during the year minimum remuneration paid to working directors.		
18. Auditors Remuneration		
Statutory Audit	1,40,450	1,40,450
Tax Audit	56,180	56,180
Other services	<u>36,122</u>	<u>35,000</u>
	<u>2,32,752</u>	<u>2,31,630</u>
19. Expenditure in Foreign Currency during the year on account of :		
i) Plant and Machinery - Imported (CIF Value)	97,75,293	14,29,43,737
ii) Rawmaterials (CIF Value)	3,34,06,665	7,89,39,540
iii) Stores and Spares (CIF Value)	7,67,54,033	13,36,36,103
iv) Repayment of Loans	5,55,53,752	7,09,63,016
v) Interest	68,30,076	1,30,84,898
vi) Commission on Export Sales	87,74,556	1,15,42,232
vii) Foreign Travel (Excluding tickets purchased in India)	10,85,368	20,05,153
viii) Business Promotion (Product Development Expenses)	<u>4,34,010</u>	<u>-</u>
	<u>19,26,13,753</u>	<u>45,31,14,679</u>
20. Earnings in Foreign Exchange		
FOB Value of Exports	80,43,48,425	44,45,80,307

SCHEDULES FORMING PART OF THE ACCOUNTS
Schedule No: 23 (Contd....)

	Current Year Rupees	Previous Year Rupees
21. Interest paid, payable or accrued and due to Micro and Small Enterprises	Nil	Nil
22. Components of Net Deferred tax liability		
DEFERRED TAX LIABILITIES		
Depreciation	22,86,03,792	20,83,54,167
Deferred Revenue Expenses	<u>78,71,119</u>	<u>97,15,943</u>
	<u>23,64,74,911</u>	<u>21,80,70,110</u>
DEFERRED TAX ASSETS		
Carried forward losses	5,96,02,320	4,67,70,427
Provision for Doubtful Debts & Others	<u>20,48,559</u>	<u>20,29,680</u>
	<u>6,16,50,879</u>	<u>4,88,00,107</u>
Deferred Tax Liability (net)	<u>17,48,24,032</u>	<u>16,92,70,003</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

	Current Year Rupees	Previous Year Rupees
23. INFORMATION ABOUT BUSINESS SEGMENTS		
1 SEGMENT REVENUE		
Spinning	124,56,82,026	89,74,54,082
Denim	221,80,09,514	139,34,33,534
TOTAL	<u>346,36,91,540</u>	<u>229,08,87,616</u>
2 SEGMENT RESULTS		
Spinning	10,93,04,296	8,47,98,676
Denim	7,76,34,768	3,77,35,321
TOTAL	<u>18,69,39,064</u>	<u>12,25,33,997</u>
3 INTEREST	17,48,89,919	10,98,19,950
4 PROFIT / LOSS BEFORE TAX	1,20,49,145	1,27,14,047
5 OTHER INFORMATION		
SEGMENT ASSETS		
Spinning	146,28,40,628	131,48,28,300
Denim	299,64,71,722	289,93,87,416
TOTAL	<u>445,93,12,350</u>	<u>421,42,15,716</u>
6 SEGMENT LIABILITIES		
Spinning	18,48,51,783	13,07,31,180
Denim	39,92,26,321	31,18,02,447
TOTAL	<u>58,40,78,104</u>	<u>44,25,33,627</u>
7 CAPITAL EXPENDITURE		
Spinning	3,34,17,217	37,16,92,597
Denim	20,41,41,974	50,87,43,829
TOTAL	<u>23,75,59,191</u>	<u>88,04,36,426</u>
8 DEPRECIATION		
Spinning	4,78,54,059	3,47,32,785
Denim	15,25,61,395	15,25,57,696
TOTAL	<u>20,04,15,454</u>	<u>18,72,90,481</u>
9 NON CASH EXPENDITURE OTHER THAN DEPRECIATION		
Spinning	9,64,659	3,61,207
Denim	95,94,108	84,28,159
TOTAL	<u>1,05,58,767</u>	<u>87,89,366</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
OTHER DISCLOSURES

Allocation of Corporate office expenses to segments is at cost.

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

TYPES OF PRODUCT AND SERVICES IN EACH BUSINESS SEGMENT :

BUSINESS SEGMENT
TYPE OF PRODUCT

a) Spinning

Cotton Yarn, Combed Yarn and P.V. Yarn

b) Denim

Denim Fabric

24. Related party disclosure

a) Related party disclosure as required by AS-18 "Related party disclosure" are given below :

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs)	Previous Year Amount (Rs)
Shri L.N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	24,00,000	24,00,000
		b) Interest	2,79,500	1,74,574
Shri P.K.Agarwal Managing Director	Key Management	a) Remuneration	24,00,000	24,00,000
		b) Interest	3,52,750	2,20,391
Shri L N Agarwal (HUF)	Key Management	Interest	79,625	46,590
Shri H.L. Rathan Director	Key Management	Remuneration	9,20,134	10,82,615
Smt. Sathyabhamabai	Wife of Shri L.N. Agarwal	Interest	13,43,875	11,51,185
Smt. Padmini Agarwal	Wife of Shri P.K. Agarwal	Interest	7,84,545	7,48,301
Kum. Aparna Agarwal	Daughter of Shri P.K.Agarwal	Interest	2,35,625	1,90,962
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	Interest	2,99,000	2,37,455
M/s Suryalata Spinning Mills Ltd.	Enterprise in which the relatives of key management personnel are interested	Interest	6,16,392	–
M/s Suryakiran International Limited	Subsidiary	Sale of Fabric	8,48,44,760	3,18,88,793

Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

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

Name of the party	Relationship	Nature of Transaction	Current Year Amount (Rs)	Previous Year Amount (Rs)
Shri L.N Agarwal Chairman & Managing Director	Key Management	a) Remuneration	1,67,800	4,34,800
		b) Interest (Net)	2,47,833	1,54,987
		c) Unsecured Loan	47,00,000	47,00,000
Shri P.K.Agarwal	Key Management Managing Director	a) Remuneration	1,57,800	3,49,800
		b) Interest (Net)	3,12,783	–
		c) Unsecured Loan	46,75,000	60,55,000
Shri L N Agarwal (HUF)	Key Management	a) Interest (Net)	70,603	41,363
		b) Deposits	12,25,000	12,25,000
Shri H.L. Rathan Director	Key Management	Remuneration	51,020	–
Smt. Sathyabhamabai	Wife of Shri L.N. Agarwal	a) Interest (Net)	11,91,613	10,22,021
		b) Deposits	2,06,75,000	2,06,75,000
Smt. Padmini Agarwal	Wife of Shri P.K. Agarwal	a) Interest (Net)	6,95,656	6,64,342
		b) Deposits	1,10,50,000	1,10,50,000
Kum. Aparna Agarwal	Daughter of Shri P.K.Agarwal	a) Interest (Net)	2,08,929	1,69,536
		b) Deposits	36,25,000	36,25,000
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	a) Interest (Net)	2,65,123	2,10,813
		b) Deposits	46,00,000	46,00,000
M/s Suryalata Spinning Mills Ltd.	Enterprise in which the relatives of key management personnel are interested	a) Inter Corporate Deposits	60,00,000	–

c) Receivable as at 31st March, 2008

M/s Suryakiran International Limited	Subsidiary	Sale of Fabric For others	8,41,50,507 –	2,26,56,259 30,20,400
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25. Basic Earnings per Share as per Accounting Standard No.20

	Current Year Rupees	Previous Year Rupees
Profit after Tax	34,95,116	2,16,338
Less : Dividend on preference Share capital with dividend tax there on	78,574	76,580
	34,16,542	1,39,758
No. of Equity Shares	1,33,62,290	1,33,62,290
Basic Earnings per Share	0.26	0.01

SCHEDULES FORMING PART OF THE ACCOUNTS
26. Employees Benefits :

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.

1. Table showing changes in present value of obligations As on 31/03/2008

Present value of obligations as at beginning of year	1,01,74,932
Interest cost	7,63,120
Current Service Cost	27,28,686
Benefits Paid	21,35,261
Actuarial gain/(Loss) on obligations	(17,96,921)
Present value of obligations as at end of year	97,34,556

2. Table showing changes in the fair value of plan assets As on 31/03/2008

Fair value of plan assets at beginning of year	12,03,127
Expected return on plan assets	1,51,771
Contributions	30,52,130
Benefits paid	21,35,261
Actuarial gain/(Loss) on Plan assets	Nil
Fair value of plan assets at the end of year	22,71,767

3. Table showing fair value of plan assets As on 31/03/2008

Fair value of plan assets at beginning of year	12,03,127
Actual return on plan assets	1,51,771
Contributions	30,52,130
Benefits Paid	21,35,261
Fair value of plan assets at the end of year	22,71,767
Funded status	(74,62,789)
Excess of Actual over estimated return on plan assets	Nil

(Actual rate of return = Estimated rate of return as
ARD falls on 31st March)

4. Assumptions As on 31/03/2008 As on 31/03/2007

Discount Rate	8%	7.5%
Salary Escalation	4%	4%



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

27. The Salestax deferment liability amounting to Rs.1,23,03,636/- shown under unsecured loans is due for repayment from 15-07-2011 onwards.
28. Pursuant to Scheme of restructuring package of Term Loans the Company has allotted 0.1% Cumulative Redeemable Preference Shares of Rs.100/- each on 28th October, 2002 to IDBI and IFCI and the same will be redeemed to IDBI in March, 2012 (Rs.400 lacs) and to IFCI in July, 2011 (Rs.271.60 Lacs)
29. The amount of CRPS of Rs.671.60 lakhs payable on redemption to IDBI and IFCI as stated in note No.28 is treated as deferred revenue expenditure, to be written off over the term of the CRPS.
30. In the opinion of the Board, the current assets and loans & advances have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated.
31. Vide Notification No.30/09.07.2004 issued by Government of India the company has opted for the exemption route in respect of excise duty on sales. Hence the Company neither collected nor paid the duty on its products and also not availed any Cenvat credit on the purchase of materials as well as capital goods.
32. During the year there was a major fire accident in spinning department of denim division at Ramtek, Nagpur district, Maharashtra state 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 has made a claim with the insurance Company for Rs 33.81 crores.
33. Previous year's figures have been regrouped wherever necessary.
34. Paise have been rounded off to the nearest rupee.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 24 SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

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

2. Fixed Assets

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

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

3. Inventories

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

4. Investments

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

5. Contingent Liabilities & 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. Gratuity is a defined retirement benefit plan. The company contributes to the same with Life Insurance Corporation of India based on actuarial valuation done by them as at the close of the financial year. Liability for leave encashment is provided for on the basis of the accrued leaves at the close of the year.

7. Foreign Exchange Transactions

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

8. Impairment of Assets

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

9. Sales

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



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

10. Provision for taxation

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

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

Signatures to Schedules 1 to 24

per Our Report of even date

for Brahmayya & Co
Chartered Accountants

K.S.Rao
Partner

Place : Hyderabad
Date : 28.06.2008

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

Suryalakshmi Cotton Mills Limited

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

	Current Year Rupees	Previous Year Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	1,20,49,145	1,27,14,047
Adjustment for		
Add: Depreciation	20,04,15,454	18,72,90,481
Interest	16,95,30,151	10,65,69,680
Debit balance written off	1,23,762	1,15,860
Miscellaneous expenses written off	1,05,58,767	86,80,540
Loss on sale of assets	79,17,711	-
Diminution in Value of investments	20,01,160	25,37,185
	<u>40,25,96,150</u>	<u>31,79,07,793</u>
Less: Interest received	18,38,386	74,25,314
Excess provision written back	21,54,171	5,17,344
Profit on sale of assets	28,89,890	7,056
	<u>68,82,447</u>	<u>79,49,714</u>
Operating profit before working capital changes	<u>39,57,13,703</u>	<u>30,99,58,079</u>
Adjustment for changes in :		
Inventories	(8,47,89,832)	(32,64,59,668)
Receivable	(14,50,40,237)	(2,61,42,015)
Loans and advances	2,09,47,586	17,66,95,228
Current liabilities	13,03,90,395	25,21,14,692
Cash generated from Operations	31,72,21,615	38,61,66,318
Income tax paid net of refunds	(62,57,206)	(6,28,57,146)
Net cash from operating activities (A)	<u>31,09,64,409</u>	<u>32,33,09,172</u>
B. CASHFLOW FROM INVESTING ACTIVITIES:		
Sale of fixed assets	76,90,285	8,00,000
Interest received	25,77,810	70,24,934
Increase in fixed assets	(16,55,12,041)	(88,46,88,622)
(Increase) Decrease in investments	50,000	(50,000)
Net cash used in Investing activities (B)	<u>(15,51,93,946)</u>	<u>(87,69,13,688)</u>

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

	Current Year Rupees	Previous Year Rupees
C.CASHFLOWFROMFINANCINGACTIVITES		
Special Capital incentive	–	30,00,000
Increase in secured loans	–	48,50,30,561
Increase in bank borrowings	20,17,44,252	33,45,71,263
Increase in Unsecured loans	2,72,20,007	8,54,80,000
Repayment of Term Loan	(23,29,77,584)	(19,90,43,210)
Repayment of Hire Purchase loan	(8,30,597)	(11,95,246)
Repayment of unsecured loans	(13,80,000)	–
Interest paid	(15,83,62,848)	(10,55,14,504)
Dividend/Tax on dividend	(91,796)	(3,78,97,360)
Net cash used in Financing Activities (C)	(16,46,78,566)	56,44,31,504
Net increase in cash and cash equivalents (A+B+C)	(89,08,103)	1,08,26,988
Cash/Cash Equivalents at the Beginning of the year	2,54,34,010	1,46,07,022
Cash/Cash Equivalents at the end of the year	1,65,25,907	2,54,34,010

per Our Report of even date

for Brahmayya & Co
 Chartered Accountants

K.S.Rao
 Partner

 Place : Hyderabad
 Date : 28.06.2008

P.S.Subramanyam
 Vice President (Finance)

E.V.S.V.Sarma
 Company Secretary

For and on behalf of the Board

L.N. Agarwal
 Chairman & Managing Director

P.K. Agarwal
 Managing Director

Navarang Lal Tibrewal
 Director



Suryalakshmi Cotton Mills Limited

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956 RELATING TO SUBSIDIARIES

1	Name of the Subsidiary	Suryakiran International Limited
2	Financial year of the Subsidiary ended on	31st March, 2008
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 Rs.10 each
	b) Extent of Holding	50.92%
4	Net aggregate amount of profits/(losses) of the Subsidiary for the above financial year so far as they concern members of the Company	
	a) dealt with in the accounts of the Company for the year ended 31st March ,2008	Nil
	b) not dealt with in the accounts of the Company for the year ended 31st March ,2008	Rs. (53.32) 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 ,2007	Nil
	b) Not dealt with in the accounts of the Company for the year ended 31st March ,2007	Rs. (12.46) 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.K. Agarwal
Managing Director

Navrang Lal Tibrewal
Director

P.S.Subramanyam
Vice President (Finance)

E.V.S.V.Sarma
Company Secretary

Place : Secunderabad
Date : 28.06.2008