



Suryalakshmi Cotton Mills Limited

Board of Directors	2-3
Notice	4-6
Directors' Report	7-12
Management Discussion and Analysis Report	13-15
Corporate Governance Report	16-26
Auditors' Report	27-29
Balance Sheet	30
Profit & Loss Account	31
Schedules	32-59
Cash Flow Statement	60-61
Statement pursuant to Section 212	62
Subsidiary-Suryakiran International Ltd.	63-84
Consolidated Accounts	85-107
Notice to Shareholders-ECS Facility	108-109
Corporate Information	110



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 46th Annual General Meeting of the Members of Suryalakshmi Cotton Mills Limited will be held on Wednesday, the 30th September 2009, at Rajdhani Hall, 1st Floor, Lions Bhavan, Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad – 500 003 at 11.30 A.M to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2009 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, 2009.
3. To appoint a Director in the place of **Sri Navrang Lal Tibrewal** who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of **Sri. R.S. Agarwal** 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 A SPECIAL RESOLUTION.**

“RESOLVED THAT subject to the provisions of sections 198, 269, 309, 314 and other applicable provisions if any, of the Companies Act, 1956 read with schedule XIII thereof as amended upto date, and consent of the term lenders, the consent of the Company be and is hereby accorded to reappoint Shri L.N.Agarwal, Managing Director for a period of 5 years w.e.f. 22nd June, 2009 i.e. upto 21st June, 2014 as under:

I. SALARY: Rs.2,00,000/- per month

II. PERQUISITES

In addition to the salary as stated above Sri L.N.Agarwal 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 L.N.Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956.”

By order of the Board

Sd/-

SECUNDERABAD
25th May, 2009

E.V.S.V. SARMA
COMPANY SECRETARY

NOTES :

1. The register of members and share transfer books will be closed from 23rd September, 2009 to 30th September, 2009 (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. 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.

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

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.



Suryalakshmi Cotton Mills Limited

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.

ITEMNO.3:

SRINAVRANGLAL 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.

Names of the Companies in which he is a Director

1. Jaipur Stock Exchange Limited, Jaipur
2. Macleods Pharmaceuticals (P) Limited, Mumbai

ITEMNO.4

SRIR.S.AGARWAL

Sri R.S.Agarwal is a Chemical Engineer by profession and has retired as Executive Director from Industrial Development Bank of India in October, 2002.

Names of the Companies in which he is a Director

1. Madras Cement Limited
2. Torrent Cables Limited
3. Suryalata Spinning Mills Limited

4. Deccan Cements Limited
5. Unimorse India Limited
6. Elegant Marbles & Granite Ind. Limited
7. Ramco Industries Limited
8. NRC Limited
9. Videocon Industries Limited
10. GVK Jaipur Expressway (P) Limited

ITEMNO.6

Sri L.N.Agarwal was appointed as the Chairman and Managing Director for a period of 5 years with effect from 22/06/2004. In the 42nd Annual General Meeting held on 10/09/2005, his remuneration was revised from Rs.1,50,000/- p.m. to Rs.5,00,000/- p.m., the perquisites remaining same. However, from 2006-2007, Sri L.N.Agarwal is being paid a minimum remuneration of Rs.2,00,000/- p.m. The Company has made satisfactory progress in the recent past under his guidance and supervision. His term will expire on 21/06/2009.

In its meeting held on 25/05/2009, the Board has reappointed him as Chairman and Managing Director for five years with effect from 22/06/2009 with the existing remuneration mentioned in the resolution plus perquisites subject to the approval of Financial Institutions and of members in the General Meeting. The Board recommends the resolution for the approval of the members.

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

By order of the Board

Sd/-

Secunderabad
May 25, 2009.

E.V.S.V. SARMA
COMPANY SECRETARY

DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their Forty Sixth Annual Report on the business and operations of the Company and the financial results for the year ended 31st March, 2009.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2008-2009	2007-2008
Gross Profit before Interest & Depreciation	2557.01	3846.97
Less : Interest	2019.60	1695.30
: Depreciation	2013.98 4033.58	2004.15 3699.45
Profit/(Loss) before prior year	(1476.57)	147.52
Adjustment		
Prior year adjustment (Net)	(0.65)	(27.03)
Profit/(Loss) before tax for the year	(1477.22)	120.49
LESS : Provision for Income Tax		
for earlier years	75.00	-
for the year	-	20.00
Fringe Benefit tax	<u>12.50</u> 87.50	<u>10.00</u> 30.00
LESS : Deferred tax liability	5.23	55.54
Profit / (Loss) after tax	(1569.95)	34.95
ADD : Profit brought forward from last year	2347.92	2313.75
	<u>777.97</u>	<u>2348.70</u>
Dividend on Preference Share Capital	0.67	0.67
Dividend on Equity Share Capital	-	-
Corporate Dividend Tax	0.11	0.11
Transferred to General Reserve	-	-
Preference Capital Redemption Reserve	-	-
Profit transferred to Balance Sheet	777.19	2347.92
	<u>777.97</u>	<u>2348.70</u>



Suryalakshmi Cotton Mills Limited

OPERATIONS

The impact of the global recession on the Indian Economy and more particularly on textile industry is reflected by the results of the Company under review during the year ended 31/03/2009. The operations have resulted in a loss of Rs.1570 lakhs during the year. The turnover at Rs.360.17 Crores is marginally higher over the previous year. Before the industry could recover from the impact of a strong rupee and other problems, it has been very badly affected by the global recession. The retail business has collapsed globally resulting in a steep fall in the exports. Renegotiation of contracts in several cases has led to a sharp decline in margins. Delayed payments and payment defaults have further aggravated the situation.

In the Denim segment, the domestic market has been fairly good. Though the Company could not increase the volumes, the realization improved on account of the value added items marketed by the Company. The industry continues to be plagued by high cost of cotton on account of a higher minimum support price, excess capacity and irregular power supplies, power holidays, etc., resulting in higher cost of production. The industry had to resort to production cuts and lay offs.

YARN

The production of Yarn in the Amanagallu Unit at Rs.129.41 lakhs Kgs. is marginally higher than the previous year. The realization in Yarn has been adversely affected. The Yarn Division has suffered more on account of decline in exports both in volume and realisation.

DIVIDEND

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

CAPITALEXPENDITURE

During the year under review the company has incurred Capital Expenditure of Rs.574 lakhs.

EXPORTS :

The exports during the year at Rs.4800 lakhs have fallen by more than 40% compared to previous year. From

the beginning of 2007, the Industry's competitiveness had been very badly affected by strengthening of the rupee, which continued till May, 2008. Subsequently, the rupee weakened, but that did not offer any relief to the industry, which was overwhelmed by the global recession. The reduced exports also resulted in lower realization of the export incentives.

FUTURE OUTLOOK

The industry does not see any immediate way out until the global economy recovers from the recession. In this situation, the industry is looking for fiscal reliefs by way of duty drawbacks, cheaper credit, moratorium on loan repayments, etc.

The company however is now focusing on direct business with large international brands, which can provide regular and large volume business at good rates. The Company continues to focus on fancy denims which it now supplies to new markets and is also continuing its efforts to create greater awareness about the Company's high end products to the European markets.

DIRECTORS

Pursuant to the Articles of Association of the Company **Sri Navrang Lal Tibrewal** and **Sri R.S.Agarwal** will retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE

As per the revised Clause 49 of the Listing Agreement on Corporate Governance, Management Discussion and Analysis Report forms part of the Annual Report. Further, a separate report on the Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance 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, 2009 and of the profit of the Company for the year ended on that date.
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts have been prepared on a going concern basis.

AUDITORS

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

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

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

DEPOSITS

There are no overdue deposits as on March 31, 2009.

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

Sd/-

LN AGARWAL

Chairman & Managing Director

25th May, 2009.
Secunderabad

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	2008-2009	2007-2008
1. ELECTRICITY		
a) Purchased		
Units (000)	78015	80356
Total amount (Rs. lakhs)	2749	2585
Rate / Unit (Rs.)	3.52	3.22
b) Own Generation		
Units (000)	30	75
Unit per ltr. of Diesel Oil	2.54	2.99
Cost / Unit (Rs.)	16.05	12.06
2. COAL (Rs. in lakhs)	562	466
3. FURNACE OIL	–	–
4. OTHERS / INTERNAL GENERATORS (Rs. in lakhs)	33	38
B. Consumption per Unit of Production		
Electricity (No. of Units)	–	–
per kg./Yarn	2.57	2.65
per metre/Fabric	1.59	1.63
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.37.07 lakhs
 - (ii) Recurring Rs.14.28 lakhs
 - (iii) Total Rs.51.35 lakhs
 - (iv) Total R&D expenditure as a percentage of total turnover 0.14%

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)

	2008-2009	2007-2008
g) Total foreign exchange used and earned :		
(i) Foreign Exchange Earned :		
FOB Value of Exports	4546	8043
CIF Value of Exports	4800	8258
(ii) Foreign Exchange used		
a. Commission on export Sales	91	88
b. Foreign Travel expenses	18	11
c. Raw Material	969	334
d. Plant & Machinery	1669	98
e. Stores & Spares	588	767
f. Repayment of loans	175	555
g. Interest	21	68
h. Product Development Exp.	-	4



Suryalakshmi Cotton Mills Limited

ANNEXURE-II

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, 2009.

Name	Age	Qualification	Date of Employment	Designation	Remuneration (Rs.)	Experience	Last Employment
Sri L.N. Agarwal	76	Under Graduate	22.06.2004	Chairman & Managing Director	24,00,000	49 years	Chairman & Managing Director, Suryalakshmi Cotton Mills Limited
Sri Paritosh K. Agarwal	36	Graduate	21.06.2005	Managing Director	24,00,000	17 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 plays 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 textile industry has already been reeling under impact of excess capacities and exchange rate fluctuations last year, when the global recession started with the economic slow down in US soon spreading all over the world. While the recession affected all the industries, textile and clothing segments were the worst affected. The recession across the world resulted in collapse of the retail business abroad leading to cancellation of purchase orders, extended delivery periods and payment defaults.

Renegotiation of the prices by the importers also led to steep fall in profitability.

The textile industry naturally had to resort to production cuts, lay offs, etc.

The industry has also been affected by irregular power supplies, power holidays, resulting in loss of yield and higher cost of production. The textile industry has already been affected by the huge loss of employment. The cotton prices have also been higher on account of increase in minimum support price of cotton. The Indian textile industry has also suffered from severe competition from low cost producing countries like China, Pakistan, Sri Lanka and Vietnam. Though the rupee weakened against the dollar from May, 2008, the global recession worsened the situation for the Industry.

The textile industry is seeking fiscal reliefs by way of duty draw backs, cheaper credit, moratorium on loan repayments, increased tax refunds on exports, scrapping of import duty on man made fibres, etc.

YARN

The Company's yarn exports have fallen by more than 50% on account of the global recession. There has been a fall in the realization also for the reasons mentioned elsewhere.

DENIM:

The denim exports during the year have been lower by about 10% compared to the previous year, but there is some improvement in the realisation on account of a weakened rupee. The domestic market has been reasonably good with a decent improvement in the



Suryalakshmi Cotton Mills Limited

realisation. However, the Company could not increase the domestic volumes during the years.

Opportunities and threats, risks and concerns

The industry has to realise that if exports have to be sustained, India needs to view current recession as one that creates very discriminating markets for textiles. The Indian exporters have to rethink their strategy in these times. There is no substitute for innovation in such trying times. The exporters also need to cope with the challenge of switching product lines. The Government has a responsibility for creating proper environment for business closures and start-ups. It is noteworthy that the industry in China enjoys 4% to 6% interest differential over India making its exports cheaper. Similarly, Countries such as Vietnam and Cambodia are surging with their exports, even while the main markets like US and Europe are reeling under recession. Naturally industry is expecting increased duty drawbacks rates and income tax holiday.

The garment industry is facing a 25-35 % decline in growth this year.

In this situation, the Company plans to survive only by focusing on direct business with large international brands, which can provide regular and large volume business at good rates.

The Company is also supplying fancy fashion denims to new markets like South America, while all efforts are on way to broaden the product range and to create greater awareness about Company's high end products in the Europe markets.

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 1963.

Discussion on financial performance

The impact of the global recession on the Indian Economy and more particularly on textile industry is reflected by the results of the Company under review during the year ended 31/03/2009. The operations have resulted in a loss of Rs.1570 lakhs during the year. The turnover at Rs.360.17 Crores is marginally higher over the previous year. Before the industry could recover from the impact of a strong rupee and other problems, it has been very badly affected by the global recession. The retail business has collapsed globally resulting in a steep fall in the exports. Renegotiation of contracts in several cases has led to a sharp decline in margins. Delayed payments and payment defaults have further aggravated the situation.

In the Denim segment, the domestic market has been fairly good. Though the Company could not increase

the volumes, the realization improved on account of the value added items marketed by the Company. The industry continues to be plagued by high cost of cotton on account of a higher minimum support price, excess capacity and irregular power supplies, power holidays, etc., resulting in higher cost of production. The industry had to resort to production cuts and lay offs.

YARN

The production of Yarn in the Amanagallu Unit at Rs.129.41 lakhs is marginally higher by than the previous year. The realization in Yarn has been adversely affected. The Yarn Division has suffered more on account of decline in exports both in volume and realisation.

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 31.03.2009 / 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	9	3	3
Dr.A.Nageswara Rao	Non-Executive – Independent	3	1	1
B. Rama Rao	Non-Executive–IDBI Nominee – Independent	NIL	NIL	NIL
Navrang Lal Tibrewal	Non-Executive – Independent	1	NIL	NIL
R.S. Agarwal	Non-Executive – Independent	9	6	3
Sunil Kumar K.	Non-Executive – Nominee of UTI Venture Funds Management Co.Pvt. Ltd., - Equity investor	4	2	NIL
H.L.Ralhan	Executive – Non-promoter	NIL	NIL	NIL
Narayanadas Auddy	Non-Executive – IFCI Nominee – Independent	1	NIL	NIL

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

Names of Directors	No. of Board Meetings attended during the period 1st April, 2008 to 31st March, 2009	Attendance at the last Annual General Meeting held on 29.09.2008
L.N.Agarwal	5	Present
Paritosh K.Agarwal	5	Present
R.Surender Reddy	2	Present
Dr.A.Nageswara Rao	4	Absent
Sri B.Rama Rao	5	Absent
Navrang Lal Tibrewal	5	Absent
R.S.Agarwal	5	Present
Sunil Kumar K.	3	Absent
H.L.Ralhan	3	Absent
N.D.Auddy	3	Absent

REAPPOINTMENT OF RETIRING DIRECTORS

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

SRINAVRANG 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.

Name of the Companies in which he is a Director

1. Jaipur Stock Exchange Limited, Jaipur
2. Macleods Pharmaceuticals (P) Limited, Mumbai

No. of Shares held NIL.

SRIR.S.AGARWAL

Sri R.S.Agarwal is a Chemical Engineer by profession and has retired as Executive Director from Industrial Development Bank of India in October, 2002.

Name of the Companies in which he is a Director

1. Madras Cement Limited
2. Torrent Cables Limited
3. Suryalata Spinning Mills Limited
4. Deccan Cements Limited
5. Unimorse India Limited
6. Elegant Marbles & Granite Ind. Limited
7. Ramco Industries Limited
8. NRC Limited
9. Videocon Industries Limited
10. GVK Jaipur Expressway (P) Limited



Suryalakshmi Cotton Mills Limited

No. of Shares held NIL.

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

During the Financial year ended 31st March, 2009, Five Board Meetings were held on 31/05/2008, 28/06/2008, 31/07/2008, 25/10/2008 and 27/01/2009.

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 March 31, 2009, five Audit Committee Meetings were held on 31/05/2008, 28/06/2008, 31/07/2008, 25/10/2008 and 27/01/2009.

Name	No. of Meetings attended
R.S.Agarwal	5
R.Surender Reddy	2
Sunil Kumar K.	3
B.Rama Rao	5

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.S. Agarwal | - | Member – Non -executive – Independent |
| 4. Sri Sunil Kumar .K | - | Member – Nominee – Equity Investor |

c) Attendance during the year

During the financial year March 31, 2009, One Remuneration Committee Meeting was held on 28.06.2008.

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 01.04.2008 – 31.03.2009)

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)	13,84,701	2,34,689	16,19,390

Sitting Fees

Name	Designation	Amount Rs.
Sri R.Surender Reddy	Director	15,000
Sri Navrang Lal Tibrewal	Director	27,000
Dr. A.Nageswara Rao	Director	20,000
Sri R.S.Agarwal	Director	39,500
Narayandas Auddy	Nominee-IFCI	15,000
Sunil Kumar K.	Director	24,500
B. Rama Rao	Nominee-IDBI	39,500

Suryalakshmi Cotton Mills Limited

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 :

- a) Name of Non-Executive Director heading the Committee
Shri Navrang Lal Tibrewal
- b) Name and designation of Compliance Officer.
Shri E. V.S.V.Sarma, Company Secretary
- c) Number of Shareholders Complaints received so far.
25
- d) Number not solved to the satisfaction of shareholders
NIL
- e) Number of pending share transfers.
NIL

6. GENERAL BODY MEETINGS:

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

Financial Year	Date	Venue	Time
2005-2006	31.07.2006	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad – 26.	10.30 A.M.
2006-2007	28.09.2007	Rajdhani Hall, 1 st Flr, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	11.00 A.M.
2007-2008	29.09.2008	Rajdhani Hall, 1 st Flr, Lions Bhavan Behind LIC & HDFC Bank, Near Paradise Circle, S.D. Road, Secunderabad-3	11.00 A.M.

- a) Whether Special resolutions were put through postal ballot last year, details of voting pattern.

NO

- b) Person who conducted the postal ballot exercise.

- NOT APPLICABLE -

- c) 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.

- d) 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 b) Interest	24,00,000.00 20,317.00
Shri P.K. Agarwal Managing Director	Key Management	a) Remuneration b) Interest	24,00,000.00 34,601.00
Shri L.N. Agarwal (HUF)	Key Management	Interest	79,625.00
Shri H.L. Ralhan, Director	Key Management	Remuneration	16,19,397.00
Smt. Sathyabhamabai	Wife of Shri L.N.Agarwal	Interest	13,17,793.00
Smt.Padmini Agarwal	Wife of Shri P.K.Agarwal	Interest	7,84,545.00
Kum Aparna Agarwal	Daughter of Shri P.K.Agarwal	Interest	2,35,625.00
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	Interest	2,99,000.00
M/s. Suryakiran International Ltd	Subsidiary	Sale of Fabric	10,88,45,293.00

b) CEO / CFO Certification

In terms of Clause 49(V) of the Listing Agreement, the Certificate duly signed by Managing Director and Vice President (Finance) of the Company was placed before the Board of Directors along with the financial statements for the year ended March 31, 2009, at its meeting held on May, 25, 2009.

- c) Details of non-compliance by the Company, penalties, structures 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.



Suryalakshmi Cotton Mills Limited

- (iv) Audit qualifications : There are no audit qualifications in the report.
- (v) Training of Board members : The Company shall work out a plan for training its Board members.
- (vi) Mechanism for evaluating non-executive Board members : Not yet evolved.
- (vii) Whistle Blower Policy : Not yet established.

8. MEANS OF COMMUNICATION

a) Quarterly results.

Quarterly report is not being sent to each household of shareholders as shareholders are intimated through the press and the Company's Website www.suryalakshmi.com

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 : Wednesday, September 30, 2009

Time : 11:30 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 : 23rd September, 2009 to 30th September 2009 (both days inclusive)

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

Suryalakshmi Cotton Mills Limited

- 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, 2008	38.75	28.75	38.90	30.00	17,480.74	15,297.96
May, 2008	40.55	30.40	39.40	30.05	17,735.70	16,196.02
June, 2008	31.35	34.15	31.45	24.35	16,632.72	13,405.54
July, 2008	33.30	21.90	32.00	23.00	15,130.09	12,514.02
August, 2008	30.00	23.55	30.50	24.05	15,579.78	14,002.43
September, 2008	29.55	20.80	29.00	20.00	15,107.01	12,153.55
October, 2008	24.90	11.00	25.00	11.25	13,203.86	7,697.39
November, 2008	15.60	10.50	15.65	11.10	10,945.41	8,316.39
December, 2008	17.45	11.90	18.80	11.18	10,188.54	8,467.43
January, 2009	15.70	13.00	16.00	13.00	10,469.72	8,631.60
February, 2009	14.50	12.65	14.98	12.80	9,724.87	8,619.22
March, 2009	13.50	11.70	14.06	11.40	10,127.09	8,047.17

- 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 31.03.2009.

Particulars	No. of shares	% of holding
Promoters	8113244	60.72
Mutual Funds	2800	0.02
Banks & Financial Institutions	426998	3.19
FII's	0	0
Private Corporate Bodies	757332	5.67
NRI's	74838	0.56
Indian Public	3987078	29.84
Total	13362290	100.00



Suryalakshmi Cotton Mills Limited

Distribution of shareholding

As on 31.03.2009

Nominal Value	Holders		Amount	
	Number	% to Total	Rupees	% to Total
Upto 5000	5628	84.15	8150070	6.10
5001 – 10000	562	8.40	4346440	3.25
10001 – 20000	254	3.80	3842090	2.88
20001 – 30000	74	1.11	1839430	1.38
30001 – 40000	40	0.60	1437740	1.08
40001 – 50000	22	0.33	1034780	0.77
50001 – 100000	59	0.88	4324770	3.24
100001 and above	49	0.73	108647580	81.30
TOTAL	6688	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). 5260775 shares amounting to 39.37% of the Capital have been dematerialised by investors as on 31st March, 2009.

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 - 40040554.

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



Suryalakshmi Cotton Mills Limited

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 - 40040554.

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

The Company Secretary,
Suryalakshmi Cotton Mills Limited,
6th Floor, Surya Towers, 105, S.P.Road,
Secunderabad – 500 003.
Phone No(s) – 27819856 / 57, 30571600
Fax No - 27846854
Email ID: cs@suryalakshmi.com

The above report has been approved by the Board of Directors in their meeting held on 25.05.2009.

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, 2009.

For SURYALAKSHMI COTTON MILLS LIMITED

Sd/-

LN AGARWAL
Chairman & Managing Director

Secunderabad
May 25, 2009.



Suryalakshmi Cotton Mills Limited

Auditors' Certificate on compliance of Corporate Governance

To the Members of
SURYALAKSHMI COTTON MILLS LIMITED,
SECUNDERABAD, A.P.

We have examined the compliance of conditions of Corporate Governance by **SURYALAKSHMI COTTON MILLS LIMITED**, Secunderabad, A.P. for the year ended on 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, and based

on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

Place : Hyderabad
Date : 25.05.2009

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, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

- iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Schedules annexed therewith, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2009;
 - b) in the case of the profit and loss account, of the Loss of the Company for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **Brahmayya&Co**
Chartered Accountants

K.S.Rao
Partner

Place: Hyderabad
Date : 25.05.2009

(Membership No.15850)

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 Company has not disposed off any plant and machinery.
2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
b) In view of our comment in paragraph 3(a) above, (b),(c) & (d) of the aforesaid order are not applicable to the Company.
c) During the year, the Company had taken unsecured loans from two parties covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the year was Rs. 6.00 lakhs.
d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
e) The Company is regular in payment of the principal amount and interest thereon as stipulated.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of yarn and fabric and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. a) According to the records the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty,

Suryalakshmi Cotton Mills Limited

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, 2009 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
Sales Tax	58,74,266	2005-2006 & 2006-07	Dy. Commissioner (CT), Hyderabad.
Sales Tax	21,63,938	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 : 25.05.2009

(Membership No 15850)



Suryalakshmi Cotton Mills Limited

BALANCE SHEET AS AT 31st MARCH , 2009

	Schedule Reference	As at 31.03.2009 Rupees Rupees		As at 31.03.2008 Rupees Rupees	
SOURCES OF FUNDS:					
SHARE HOLDERS' FUNDS:					
Share Capital	1	21,85,13,158		21,85,13,158	
Reserves & Surplus	2	91,76,67,510		107,47,40,485	
			113,61,80,668		129,32,53,643
LOAN FUNDS:					
Secured Loans	3	265,14,08,655		228,90,92,461	
Unsecured Loans	4	14,66,69,846		15,14,73,643	
			279,80,78,501		244,05,66,104
DEFERRED TAX LIABILITY (Net)			17,53,46,948		17,48,24,032
TOTAL			410,96,06,117		390,86,43,779
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block	5	374,72,99,441		369,07,75,971	
Less : Depreciation		126,88,18,169		106,78,24,163	
Net Block		247,84,81,272		262,29,51,808	
Add : Capital Work in Progress		21,24,292		6,18,390	
			248,06,05,564		262,35,70,198
INVESTMENTS	6		4,55,62,719		4,69,42,090
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	7	72,28,08,874		87,01,00,366	
Sundry Debtors	8	57,03,24,597		46,79,08,369	
Cash & Bank Balances	9	1,82,56,391		1,65,25,907	
Loans & Advances	10	58,46,57,494		43,80,15,420	
		189,60,47,356		179,25,50,062	
Less: Current Liabilities & Provisions	11	33,63,68,211		58,78,28,104	
Net Current Assets			155,96,79,145		120,47,21,958
Miscellaneous Expenditure	12		2,37,58,689		3,34,09,533
(To the extent not written off or adjusted)					
TOTAL			410,96,06,117		390,86,43,779
NOTES ON ACCOUNTS	23				
SIGNIFICANT ACCOUNTING POLICIES	24				

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

for **Brahmayya & Co.**
Chartered Accountants

K.S.Rao
Partner

Place : HYDERABAD
Date : 25.05.2009

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

For and on behalf of the Board
Sd/-
L.N. Agarwal
Chairman & Managing Director
Sd/-
P.K. Agarwal
Managing Director
Sd/-
Navrang Lal Tibrewal
Director



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
2,50,00,000 [2,50,00,000] Equity Shares of Rs.10/- each	25,00,00,000	25,00,00,000
6,72,000 0.10% Cumulative Redeemable Preference Shares of Rs. 100/- each	<u>6,72,00,000</u>	<u>6,72,00,000</u>
	<u>31,72,00,000</u>	<u>31,72,00,000</u>
ISSUED		
1,98,91,556 [1,98,91,556] Equity Shares of Rs.10/- each	19,89,15,560	19,89,15,560
6,72,000 0.10% 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 [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: 1) Of the above 20,000 equity shares of Rs.10/- each are allotted as fully paid up without payment being received in cash.
- 2) 80,32,267 Equity Shares of Rs.10/- each are allotted as fully paid up by way of Bonus Shares by Capitalisation of Reserves.
- 3) 6,71,600 0.1% Cumulative Redeemable preference shares of Rs.100/- each are allotted as fully paid up without payment being received in cash, as per the scheme of arrangement with IDBI/IFCI.

SCHEDULES FORMING PART OF THE ACCOUNTS

	Balance as on 01.04.2008 Rupees	Additions during the year Rupees	Deductions during the year Rupees	Balance as at 31.03.2009 Rupees	Balance as at 31.03.2008 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	23,47,91,488	7,77,18,513	23,47,91,488	7,77,18,513	23,47,91,488
TOTAL	<u>107,47,40,485</u>	<u>7,77,18,513</u>	<u>23,47,91,488</u>	<u>91,76,67,510</u>	<u>107,47,40,485</u>



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
SCHEDULE - 3		
SECURED LOANS		
A. TERMLOANS		
i) Rupee Term Loans		
Under textile modernisation Fund scheme from		
a) Industrial Development Bank of India - TUF Scheme-I	2,91,42,755	2,91,42,755
b) Industrial Development Bank of India-1	1,65,00,000	1,65,00,000
c) Industrial Development Bank of India-2	7,12,90,852	7,12,90,852
d) Industrial Development Bank of India- TUF Scheme-II	65,00,00,000	64,83,40,539
e) Industrial Development Bank of India - 3	1,42,58,721	-
f) I F C I Ltd.,-I	1,51,25,000	1,51,25,000
g) I F C I Ltd.,-II	4,06,70,000	4,06,70,000
h) State Bank of India -TUF Scheme-I	26,79,00,000	26,79,00,000
i) State Bank of India -TUF Scheme-II	40,17,87,000	40,17,87,000
j) State Bank of Mysore - TUF Scheme	8,89,00,000	8,89,00,000
ii) Foreign Currency Loans From:	-	-
k) Industrial Development Bank of India	1,74,49,122	2,75,03,277
l) I F C I Ltd.,	1,61,27,046	1,27,09,720
m) State Bank of India	-	32,00,000
Sub Total (A)	162,91,50,496	162,30,69,143
B. CORPORATE LOAN from		
State Bank of India	23,57,86,925	-
C. WORKING CAPITAL LOANS FROM		
State Bank of India - Cash Credit	36,93,50,902	30,95,30,460
- Packing Credit	3,14,45,082	3,89,69,887
- SLC	5,00,00,000	5,00,00,000
State Bank of Hyderabad - Cash Credit	5,21,46,807	3,72,89,432
- Packing Credit	5,02,67,486	5,05,53,067
- ADHOC Limit	-	5,00,82,000
- SLC	1,25,00,300	-
State Bank of Mysore - Cash Credit	10,61,44,429	12,90,71,468
State Bank of Indore - Cash Credit	11,46,16,228	-
Sub Total (C)	78,64,71,234	66,54,96,314
D. VEHICLE HIRE PURCHASE LOANS	-	5,27,004
TOTAL (A+B+C+D)	265,14,08,655	228,90,92,461

SCHEDULES FORMING PART OF THE ACCOUNTS
Notes:

1. The Loans referred at (a) to (g), (i) to (m) and Corporate Loan above are secured by mortgage of (present and future) movable and Immovable properties of the Company on first charge pari passu basis and guaranteed by two Directors of the company, in their personal capacities.
2. The Loans referred to in (h) above is secured by hypothecation of specified plant and machinery as per the scheme and guaranteed by two Directors of the company.
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 & 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 (D) above are secured by hypothecation of the respective assets and Guaranteed by one of the directors of the Company

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
SCHEDULE - 4 UNSECURED LOANS		
a) From Directors	–	1,00,90,603
b) Fixed Deposits	6,64,39,811	6,77,97,612
c) Inter Corporate Deposits	6,54,15,326	6,12,81,792
d) Deferred Sales tax Liability	1,48,14,709	1,23,03,636
TOTAL	<u>14,66,69,846</u>	<u>15,14,73,643</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 5

FIXED ASSETS

Description of the Asset	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as on 01-04-2008 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost as at 31-03-2009 Rs.	Up to 31-03-2008 Rs.	For the year Rs.	Deductions during the year Rs.	Up to 31-03-2009 Rs.	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
LAND	1,06,66,762	-	-	1,06,66,762	-	-	-	-	1,06,66,762	1,06,66,762
FACTORY BUILDINGS	44,01,58,387	94,41,054	-	44,95,99,441	6,37,51,284	1,31,11,685	-	7,68,62,969	37,27,36,472	37,64,07,103
NON-FACTORY BUILDINGS	13,95,29,265	31,12,450	-	14,26,41,715	1,44,30,125	22,94,157	-	1,67,24,282	12,59,17,433	12,50,99,140
TOWNSHIP	2,64,09,662	67,91,996	-	3,32,01,658	10,63,319	4,51,212	-	15,14,531	3,16,87,127	2,53,46,343
WORK SHOP EQUIPMENT	7,05,288	-	-	7,05,288	1,06,785	33,146	-	1,39,931	5,65,357	5,98,503
PLANT AND MACHINERY	280,08,52,027	2,43,48,051	-	2,82,52,00,078	92,10,42,494	17,15,34,304	-	109,25,76,798	173,26,23,280	187,98,09,533
TESTING EQUIPMENT	2,70,64,798	37,07,345	-	3,07,72,143	51,11,960	13,96,669	-	65,08,629	2,42,63,514	2,19,52,838
ELECTRICAL INSTALATIONS	18,87,76,966	41,00,257	-	19,28,77,223	4,13,28,065	89,02,505	-	5,02,30,570	14,26,46,653	14,74,48,901
WEIGHING MACHINES	25,01,822	-	-	25,01,822	10,46,519	1,15,262	-	11,61,781	13,40,041	14,55,303
WATER WORKS	1,38,11,201	31,50,205	-	1,69,61,406	18,89,370	2,26,107	-	21,15,477	1,48,45,929	1,19,21,831
FURNITURE & FIXTURES	1,71,93,423	6,88,780	8,349	1,78,73,854	86,15,319	10,70,220	463	96,85,076	81,88,778	85,78,104
VEHICLES	1,31,36,775	8,29,772	9,06,742	1,30,59,805	37,92,804	12,02,285	4,03,446	45,91,643	84,68,162	93,43,971
DATA PROCESSING EQUIPMENT	99,69,595	12,68,651	-	1,12,38,246	56,46,119	10,60,363	-	67,06,482	45,31,764	43,23,476
TOTAL	369,07,75,971	5,74,38,561	9,15,091	374,72,99,441	106,78,24,163	20,13,97,915	4,03,909	126,88,18,169	247,84,81,272	262,29,51,808
CAPITAL WORK IN PROGRESS	6,18,390	5,89,44,463	5,74,38,561	21,24,292	-	-	-	-	21,24,292	6,18,390
	369,13,94,361	11,63,83,024	5,83,53,652	374,94,23,733	106,78,24,163	20,13,97,915	4,03,909	126,88,18,169	248,06,05,564	262,35,70,198
LESS : INTERNAL TRANSFERS	-	5,74,38,561	5,74,38,561	-	-	-	-	-	-	-
TOTAL	369,13,94,361	5,89,44,463	9,15,091	374,94,23,733	106,78,24,163	20,13,97,915	4,03,909	126,88,18,169	248,06,05,564	262,35,70,198
PREVIOUS YEAR	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

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2009 Rupees	As at 31-03-2008 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 -Traded - quoted]		
(a) 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 Equity shares of Rs.10 each in Srei International Finance Ltd [partly paid up]	25,000	25,000
(c) 5,000 Equity shares of Rs.10 each in Merbank Financial Services Ltd [partly paid up]	50,000	50,000
 (Aggregate market value of quoted investments Rs. 7,54,519 (previous year Rs. 21,33,890/-)		
	5,54,02,200	5,54,02,200
Less:Diminution in the value of Investments	98,39,481	84,60,110
TOTAL	4,55,62,719	4,69,42,090
SCHEDULE – 7		
INVENTORIES		
(Valued and certified by the management) (Valued at lower of cost and net realisable value unless otherwise stated)		
Rawmaterials	13,16,42,966	21,05,16,376
Stores and Spares	12,52,37,106	18,01,41,934
Finished Goods	24,75,31,023	27,31,74,498
Stock-in-process	21,67,57,249	20,49,39,381
Cotton Waste (at realisable value)	16,40,530	13,28,177
TOTAL	72,28,08,874	87,01,00,366



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
SCHEDULE – 8		
SUNDRY DEBTORS		
(Unsecured)		
Due over six months -Considered good	90,40,866	3,60,30,833
-Considered Doubtful	60,26,946	60,26,946
Less: Provision for Bad and Doubtful debts	60,26,946	60,26,946
Others	56,12,83,731	43,18,77,536
TOTAL	<u>57,03,24,597</u>	<u>46,79,08,369</u>
SCHEDULE – 9		
CASH AND BANK BALANCES		
Cash & Cheques on Hand	10,33,346	30,74,036
With Scheduled Banks:		
In Current Accounts	50,54,985	33,53,811
In Margin Money Deposits	86,67,060	57,94,060
In Fixed Deposits	35,00,000	43,03,000
With Post Office Saving Bank	1,000	1,000
(Kept as security with Central Excise Dept.)		
(Maximum balance Rs. 1,000)		
TOTAL	<u>1,82,56,391</u>	<u>1,65,25,907</u>
SCHEDULE – 10		
LOANS AND ADVANCES		
(Unsecured considered good, recoverable in cash or in kind or for value to be received)		
Advances for Purchases	8,47,55,871	7,88,28,716
TED refund receivable	80,80,369	60,25,425
Interest subsidy receivable	5,83,90,524	9,47,65,511
Advances to Staff	27,49,430	31,75,889
Deposits recoverable	3,62,43,259	2,69,45,797
Claims/Other Receivable	31,77,77,409	10,99,15,709
Export Benefit Entitlement Receivable	3,36,29,679	4,82,71,542
Pre-paid expenses	37,83,756	85,12,673
Balance With Central Excise Department	60,54,487	56,86,405
Accrued interest	17,82,619	11,88,098
Other advances	2,36,92,934	4,50,95,170
Income Tax (Net)	30,52,799	62,29,776
Advance Tax on FBT	46,64,358	33,74,709
TOTAL	<u>58,46,57,494</u>	<u>43,80,15,420</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
SCHEDULE – 11		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors for Raw material & stores/capital goods		
Due to Micro and Small Enterprises	81,16,315	97,38,075
Others	20,43,01,346	43,28,74,841
Creditors: for Expenses	10,28,04,683	12,29,94,622
: for other Finance	87,92,701	53,15,781
Unclaimed Dividend *	7,07,285	7,07,910
Advances received against sales	65,67,307	1,23,68,301
TOTAL	33,12,89,637	58,39,99,530
B. PROVISIONS		
Preference Dividend	67,160	67,160
Corporate Dividend Tax	11,414	11,414
Fringe Benefit Tax	50,00,000	37,50,000
TOTAL	50,78,574	38,28,574
TOTAL (A+B)	33,63,68,211	58,78,28,104
* 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	1,19,24,777	1,44,77,198
Less : Written off during the year	33,64,724	85,60,053
	<u>1,19,24,777</u>	<u>1,44,77,198</u>
Deferred Revenue Expenses		
Opening Balance	2,14,84,756	2,94,91,102
Less: Written off during the year	62,86,120	80,06,346
TOTAL	1,51,98,636	2,14,84,756
	<u>2,37,58,689</u>	<u>3,34,09,533</u>



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	Year Ended 31-03-2009 Rupees	Year Ended 31-03-2008 Rupees
SCHEDULE - 13		
SALES		
Yarn	133,92,56,134	126,04,69,382
Fabric	216,91,98,010	184,86,73,008
Waste	4,54,04,790	3,70,36,971
Cotton	-	31,75,12,179
TOTAL	<u>3,55,38,58,934</u>	<u>346,36,91,540</u>
SCHEDULE - 14		
OTHER INCOME		
Interest-earned, TDS Rs 7,04,618/- (previous year Rs 3,68,227/-)	31,40,182	18,38,386
Profit on sale of assets	-	28,89,890
Insurance Claims	-	3,53,05,497
Dividend received	-	1,02,100
Export Benefit Entitlement	3,96,38,938	4,85,85,850
Excess Provisions written back	80,586	21,54,171
Exchange Variance	-	98,45,578
Packing & Forwarding Charges Collections	17,72,877	22,10,522
Scrap Sales	15,99,679	27,61,721
Miscellaneous Receipts	16,43,793	10,55,112
TOTAL	<u>4,78,76,055</u>	<u>10,67,48,827</u>
SCHEDULE - 15		
RAW MATERIALS CONSUMED		
Opening Stocks	21,05,16,376	29,31,12,191
Add : Purchases	216,07,43,156	194,21,29,236
	<u>237,12,59,532</u>	<u>223,52,41,427</u>
Less : Cost of Raw materials sold	3,37,17,715	2,07,49,263
Less : Closing Stocks	13,16,42,966	21,05,16,376
TOTAL	<u>220,58,98,851</u>	<u>200,39,75,788</u>
SCHEDULE - 16		
STORES CONSUMED		
Consumable Stores	4,94,37,541	5,10,76,836
Dyes and Chemicals	28,16,46,375	19,26,17,047
Packing Material Consumed	3,70,38,184	3,97,15,690
TOTAL	<u>36,81,22,100</u>	<u>28,34,09,573</u>
SCHEDULE - 17		
POWER & FUEL		
Electricity Charges	27,48,58,862	25,85,00,924
Fuel Consumed	5,95,43,616	5,04,30,733
TOTAL	<u>33,44,02,478</u>	<u>30,89,31,657</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	Year Ended 31-03-2009 Rupees	Year Ended 31-03-2008 Rupees
SCHEDULE - 18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	15,40,12,796	14,16,92,689
Contribution to Provident Fund & other funds	1,37,04,445	1,12,69,618
Welfare Expenses	1,15,80,772	1,01,16,985
TOTAL	<u>17,92,98,013</u>	<u>16,30,79,292</u>
SCHEDULE - 19		
OTHER EXPENSES		
Rent	6,95,365	3,97,660
Security Charges	17,74,557	14,21,897
Rates & Taxes	2,46,31,481	2,46,74,809
Printing & Stationery	24,79,372	24,16,144
Postage, Telegrams & Telephones	63,81,218	61,78,051
Travelling & Conveyance	1,03,77,645	87,08,560
Directors' Sitting fees & Travelling expenses	6,35,609	4,48,982
Advertisements	2,38,113	3,12,033
Expenses on Sales	5,21,16,968	6,80,12,529
Commission on Sales	1,68,46,163	48,10,966
Insurance	85,56,230	74,35,945
Auditors' Remuneration	3,59,621	2,32,752
Legal & Professional Charges	32,38,946	20,90,648
Repairs to : Buildings	24,06,095	17,40,562
: Machinery	3,08,52,231	2,18,29,406
: Other Assets	71,35,254	44,23,986
Vehicle Maintenance	24,23,484	23,50,885
Miscellaneous Expenses	3,83,32,726	2,31,72,615
Donations	2,86,854	2,56,988
Loss on sale of assets	2,57,336	79,17,711
Diminution in value of Investments	13,79,371	20,01,160
Bad debts /Debit Balances written off	5,530	1,23,762
TOTAL	<u>21,14,10,169</u>	<u>19,09,58,051</u>



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	Year Ended 31-03-2009 Rupees	Year Ended 31-03-2008 Rupees
SCHEDULE - 20		
FINANCE CHARGES		
Interest on Term Loans	10,53,93,560	8,28,14,272
Interest on others	9,65,66,465	8,67,15,879
Bank Charges	46,81,894	53,59,768
TOTAL	<u>20,66,41,919</u>	<u>17,48,89,919</u>
SCHEDULE - 21		
(INCREASE)/DECREASE IN STOCKS		
OPENING 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>
CLOSING STOCKS:		
Yarn	4,41,98,908	4,70,04,507
Fabric	20,33,32,115	22,61,69,991
Work-in-process	21,67,57,249	20,49,39,381
Cotton Waste	16,40,530	13,28,177
	<u>46,59,28,802</u>	<u>47,94,42,056</u>
(Increase) / Decrease in stocks	<u>1,35,13,254</u>	<u>(9,66,38,664)</u>
SCHEDULE - 22		
PRIOR YEAR ADJUSTMENTS (NET):		
INCOME:		
Others	-	3,708
EXPENDITURE:		
Less : Non fulfilment of export obligation	-	27,07,010
MOT Charges paid to Central Excise Dept.	65,065	-
TOTAL	<u>(65,065)</u>	<u>(27,03,302)</u>

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE - 23

Notes forming part of the Balance Sheet as at 31st March,2009 and Profit and Loss Account for the year ended on that date.

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
1. Contingent Liabilities not provided for		
a) Contracts to be executed on capital accounts	12,25,09,299	1,98,62,500
b) Against Foreign Letters of Credit	3,40,87,616	9,54,80,000
c) Against Bank Gaurantees	4,66,940	19,14,600
d) Against Bills discounted	15,53,80,313	10,40,48,820
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,(CT)Legal, Punjagutta division,Hyderabad	58,74,266	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 and set off. The appeal filed before STAT(A.P) by the Company was partly allowed and the balance was remanded for verification by the department	21,63,938	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
2 The legal proceedings against M/s Rajvir Industries Ltd., for the recovery of the balance outstanding in the books of the company of Rs 2,36,92,934/- (Previous Year Rs 4,44,89,553/-) are pending		



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 23

Notes forming part of the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended on that date.

3. Claims 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. In respect of an application received from an ex-employee for gratuity of Rs.15.92 Lakhs, the Company has paid the amount in accordance with the order of the controlling authority, which have been appealed against. However, the Company does not expect any liability on this account.
6. Rajvir Industries Ltd has filed a complaint against the Company and its officers in connection with the transfer of liability of Rs 10 crores in the scheme of arrangement. The Company has been advised that the complaint is not maintainable in law and is taking adequate steps to defend its position.

7. Derivative's outstanding as at balance sheet date

Particulars	Currency	Purpose	Amount in foreign currency as at	
			31st March 2009	31st March 2008
Principal only Swap	USD	Cost Reduction	1 Mio	1 Mio

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

There is no liability on account of derivative transaction as on 31st March, 2009.

8. 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	201

(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....)

		As at 31-03-2009 Rupees		As at 31-03-2008 Rupees	
9. Production and Sales					
a) Production :					
Yarn	Kgs	2,42,99,494		2,58,91,048	
(Captive consumption out of the above					
Current year	: Kgs.	1,09,39,675			
Previous year	: Kgs.	1,29,85,209			
Denim Fabric	Mtrs	2,56,99,587		2,58,34,348	
b) Purchase of Traded Goods					
Yarn	Kgs	60,480	43,03,356	23,000	20,24,000
Cotton	Kgs	-	-	48,20,397	29,84,52,601
			43,03,356		30,04,76,601
c) Sales (including traded goods)					
Yarn	Kgs	1,33,87,010	133,92,56,134	1,29,18,096	126,04,69,382
Denim Fabric	Mtrs	2,57,24,044	216,91,98,010	2,60,68,978	184,86,73,008
Cotton	Kgs	-	-	49,96,717	31,75,12,179
Waste	Kgs	36,76,822	4,54,04,790	40,46,805	3,70,36,971
			355,38,58,934		346,36,91,540

Note :

- 1) Process Loss of Nil Kgs. of Yarn (previous year Nil Kgs) and 32657 mts of Fabric (previous year Nil Mtrs of Fabric) issued for reprocess and free replacements.
- 2) During the year fire loss of Nil Kgs (Previous year 3,54,446/-Kgs) of Yarn at Denim Division, Ramtek.



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

		As at 31-03-2009 Rupees		As at 31-03-2008 Rupees		
10.	Opening and Closing Stocks					
	a) Opening 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	
	b) Closing Stocks					
	Yarn	Kgs	5,24,660	4,41,98,908	4,91,372	4,70,04,507
	Denim Fabric	Mtrs	24,60,464	20,33,32,115	25,17,578	22,61,69,991
	Waste	Kgs	98,025	16,40,530	1,00,566	13,28,177
			24,91,71,553		27,45,02,675	
11.	Stock of Rawmaterials					
	a) Opening 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	
	b) Closing Stocks					
	Cotton	Kgs	16,05,563	9,67,86,850	28,13,167	14,41,22,268
	Yarn	Kgs	1,62,404	1,53,64,866	4,61,067	4,79,91,651
	Polyster Staple Fibre	Kgs	2,42,390	1,47,09,282	1,53,097	95,55,406
	Viscose Staple Fibre	Kgs	49,877	47,81,968	62,391	75,26,745
	Grey Fabric	Mtrs	–	–	23,028	13,20,306
			13,16,42,966		21,05,16,376	
12.	Purchase of Rawmaterials					
	Cotton	Kgs	1,57,51,468	92,08,24,212	1,76,07,268	86,37,96,790
	Yarn	Kgs	48,78,938	47,75,72,842	41,43,058	43,07,89,853
	Polyster Staple Fibre	Kgs	1,00,67,315	64,88,90,794	87,61,293	56,16,24,511
	Viscose Staple Fibre	Kgs	8,46,706	8,62,16,169	7,65,105	8,73,70,839
	Grey Fabric	Mtrs	4,96,766	2,87,13,681	1,40,860	85,48,044
			216,22,17,698		195,21,30,037	
	Less: Fire loss					
	Cotton	Kgs	27,060	14,74,542	15,360	7,98,801
	Yarn	Kgs	–	–	94,566	92,02,000
				14,74,542		1,00,00,801
	Net Purchases		216,07,43,156		194,21,29,236	

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

		As at 31-03-2009 Rupees		As at 31-03-2008 Rupees		
13.	Cost of Rawmaterial Sold					
	Cotton	Kgs	5,85,068	3,37,17,715	3,84,645	2,06,59,283
	Polyster Staple Fibre	Kgs	–	–	1,304	89,980
			5,85,068	3,37,17,715	3,85,949	2,07,49,263
14.	Rawmaterial consumed					
	Cotton	Kgs	1,63,46,944	93,29,67,373	1,96,64,451	95,55,81,675
	Yarn	Kgs	51,77,601	51,01,99,627	38,11,133	39,71,98,586
	Polyster Staple Fibre	Kgs	99,78,022	64,37,36,918	86,99,902	55,81,83,679
	Viscose Staple Fibre	Kgs	8,59,220	8,89,60,946	7,59,853	8,57,84,110
	Grey Fabric	Mtrs	5,19,794	3,00,33,987	1,17,832	72,27,738
			220,58,98,851		200,39,75,788	
Note: 1) During the year Fire loss of 27060 Kgs. (Previous Year 15360 Kgs) of Cotton at Spinning Division, Amanagallu. 2) During the year Fire loss of Nil Kgs. (Previous year 94,566 Kgs) of Yarn at Denim Division, Ramtek						
15.	Rawmaterial consumed					
	Indigenous	%	95.50	210,65,39,119	95.21	190,79,65,092
	Imported	%	4.50	9,93,59,732	4.79	9,60,10,696
			100.00	220,58,98,851	100.00	200,39,75,788
16.	Spare parts and components consumed					
	Indigenous	%	81.83	27,09,19,141	71.30	17,37,59,033
	Imported	%	18.17	6,01,64,775	28.70	6,99,34,850
			100.00	33,10,83,916	100.00	24,36,93,883
17.	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			13,84,701	8,64,000	
	Perquisites			2,34,689	56,134	
				16,19,390	9,20,134	
				64,19,390	57,20,134	



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
18. Computation of profits in accordance with Sec.349 of the Companies Act, 1956 :		
Profit/(Loss) for the year before taxation as per Profit and Loss Account	(14,77,21,485)	1,20,49,145
Add :Sitting fees	1,80,500	1,27,500
Add : Managerial Remuneration	64,19,390	57,20,134
	<u>(14,11,21,595)</u>	<u>1,78,96,779</u>
Less : Credit Balances written back	80,586	1,83,528
Net profit in accordance with Sec.349 of the Companies Act of 1956.	<u>(14,12,02,181)</u>	<u>1,77,13,251</u>
Maximum Remuneration to whole time Directors in accordance with Sec.198 of the Companies Act,1956	-	19,48,458
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.		
19. Auditors Remuneration		
Statutory Audit	1,37,875	1,40,450
Tax Audit	55,150	56,180
Certification	28,000	-
Other services	1,38,596	36,122
	<u>3,59,621</u>	<u>2,32,752</u>
20. Expenditure in Foreign Currency during the year on account of :		
i) Plant and Machinery - Imported (CIF Value)	16,55,55,329	97,75,293
ii) Rawmaterials (CIF Value)	9,69,08,328	3,34,06,665
iii) Stores and Spares (CIF Value)	6,01,64,775	7,67,54,033
iv) Repayment of Loans	1,75,01,046	5,55,53,752
v) Interest	21,02,038	68,30,076
vi) Commission on Export Sales	90,53,814	87,74,556
vii) Foreign Travel (Excluding tickets purchased in India)	17,99,916	10,85,368
viii) Business Promotion (Product Development Expenses)	-	4,34,010
	<u>35,30,85,246</u>	<u>19,26,13,753</u>
21. Interest paid, payable or accrued and due to Micro & Small Enterprises	Nil	Nil

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
22. Earnings in Foreign Exchange		
FOB Value of Exports	45,46,39,997	80,43,48,425
23. Composition of Net Deferred Tax Liability		
DEFERRED TAX LIABILITIES		
Depreciation	28,63,41,887	22,86,03,792
Deferred Revenue Expenses	57,34,465	78,71,119
	<u>29,20,76,352</u>	<u>23,64,74,911</u>
DEFERRED TAX ASSETS		
Carried forward losses	11,46,80,845	5,96,02,320
Provision for Doubtful Debts & Others	20,48,559	20,48,559
	<u>11,67,29,404</u>	<u>6,16,50,879</u>
Deferred Tax Liability (Net)	<u>17,53,46,948</u>	<u>17,48,24,032</u>



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
24. INFORMATION ABOUT BUSINESS SEGMENTS		
1 SEGMENT REVENUE		
Spinning	132,75,56,993	124,56,82,026
Denim	222,63,01,941	221,80,09,514
TOTAL	<u>355,38,58,934</u>	<u>346,36,91,540</u>
2 SEGMENT RESULTS		
Spinning	8,55,45,126	10,93,04,296
Denim	(2,66,24,691)	7,76,34,768
TOTAL	<u>5,89,20,435</u>	<u>18,69,39,064</u>
3 INTEREST	20,66,41,919	17,48,89,919
4 PROFIT / (LOSS) BEFORE TAX	(14,77,21,484)	1,20,49,145
5 OTHER INFORMATION		
SEGMENT ASSETS		
Spinning	126,79,35,935	146,28,40,628
Denim	307,20,65,567	299,64,71,722
TOTAL	<u>434,00,01,502</u>	<u>445,93,12,350</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
6 SEGMENT LIABILITIES		
Spinning	6,15,42,278	18,48,51,783
Denim	19,25,33,223	39,92,26,321
TOTAL	<u>25,40,75,501</u>	<u>58,40,78,104</u>
7 CAPITAL EXPENDITURE		
Spinning	2,09,01,144	3,34,17,217
Denim	3,65,37,417	20,41,41,974
TOTAL	<u>5,74,38,561</u>	<u>23,75,59,191</u>
8 DEPRECIATION		
Spinning	4,70,73,471	4,78,54,059
Denim	15,43,24,444	15,25,61,395
TOTAL	<u>20,13,97,915</u>	<u>20,04,15,454</u>
9 NON CASH EXPENDITURE OTHER THAN DEPRECIATION		
Spinning	9,16,838	9,64,659
Denim	87,34,006	95,94,108
TOTAL	<u>96,50,844</u>	<u>1,05,58,767</u>



Suryalakshmi Cotton Mills Limited

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

a) Spinning

b) Denim

TYPE OF PRODUCT

Cotton Yarn, Combed Yarn and P.V. Yarn

Denim Fabric

25. Related party disclosure

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

a) Transactions during the year

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	20,317	2,79,500
Shri P.K.Agarwal Managing Director	Key Management	a) Remuneration	24,00,000	24,00,000
		b) Interest	34,601	3,52,750
Shri L N Agarwal (HUF)	Key Management	Interest	79,625	79,625
Shri H.L. Ralhan Director	Key Management	Remuneration	16,19,390	9,20,134
Smt. Sathyabhamabai	Wife of Shri L.N. Agarwal	Interest	13,17,793	13,43,875
Smt. Padmini Agarwal	Wife of Shri P.K. Agarwal	Interest	7,84,545	7,84,545
Kum. Aparna Agarwal	Daughter of Shri P.K.Agarwal	Interest	2,35,625	2,35,625
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	Interest	2,99,000	2,99,000
M/s Suryalata Spinning Mills Ltd.	Enterprise in which the relatives of Key Management personnel are interested	Interest	2,53,698	6,16,392
M/s Suryakiran International Limited	Subsidiary	Sale of Fabric	10,88,45,293	8,48,44,760

SCHEDULES FORMING PART OF THE ACCOUNTS

b) Balances as at 31st March, 2009 (payables) :

Name of the party	Relationship	Nature of Transaction	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
Shri L.N Agarwal Chairman & Managing Director	Key Management	a) Remuneration (Net)	1,29,800	1,67,800
		b) Interest (Net)	–	2,47,833
		c) Unsecured Loan	–	47,00,000
Shri P.K.Agarwal Managing Director	Key Management	a) Remuneration (Net)	1,29,800	1,57,800
		b) Interest (Net)	–	3,12,783
		c) Unsecured Loan	–	46,75,000
Shri L N Agarwal (HUF)	Key Management	a) Interest (Net)	70,603	70,603
		b) Deposits	12,25,000	12,25,000
Shri H.L. Ralhan Director	Key Management	Remuneration (Net)	33,240	51,020
Smt. Sathyabhamabai	Wife of Shri L.N. Agarwal	a) Interest (Net)	11,68,486	11,91,613
		b) Deposits	1,96,75,000	2,06,75,000
Smt. Padmini Agarwal	Wife of Shri P.K. Agarwal	a) Interest (Net)	6,95,656	6,95,656
		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	2,08,929
		b) Deposits	36,25,000	36,25,000
Master Vedanth Agarwal	Son of Shri P.K.Agarwal	a) Interest (Net)	2,65,123	2,65,123
		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) Interest (Net)	–	–
		b) Inter Corporate Deposits	–	60,00,000

c) Receivable as at 31st March, 2009

M/s Suryakiran International Limited	Subsidiary	Sale of Fabric	4,83,42,847	8,41,50,507
		For others	4,29,024	–



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

26. Employees Benefits : Gratuity

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

1 Table showing changes in present value of obligations	As on 31/03/2009	As on 31/03/2008
	Rupees	Rupees
Present value of obligations as at beginning of year	97,34,556	1,01,74,932
Interest cost	7,78,764	7,63,120
Current Service Cost	16,98,421	27,28,686
Benefits Paid	(16,05,906)	21,35,261
Actuarial gain / (Loss) on obligations	10,87,287	(17,96,921)
Present value of obligations as at end of year	1,16,93,122	97,34,556
2 Table showing changes in the fair value of plan assets	As on 31/03/2009	As on 31/03/2008
Fair value of plan assets at beginning of year	22,71,767	12,03,127
Expected return on plan assets	2,67,936	1,51,771
Contributions	37,26,118	30,52,130
Benefits Paid	(16,05,906)	21,35,261
Actuarial gain / (Loss) on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	46,59,915	22,71,767
3 Table showing fair value of plan assets	As on 31/03/2009	As on 31/03/2008
Fair value of plan assets at beginning of year	22,71,767	12,03,127
Actual return on plan assets	2,67,936	1,51,771
Contributions	37,26,118	30,52,130
Benefits Paid	(16,05,906)	21,35,261
Fair value of plan assets at the end of year	46,59,915	22,71,767
Funded status	(70,33,207)	(74,62,789)
Excess of Actual over estimated return on plan assets	Nil	Nil
(Actual rate of return = Estimated rate of return as ARD falls on 31st March)		
4 Assumptions	As on 31/03/2009	As on 31/03/2008
Discount rate	8%	8%
Salary Escalation	4%	4%

Employee Benefits : Actuarial valuation of Leave encashment

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

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

Profit & Loss Account

	2008-09
	Rupees
Current Service cost	1,74,031
Interest Cost on benefit obligation	1,27,383
Expected return on plan assets	Nil
Net Actuarial (gain). Loss recognized in the year	22,69,430
Past service cost	Nil
Net Benefit expense	25,70,844

Actual return on Plan assets
Balance Sheet
Details of provision for Leave
Change in the present value of the defined benefit obligation are as follows :

Opening defined benefit obligation	15,92,284
Interest Cost	1,27,383
Current Service cost	1,74,031
Benefits Paid	(19,86,848)
Actuarial (gains) / losses on obligation	22,69,430
Closing defined benefit obligation	21,76,280

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

Assumptions	%
Salary Rise	4
Discount rate	8
Attrition Rate	1

27. Basic Earnings per Share as per Accounting Standard No.20

	Current Year Rs.	Previous Year Rs.
Profit after Tax	(15,69,94,401)	34,95,116
Less : Dividend on preference Share capital with dividend tax there on	78,574	78,574
	(15,70,72,975)	34,16,542
Weighted average Number of Equity Shares	1,33,62,290	1,33,62,290
Basic Earnings per Share	(11.75)	0.26

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule No: 23 (Contd....)

28. The Salestax deferment liability amounting to Rs.1,48,14,709/— shown under unsecured loans is due for repayment from the year 2011.

YEAR	AMOUNT Rupees	DATE OF REPAYMENT
1997-1998	5,38,636	15.06.2011
1998-1999	5,11,508	01.04.2012
1999-2000	29,87,995	01.04.2013
2000-2001	28,72,845	01.04.2014
2001-2002	22,28,483	01.04.2015
2002-2003	20,52,402	01.04.2016
2003-2004	7,85,011	01.04.2017
2004-2005	3,26,756	01.04.2018
2006-2007	5,13,700	01.04.2020
2007-2008	41,280	01.04.2021
2008-2009	19,56,093	01.04.2022
TOTAL	1,48,14,709	

29. 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 IFICI and the same will be redeemed to IDBI in March, 2012 (Rs.400 lacs) and to IFICI in July, 2011 (Rs.271.60 Lacs).
30. The amount of CRPS of Rs.671.60 lakhs payable on redemption to IDBI and IFICI as stated in note No. 29 is treated as deferred revenue expenditure, to be written off over the term of the CRPS.
31. During the year 2005-06 the Company has incurred an amount of Rs.1,25,23,000/- being the expenditure incurred for raising equity. The same will be amortised over a period of 5 Years from the date of commencement of operations.
32. In the opinion of the Board, the current assets and loans & advances have a value on realisation to the ordinary course of business atleast equal to the amount at which they are stated.
33. Vide Notification No.30/09.07.2004 of the Central Excise Department we can opt for zero rate of duty by not taking Cenvat credit on Inputs and Vide Notification No.29/09.07.2004 of Central Excise Department we can opt for payment of duty on Final products by taking credit on inputs and capital items. Accordingly in case of Denim Fabric and Cotton yarn we have opted for Zero rate of duty and not availed Cenvat credit on the purchase of inputs and capital items, where as in case of Polyester yarn we have taken cenvat credit on part of the rawmaterial which are used for production of polyester yarn meant for export, and cleared the material for export on payment of duty.
34. During the previous 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 final claim with the insurance Company for Rs 31.07 crores.
35. Previous year's figures have been regrouped wherever necessary.
36. 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 up to the date of commercial use.

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

3. Inventories :

Raw Material and stores and spares are valued at cost on weighted average basis. Stock in process and finished goods are valued at lower of cost or net realisable value.

4. Investments :

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

5. Contingent Liabilities and Provisions :

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

6. Retirement Benefits :

All the employees are eligible for retirement benefits like Provident Fund and Leave encashment. Contribution to Provident Fund are made at preascertained rate and remitted to the concerned authorities on accrual basis. Leave encashment is provided on the basis of actuarial valuation.

In respect of Gratuity, the Company has covered the gratuity liability by obtaining the group gratuity policy. The premium charged by Life Insurance Corporation of India is paid as stipulated and charged to Profit and Loss Account.

7. Foreign Exchange Transactions :

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



Suryalakshmi Cotton Mills Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

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.

10. Provision for taxation :

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

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

Signatures to Schedules 1 to 24

per Our Report of even date

for Brahmayya & Co
Chartered Accountants

K.S.Rao
Partner

Place : Hyderabad
Date : 25.05.2009

Sd/-

P.S.Subramanyam
Vice President (Finance)

Sd/-

E.V.S.V.Sarma
Company Secretary

For and on behalf of the board

Sd/-

L.N. Agarwal
Chairman & Managing Director

Sd/-

P.K. Agarwal
Managing Director

Sd/-

Navrang Lal Tibrewal
Director



Suryalakshmi Cotton Mills Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	Current Year Rupees	Previous Year Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT / (LOSS) BEFORE TAX	(14,77,21,484)	1,20,49,145
Adjustment for		
Add: Depreciation	20,13,97,915	20,04,15,454
Interest	20,19,60,025	16,95,30,151
Debit balance written off	5,530	1,23,762
Miscellaneous expenses written off	96,50,844	1,05,58,767
Loss on sale of assets	2,57,336	79,17,711
Diminution in Value of investments	13,79,371	20,01,160
	<u>26,69,29,537</u>	<u>40,25,96,150</u>
Less: Interest received	31,40,182	18,38,386
Excess provision written back	80,586	21,54,171
Profit on sale of assets	–	28,89,890
	<u>32,20,768</u>	<u>68,82,447</u>
Operating profit before working capital changes	<u>26,37,08,769</u>	<u>39,57,13,703</u>
Adjustment for changes in :		
Inventories	14,72,91,492	(8,47,89,832)
Receivable	(10,23,41,172)	(14,50,40,237)
Loans and advances	(14,79,34,882)	2,09,47,586
Current liabilities	<u>(23,94,45,495)</u>	<u>13,03,90,395</u>
Cash generated / (used) from Operations	(7,87,21,288)	31,72,21,615
Income tax paid net of refunds	(56,12,672)	(62,57,206)
Net cash from operating activities (A)	<u>(8,43,33,960)</u>	<u>31,09,64,409</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of fixed assets	2,53,846	76,90,285
Interest received	25,45,661	25,77,810
Increase in fixed assets	(5,89,44,462)	(16,55,12,041)
(Increase) / Decrease in investments	–	50,000
Net cash used in Investing activities (B)	<u>(5,61,44,955)</u>	<u>(15,51,93,946)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2009 (Contd...)

	Current Year Rupees	Previous Year Rupees
C.CASHFLOWFROMFINANCINGACTIVITES		
Increase in secured loans	24,50,68,278	–
Increase in bank borrowings	12,09,74,920	20,17,44,252
Increase in Unsecured loans	4,12,72,002	2,72,20,006
Repayment of Term Loan	(32,00,000)	(23,29,77,584)
Repayment of Hire Purchase loan	(5,27,004)	(8,30,597)
Repayment of unsecured loans	(4,60,75,800)	(13,80,000)
Interest paid	(21,52,23,798)	(15,83,62,847)
Dividend/Tax on dividend	(79,199)	(91,796)
Net cash generated / (used) in Financing Activities (C)	14,22,09,399	(16,46,78,566)
Net increase in cash and cash equivalents (A+B+C)	17,30,484	(89,08,103)
Cash/Cash Equivalents at the Beginning of the year	1,65,25,907	2,54,34,010
Cash/Cash Equivalents at the end of the year	1,82,56,391	1,65,25,907

per Our Report of even date

for Brahmayya & Co
 Chartered Accountants

K.S.Rao
 Partner

 Place : Hyderabad
 Date : 25.05.2009

Sd/-
P.S.Subramanyam
 Vice President (Finance)

Sd/-
E.V.S.V.Sarma
 Company Secretary

For and on behalf of the Board

Sd/-
L.N. Agarwal
 Chairman & Managing Director

Sd/-
P.K. Agarwal
 Managing Director

Sd/-
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, 2009
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 ,2009	Nil
	b) not dealt with in the accounts of the Company for the year ended 31st March ,2009	Rs. (93.26) 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 ,2008	Nil
	b) Not dealt with in the accounts of the Company for the year ended 31st March ,2008	Rs. (65.79) 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

Sd/-

L.N. Agarwal

Chairman & Managing Director

Sd/-

P.K. Agarwal

Managing Director

Sd/-

Navrang Lal Tibrewal

Director

Sd/-

P.S.Subramanyam

Vice President (Finance)

Sd/-

E.V.S.V.Sarma

Company Secretary

Place : Secunderabad

Date : 25.05.2009