



19th

ANNUAL REPORT

2011 - 2012

Plot No.32, Flat No.302, Vijaya Enclave,
Srinagar Colony, HYDERABAD – 500 073.

BOARD OF DIRECTORS

Sri. G. SURENDER REDDY
 Sri. K C VENKATESWARLU
 Sri S. SRIDHAR
 Sri SHAILESH SHIVRAM MISTRY
 Sri G. RAMESH BABU
 Sri L. MADHU KUMAR REDDY

Managing Director
 Director
 Director (upto 19th June 2012)
 Director
 Director
 Director

Registered Office:

Plot No. 32, Flat No. 302,
 Vijaya Enclave, Srinagar Colony,
HYDERABAD – 500 073.
 Tele : 040 - 23542871
 Email : Inpolyester@yahoo.com

Works:

- | | |
|---|--|
| <p>1) Plot No.186,
 Second Phase,
 G I D C,
 VAPI – 396 195.
 GUJARAT.</p> | <p>2) Survey No.16/1,
 Rakholi,
 Silvassa – 396230,
 Dadra and Nagar Havele,
 UT.</p> |
|---|--|

Auditors:

M/s. KUMAR & GIRI,
 Chartered Accountants,
 1-11-126/D, Opp. Aeroview Towers,
 Begumpet,
HYDERABAD – 500 016.

Bankers:

- 1) State Bank of Hyderabad,
 Overseas Branch,
 Somajiguda,
HYDERABAD – 500 082.

DIRECTORS REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the 19th Annual Report and the Audited Statement of Accounts of the Company for the Year Ended 31st March '2012.

FINANCIAL RESULTS:

(Rs. In Lakhs)

Sl. No.	Particulars	For the year ended 31st March ' 2012	For the period Ended 31st March ' 2011
1.	Net Income from Operations	7,698.74	7,460.10
2.	Gross Profit (before Finance Charges, Depreciation, Taxation & Extraordinary Items)	684.91	662.07
3.	Less : Finance Charges	364.75	212.46
4.	Less : Depreciation	242.49	115.05
5.	Less : Provision for Taxation	15.53	101.20
6.	Profit / (Loss)	62.14	233.36

OPERATIONS:

During the year the Company, in spite of the flat market conditions could manage to hold on to the markets in which it regularly operates with its quality product lines. Due to the cyclical fluctuations in the foreign exchange rates more particularly in the US dollar, the focus on the overseas markets has been lowered during the year. The Company is working closely with the new distributors for the enhancement of the product off take and it expects to improve the performance of the Company over the coming periods. Further the Company is also exploring the possibilities for venturing into new business avenues. The land development activity on the land belonging to the Company has not commenced yet during the year.

MARKETING:

The domestic markets where the Company's products are sold have not registered significant growth during the year. However the Company with its long established track record in the domestic market could able to sustain the operating levels as in the previous periods. All though the overseas markets are encouraging, the adverse currency movements have become a deterrent for exploiting its full potential. The Company has identified new and potential market areas for increasing the spread of its products the results of which are encouraging.

FIXED DEPOSITS:

The Company has not accepted any Fixed Deposit within the meaning of Section 58A of the Companies Act, 1956, and Rules made there under.

BOARD OF DIRECTORS:

During the year Sri.Shailesh Shivram Mistry, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Sri.L.Madhu Kumar Reddy was appointed as Additional Directors of the Company with effect from 15th November ' 2011 and hold office till the date of ensuing Annual General Meeting.

The Company has received notice from a member proposing Sri.L.Madhu Kumar Reddy for appointment as a Director of the Company.

During the year under review Sri. S. Sridhar resigned as Director of the Company due to his pre occupations. The Board places on record its appreciation for the services rendered by him during his tenure as the Director of the Company.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors confirms:

- (i) that in the preparation of the Annual Account for the Financial Year Ended 31st March ' 2012, the applicable accounting standards had been followed along with proper explanation relating to material departure's;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) that the Directors had taken proper and sufficient care 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.
- (iv) that the Directors had prepared the accounts for the Financial Year ended 31st March ' 2012, on a "going concern basis".

AUDITORS:

M/s. Kumar & Giri, Statutory Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s. Kumar & Giri to the effect that their appointment as Auditors if made would be within the limits under Section 224 (1-B) of the Companies Act, 1956.

PERSONNEL:

There are no employees in the Company whose particulars are required to be given pursuant to section 217 (2A) of the Companies Act, 1956.

REPLIES TO QUALIFICATIONS MADE BY THE AUDITORS:

- a) The Company is in the process of mobilizing funds for repaying the Loan Outstanding to M/s.JM Financial Asset Reconstruction Company Private Limited.
- b) The Company has initiated steps to strenghten the Various internal control systems in the organisation including enhancing the scope of the internal audit function.
- c) The Company is taking effective steps to clear off the payables at the earliest.

CONSERVATION OF ENGERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT AND FOREIGN EXCHANGE:

Information in accordance with the provisions of Section 217 (e) of the Companies (Disclosure of Particulars in the Report of Board Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure forming part of this report.

COMPLIANCE CERTIFICATE:

The Company has complied with the provision of Corporate Governance as required under the provisions of Clause 49 of the Listing Agreement.

A Certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing agreement is attached to this report.

ACKNOWLEDGEMENT:

Your Directors place on record their appreciation for the continuous support, assistance extended by all the Government Authorities, Financial Institutions Viz., JM Financial Asset Reconstruction Company Private Limited, Company Banker's State Bank of Hyderabad, Consultants, Shareholders and the dedicated and sincere services rendered by the employees of the Company.

on behalf of the Board of Directors
for **LN INDUSTRIES INDIA LIMITED**

Place: Hyderabad.

Date: 10.08.2012.

G. SURENDER REDDY
Managing Director

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**A) CONSERVATION OF ENERGY:****a) Energy Conservation measures taken:**

- Installation of Load Capacitors at junctions in curtailing High Power Load.
- Installation of reduced horsepower motors in line with the load Requirement.
- Installation of efficient Air Handling Units.
- Close supervision on the usage of Coal, Electricity.

- b) Additional investment and proposals, if any, being implemented for reduction of Consumption of energy:
- Realignment of the pipelining for the boiler resulting in the saving of the consumption of energy.

- c) Impact of measures at (a) and (B) above for reduction of Energy consumption and consequent impact on the cost of Production of goods.

- Their has been an improvement in the quality of steam produced and used in the Boiler resulting in the saving of the consumption of energy .

- d) Total energy consumption and energy consumption per unit of production as per Form – A.

d)	Total energy consumption and energy consumption per unit of production as per Form – A.		
		2011 - 2012	2010 - 2011
		(12 Months)	(6 Months)
1. Electricity:			
a) Purchased:			
Units		23,80,440	23,15,536
Total Amount	Rs.	1,28,13,119/-	96,24,638/-
Rate Per Unit	Rs.	5.38	4.16
b) Own Generation:			
i) Through Diesel Generator			
Units		0.00	0.00
Units Per Ltr.of Diesel		0.00	0.00
Rate Per Unit	Rs.	0.00	0.00
ii) Through Steam turbine / Generator:			
Units			
Units Per Ltr. Of Fuel Oil / Gas		Nil	Nil
Rate Per Unit			
2. Coal for Boiler:			
Quantity (Tons)		862.135	740.215
Total Cost	Rs.	43,81,425/-	34,62,101/-
Average Rate Per Ton	Rs.	5,082/-	4,677/-
3. Furnace Oil:			
Quantity (K.Ltrs.)			
Total Cost		Nil	Nil
Average Rate			
4. Others / internal generation (please give details):			
Quantity ()			
Total Cost		Nil	Nil
Rate Per Unit			
A) Consumption per unit of production:			
Particulars		2011 - 2012	2010 - 2011
		(12 Months)	(6 Months)
Products (with details) Units:			
Dyed Yarn Production (MT)		1,012.62	928.04
Electricity (Purchased) / MT	Rs.	12,653/-	10,371/-
Coal / MT	Rs.	4,327/-	3,731/-

II. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form – B

- a) Research & Development (R & D)

Specific Areas:

The Company's initiatives resulted in the development of the new products targeting specific market segments and also resulted in the increased satisfaction to the Customers in form of superior quality.

Benefits Derived:

The Products have been well accepted by the Consumers. The new products are successfully positioned in the market.

Plan of Action:

Higher Focus on Research and Development to improve productivity and higher range of product mix.
 b) Technology Absorption, Adoption and Innovation:

The Company has continuous interaction with the Manufactures / Suppliers of Machinery and is seeking and upgrading its equipment as and when required and also development of new product range is initiated in close coordination with manufacturers of Dyes and Chemicals.

III. Foreign Earnings and Outgo:

		2011 - 2012 (12 Months)	2010 - 2011 (6 Months)
Earnings	::	Rs. 88.53 Lacs	Rs. 0.00 Lacs
Outgo	::	Rs. 16.59 Lacs	Rs.76.88 Lacs

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
 The Board of Directors
 LN Industries India Limited,

We have reviewed the implementation of Corporate Governance procedures by LN Industries India Limited during the period ended 31st March ' 2012, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

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

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreements with the stock exchanges have been complied with in all material respect by the Company and no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

for KUMAR & GIRI
 Chartered Accountants
 FRN 01584S

J. Bhadra Kumar
 Partner
 M. No.025480.
 Date: 30th May ' 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture of Texturized Twisted Polyester Dyed Yarn and Nylon Dyed Yarn. It has also significant presence in the trading of various textile products.

One of the major finished products of the Company Polyester Dyed Yarn is used in the manufacturing of Dress Materials, Sarees, Shirting, Suiting and Furnishing Fabrics. Another product Nylon Dyed Yarn is used in the manufacture of Socks, Sports Gear etc.,

The industry offers significant leverage to the Company for scaling up its operations both in terms of the higher volumes of the existing products as well as the scope for setting up new and enhanced facilities which can facilitate back ward integration for the present product line of the Company. Because of the products application and utility across the wide spectrum of the users segment, offers significant opportunities for growth.

REVIEW OF OPERATIONS:

Company has during the period processed materials to the tune of 1,013 MT's including undertaking job works for the Reliance Industries Limited. The capacities of production of the Company are being improved considering the surge in the demand for the products.

The Company has during the period successfully commenced the trading in textile products.

FINANCIAL REVIEW:

The Company during the year has achieved a turnover of Rs.7,699 Lakhs.

The Company achieved a Gross Profit (Earnings before Interest, Deprecation & Taxes) of Rs.685 Lakhs.

The Company has during the year added new and value added machinery in the production line to enhance the product portfolios by incurring a capital expenditure of Rs.24 Lakhs.

The paid up Equity Share Capital as at 31st March '2012 stood at Rs.8,925.80 Lakhs.

Earning per share for the period was at Rs.0.07.

The Company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs.28 Lakhs.

OPPORTUNITIES:

The nature of the products Company presently operates in provides for good opportunities to venture into backward integration for to the manufacture of the raw materials for the products dealt at present by the Company. Also the market for the valued added products in the product portfolio which at present is at a low level offers tremendous opportunities for growth.

CHALLENGES:

The high volatile global economic scenario coupled with the possible slow down in the domestic market may impact the earning and growth capabilities of the Company in the near short term. Further the normal market competition in the markets in which the Company operates may effect the operative capability of the Company. However, Company is gearing up for the same by introducing new and innovative products and expanding the market bases , diversifying into new lines of activity and business and adopting appropriate combination of strategies it is keeping itself ahead in the competition.

OUTLOOK:

Presently the Company's majority of the revenues are derived from the sale of Texturized Twisted Polyester Dyed Yarn in the domestic market. The success of the Nylon Dyed Yarn being presently exported by the Company gives it a wide market. The enhanced manufacturing facilities, producing a wide range of quality products would enable the Company to perform better. The Company's proposal of development of the land at Patancheru, Hyderabad after shifting of the facilities to Silvassa and Vapi gives the Company the leverage to enlarge it business operations over the next 3 – 5 years.

RISKS AND CONCERNS:

The domestic and regional macro economic environment directly influences the spending habits of the population. Any perceived economic slow down could have an impact on the demand and supply dynamics.

One of the areas of concern in the present line of business for the Company is the fluctuations in the prices of the basic raw material used in the production i.e Partially Oriented Yarn (POY) whose cost is directly proportional to the fluctuations in the international prices of petroleum products which has been witnessing frequent fluctuations in the prices.

The Company is in the process of diversifying into other related business segments and also the real estate development of the land belonging to it. The progress of these depends on the various market conditions which are not directly under control of the Company.

ADEOUACY OF INTERNAL CONTROLS:

LNIL has a proper and adequate system of internal controls to ensure that all the assets are safe guarded and protected against loss or misuse or disposition and the transaction are authorized, recorded and reported correctly.

Majority of the critical production operations are automated providing systems based check and control at every critical point.

The internal control systems are supplemented by an independent internal audit function. The Audit Committee of the Board reviews the findings and recommendations of the Internal Auditors.

The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements, other data on timely basis and also in maintaining accountability of assets.

QUALITY:

“Consistency in the Quality of the product & high level of after sales follow up” are the hall marks of the Company Products.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

LNIIIL employs 48 people, on full time employment basis.

LNIIIL recognizes the contribution of its people in creating a Company, which is ranked as one of the best amongst the Dyed Yarn producing facilities in India.

LNIIIL provides continuous learning and personal development programs by conducting training and evaluation.

The relations with the workmen have been cordial during the period.

CORPORATE GOVERNANCE DISCLOSURE:

1. COMPANY PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The basic philosophy of Corporate Governance in the Company is to attain excellence in the operation keeping in view the interest of the shareholders, employees, government and lenders.

Company is committed to achieving the high standards of Corporate Governance.

Company believes that all its operations and acts should serve the underlying goal of enhancing overall stakeholders' value, sustained over a period of time.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company consists of 7 Directors, Viz., Managing Director, and 6 Non – Executive Directors.

During the period April ' 2011 to March ' 2012 the Board has met 6 (Six) times, on the following date namely:

1. 14th May ' 2011.
2. 12th August ' 2011.
3. 27th August ' 2011.
4. 15th November ' 2011.
5. 06th January ' 2012.
6. 14th February ' 2012.

The maximum time gap between any two meetings was not more than four calendar months.

The following table gives details of Directors, attendance of Directors at the Board Meetings and at the last Annual General Meeting number of memberships held by Directors in the other Committees.