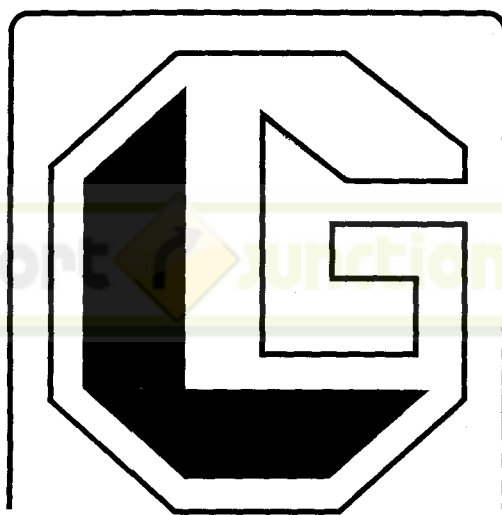


26th
Annual Report
2007-2008



LOHIA GROUP

LOHIA STARLINGER LIMITED



LOHIA STARLINGER LIMITED

D-3/A, Panki Industrial Estate, Kanpur - 208 022 (INDIA)

NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of Lohia Starlinger Limited will be held on Saturday, the 27th December, 2008 at 11.30 A.M. at the Registered Office of the Company at D-3/A, Panki Industrial Estate, Kanpur – 208 022 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2008 and the Balance Sheet as on that date alongwith the reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri Gopal Chandra Lohia who retires by rotation, and is eligible for reappointment.
3. To appoint a Director in place of Shri Rajendra Kumar Newatia who retires by rotation, and is eligible for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration

SPECIAL BUSINESS

To consider, and if thought fit, to pass, with or without modification(s), the following resolution:-

AS ORDINARY RESOLUTION

5. "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto and subject to necessary approvals, consent of the Company be and is hereby accorded for re-appointment of Shri Raj Kumar Lohia as Chairman & Managing Director of the Company with effect from 27th November, 2008 for a term of five years on the following terms:

Section-I

Remuneration payable when the Company has profits :

The Remuneration by way of salary, perquisites, commission and other allowances as may be finalized by the Board of Directors in consultation with the appointee, subject to the individual limit of 5% of Net Profit for him and 10% of Net Profit for all the managerial personnel on the Board taken together.

Section-II

Remuneration payable when the Company has no profits or inadequate profits :

The Remuneration by way of salary, perquisites and other allowances as may be finalized by the Board of Directors in consultation with the appointee, subject to the ceiling limit as laid down in Section – II of Part – II of Schedule XIII and in accordance with the provisions of said Schedule."

"RESOLVED FURTHER THAT the Board of Directors of the Company or a Committee constituted by the Board for the purpose, be and is hereby authorised to revise, alter or vary the remuneration including perquisites in such manner as the Board or the Committee, as the case may be, may consider proper from time to time, subject to the limits as laid down in Schedule XIII read with other applicable provisions of the Companies Act, 1956 or any amendment(s) or modification(s) thereof for the time being in force."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to this Resolution."

Registered Office :
D-3/A, Panki Industrial Estate,
Kanpur – 208 022
Date : 18th November, 2008

By order of the Board of Directors
For **LOHIA STARLINGER LIMITED**
ARVIND KUMAR BHARGAVA
Company Secretary

Notes :

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. Members are requested to notify immediately any change in their address to the Company, quoting Folio number.
4. Pursuant to Section 205-A and Section 205-C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund and no payment shall be made in respect of any such claims by the Fund. Accordingly, the Unpaid Dividend for the Financial Year 1999-2000 has been transferred to the Investor Education and Protection Fund during the year.
5. Members desiring any information as regards the Annual Accounts are requested to write to the Company at least 15 days before the date of the meeting, as to enable the management to keep the information ready.
6. Members are requested to bring their copy of the Annual Report and the attendance slip to the meeting.

EXPLANATORY STATEMENT

As required under Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out the material facts relating to item No. 5 of the accompanying Notice dated 18th November, 2008.

ITEM NO. 5

Shri Raj Kumar Lohia is one of the founding Directors of the Company who is on Board since its inception. He was designated as Managing Director of the Company since 27th November, 1993 and re-designated as Chairman & Managing Director on 5th April, 2006.

As the Chairman & Managing Director of the Company for the past several years, he is acting as Chief Executive Officer, responsible for overall management of the Company. His guidance and leadership has enabled the Company to reach its present position in the Industry. His present tenure is coming to an end on 26th November, 2008. The Directors believe that for further growth and progress of the Company, his continuing as Chairman & Managing Director is very important. The Board of Directors in its meeting held on 18th November, 2008, has approved the reappointment of Shri Raj Kumar Lohia for a further period of five years w.e.f. 27th November, 2008 on the remuneration and other terms and conditions as mentioned in the resolution.

The Resolution at Sl. No. 5 is commended for approval in this connection.

None of the Directors of the Company, except Shri Raj Kumar Lohia, is in any way, concerned or interested in the proposed Resolution.

This may also be treated as an abstract containing the terms of remuneration of Shri Raj Kumar Lohia and the Memorandum as to the nature of concern or interest pursuant to Section 302 of the Companies Act, 1956.

Registered Office :
D-3/A, Panki Industrial Estate,
Kanpur – 208 022
Date : 18th November, 2008

By order of the Board of Directors
For **LOHIA STARLINGER LIMITED**
ARVIND KUMAR BHARGAVA
Company Secretary



LOHIA STARLINGER LIMITED

BOARD OF DIRECTORS : RAJ KUMAR LOHIA, *Chairman & Managing Director*
VINAY SAH, *Joint Managing Director*
ANURAG KUMAR LOHIA, *Whole Time Director*
GOPAL CHANDRA LOHIA, *Director*
RAJENDRA KUMAR NEWATIA, *Director*

SECRETARY : ARVIND KUMAR BHARGAVA

BANKERS : STATE BANK OF INDIA
CANARA BANK
HDFC BANK LIMITED

AUDITORS : M/s. ANIL PARIEK AND GARG
Chartered Accountants
KANPUR

REGISTERED OFFICE : D-3/A, Panki Industrial Estate
KANPUR - 208 022

UNITS : PANKI UNIT
D-3/A, Panki Industrial Estate
Kanpur - 208 022

CHAUBEPUR UNIT
Lohia Industrial Complex
Chaubepur
Kanpur - 209 203

PRECITEX COMPONENTS MFG. COMPANY
Lohia Industrial Complex
Chaubepur
Kanpur - 209 203

LOHIA STARLINGER LIMITED**DIRECTORS' REPORT**

To the Members of LOHIA STARLINGER LTD.

The Directors are pleased to present the Twenty Sixth Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

| | 2007-08 | (Rs. in crore) 2006-07 |
|--|---------------|---------------------------|
| Gross Sales and Other Income | 354.93 | 293.14 |
| Operating Profit (PBIDT) | 40.70 | 53.04 |
| Profit before tax | 25.26 | 44.45 |
| Profit after tax | 16.06 | 28.73 |
| Surplus brought forward | 75.95 | 47.22 |
| Amount available for appropriation carried forward | 92.01 | 75.95 |

DIVIDEND

Keeping in view the funds requirement for enhanced working capital needs and Modernisation & Expansion of production facilities of the Company, your Directors do not recommend any dividend for the year.

PERFORMANCE

During the year under review, the Company achieved a turnover, net of excise, of Rs. 309.22 crore (previous year Rs. 258.69 crore) showing an increase of 19.5%. Operating Profit during the year was Rs. 40.70 crore, as against Rs. 53.04 crore of last year on account of pressure on margins due to sharp rise in prices of some of the raw materials, lower export realization due to strengthening of rupee vis-a-vis US Dollar by about 9% and dumping of machines from China.

EXPORTS

Company's export (FOB value) during the year was Rs.108.40 crore as compared to Rs. 100.01 crore last year showing an increase of 8.4%. The strengthening of Indian currency had an impact on margins on exports. The Company has consistently been working to minimize any further adverse impact of movement in currency value.

As reported in the past, the Company has been accorded 'Star Export House' status by Government of India, Office of Joint Director General of Foreign Trade, Ministry of Commerce in accordance with the provisions of EXIM Policy. Your Company has been awarded 'Gold Trophy' for top exporters in medium enterprises category by engineering Export promotion council for the year 2005-06.

CRISIL RATING

During the year, the Company's borrowing programme was rated by CRISIL and it has been assigned 'A+/ Stable/P1+' rating for various bank facilities indicating strong market position, good operating efficiency and healthy financial profile of the Company.

QUALITY STANDARDS

Your Company continues to be accredited ISO 9001:2000 Certificate by Det Norkse Veritas, Netherland certifying that its Quality Management System conform to the ISO 9001:2000 Standards.

OUT LOOK FOR THE FUTURE

The Indian economy has moved decisively to a higher growth phase with growth in GDP at market prices exceeding 8% every year since 2003-04. The economic growth of 9% in 2007-08 is fully in line with this trend. Macro economic fundamentals continue to inspire confidence. Your Company being a leading supplier of machines for Plastic Woven Fabric Industry is well poised to take full advantages of emerging opportunities, however,



recent inflationary trends and increasing cost of funds are cause of concern for the Company.

The Company has introduced new models of Tape Extrusion Lines and Looms during the period under review. Many new products are in advanced stage of development, and are set to be launched in due course. Order book position and market trend of the products of Company are encouraging and barring unforeseen circumstances your Company is set to achieve new targets in the times to come.

NOTES ON ACCOUNT / AUDITORS' REPORT

The observations made in the Auditors' Report are dealt with separately by notes to the Profit & Loss Account and to the Balance Sheet in Schedule 17 of the Accounts. They are self-explanatory and do not call for any further comments.

SUBSIDIARY COMPANIES

The financial statements of Lohia Packaging Machines Ltd., Lohia Sales & Services Ltd., Lohia Filament Machines Ltd. and Lohia Engineering & Design Services Pvt. Ltd. as at 31.03.2008 and of Lohia Europe GmbH as at 31.12.2007 are annexed.

CORPORATE GOVERNANCE

Your Company has been practicing the principles of good Corporate Governance over the years.

The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

DIRECTORS

Mr. Gopal Chandra Lohia and Mr. Rajendra Kumar Newatia retire by rotation and are eligible for re-appointment.

Mr. Raj Kumar Lohia, Chairman & Managing Director is due to complete his present term of appointment on 26th November, 2008. Necessary resolution for his reappointment as Chairman & Managing Director will be moved in the forthcoming Annual General Meeting for your approval.

CONSERVATION OF ENERGY

Your Company's manufacturing activities and process are not energy intensive, yet it recognises the vital national need to conserve energy and gives due importance to the reduction of power consumption in its manufacturing process. The major steps taken include greater use of natural-light on shop floor, improvement in power factor, efficient use of compressors etc.

TECHNOLOGY ABSORPTION

Requisite information in prescribed form is annexed to this report (Annexure "A").

FOREIGN EXCHANGE EARNINGS & OUTFLOW

During the year under review Foreign exchange earning has been Rs.108.55 crore (previous year Rs. 100.29 crore) as against outgo of Rs.57.72 crore (previous year Rs. 51.14 crore).

AUDITORS

The term of M/s. Anil Pariek & Garg, Chartered Accountants as auditors expires at the conclusion of this Annual General Meeting and they are eligible for re-appointment. Your Directors recommend their re- appointment.

AUDIT COMMITTEE

The Company has constituted an Audit Committee comprising of Mr. Gopal Chandra Lohia, Mr. Rajendra

LOHIA STARLINGER LIMITED

Kumar Newatia and Mr. Vinay Sah. The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, is annexed hereto and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm:-

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) That the directors have selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit of the Company for that period.
- iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) That the directors have prepared the annual accounts on a going concern basis.

APPRECIATION

Your Directors wish to place on record their gratitude to Customers, Suppliers, Banks, Central and State Governments for the support and cooperation extended from time to time.

Your Directors also place on record their appreciation of the continuous co-operation of the workers, members of the staff and executives of the Company.

Place : Kanpur
Date : 22nd September, 2008

For and on behalf of the Board
Raj Kumar Lohia
Chairman & Managing Director



ANNEXURE 'A' TO DIRECTORS' REPORT

Form B for disclosure of particulars with respect to Technology Absorption.

Research & Development (R&D)

A. *Specific areas in which R&D carried out by the Company :*

Research & Development has continuously been carried out for product improvement, development of new products and import substitution etc.

B. *Benefits derived as a result of the above Research & Development :*

Cost reduction, saving in foreign exchange outflow through import substitution, use of indigenous and development of new and better products.

C. *Expenditure on R&D :* Rs./in lacs

| | |
|--------------|--------|
| a) Capital | 122.08 |
| b) Recurring | 503.72 |
| c) Total | 625.80 |

D. *Total R&D Expenditure :*

As a percentage of total turnover 1.93%

Technology Absorption, Adaptation and Innovation

a. *Efforts in brief, made towards technology absorption, adaptation and innovation :*

The technology received from foreign collaborators has been substantially absorbed. The Company has since indigenised major components.

b. *Benefit derived as a result of the above efforts :*

Product improvement, cost reduction, production development, import substitution etc.

Absorption of overseas technology resulted in indigenisation of components, improvements in quality, cost reduction and import substitution etc.

c. *Technology Imported :*

I] Following technologies were imported during the last five years (reckoned from the beginning of the financial year)

For manufacture of different components and parts of the machines from various parties.

II] Has technology been fully absorbed : Substantially

d. *If not fully absorbed, areas where this has not taken place, reason therefor and future plans of action :*
Not applicable.

ANNEXURE 'B' TO DIRECTORS' REPORT

Statement of particulars of Employees Pursuant to the Provisions of Section 217(2A) of the Companies Act, 1956

| Sl. No. | Name | Age (Yrs.) | Designation/ Nature of Duties | Remuneration (Rupees) | Qualification & Experience (In years) | Date of Commencement of Employment | Particulars of last Employment |
|---------|-----------------|------------|-------------------------------|-----------------------|---------------------------------------|------------------------------------|--|
| 1. | Raj Kumar Lohia | 54 | Chairman & Managing Director | 70,74,531 | B.A. (Eco.) (33 Yrs.) | 01.03.1993 | Managing Director Lohia Machinery Mfrs. Ltd. |

Note :

- Remuneration comprises salary, allowances and monetary value of perquisites as per Income Tax Rules.
- The nature of employment is contractual in the case of the above employee.

LOHIA STARLINGER LIMITED**AUDITORS' REPORT**

To,

The Members,
LOHIA STARLINGER LIMITED, KANPUR

We have audited the attached Balance Sheet of LOHIA STARLINGER LIMITED as at 31st March, 2008, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement of the Company for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's 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 & 5 of the said order to the extent applicable.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (b) 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.
 - (c) The Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Profit & 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.
 - (e) On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of these directors are disqualified as at 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with the notes thereon, 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:
 - i] in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - ii] In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
 - iii] In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Kanpur
Date : 22nd September, 2008

For ANIL PARIK & GARG
Chartered Accountants
H. K. PARIK
Partner
M.No. 70250



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

- (i)
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b. All the assets have not been physically verified by the management during the year but 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 its assets. No material discrepancies were noticed on such verification.
 - c. No substantial part of Fixed Assets has been disposed off during the year, which has bearing on the going concern assumption.
- (ii)
 - a. The inventories, except goods in transit, have been physically verified by management during the year. For stocks lying with third parties at the year-end, confirmations have been obtained. In our opinion, the frequency of physical verification is reasonable.
 - b. In our opinion and according to the information and explanations given to us, the procedures for 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 for inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii)
 - 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. The Company has taken unsecured loans from 12 other Companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.9,79,90,000/- and the year end balance of loans taken from such companies were Rs.NIL.
 - c. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the Companies, listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
 - d. The company is regular in payment of principal and interest as per stipulations.
- (iv) On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there are adequate internal control systems commensurate with the size of the Company and the nature of its business; for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v)
 - (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has accepted deposits from the public and in our opinion and according to the information and explanations given to us, the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, where applicable, have been complied with. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
- (vii) The Company has an Internal Audit System, which in our opinion is commensurate with the size and nature of the business.