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SRI LAKSHMI SARASWATHI TEXTILES (ARNI) LIMITED

34th

Annual Report 1997-98





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SRI B. RAJAGOPAL NAIDU 1901-73

OUR REVERED FOUNDER

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Sri Lakshmi Saraswathi Textiles (Arni) Limited

BOARD OF DIRECTORS

SRI. R. SRIHARI	Managing Director
SRI. R. PARANTHAMAN	Executive Director
SRI. R. RAGHURAMAN	Joint Managing Director
SRI. S. BALAKRISHNA	Wholetime Director
SRI. V.N. SUBBA RAO	
SRI. K.S.T. PANI	
SRI. J.M. GROVER	

Bankers

Indian Overseas Bank
Chennai House,
Esplanade, Chennai 600 108.

Auditors

Messrs S. Viswanathan
8-A Bishop Wallers Avenue (West),
CIT Colony, Chennai 600 004.

Registered Office

17, Krishnama Road,
Nungambakkam, Chennai 600 034.

Factories

UNIT I

Raghunathapuram,
Arni (Tiruvannamalai District),
PIN 632 301.

UNIT II

Vettuvanam, Pallikonda,
(Vellore District),
PIN 635 809.

Registrars & Share Transfer Agents

Cameo Share Registry
A division of MCC Finance Ltd.
Subramanian Building,
No.1, Club House Road,
Chennai 600 002.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

NOTICE

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the Company will be held at 10.00 a.m. on Wednesday, 12th August, 1998 at Rani Seethai Hall, 603 Anna Salai, Chennai - 600 006, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Report of the Directors and Audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account of the Company for the year ended on that date and the Report of the Auditors thereon.
2. To declare a dividend
3. To appoint a Director in the place of Sri. K.S.T.Pani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri. V.N.Subba Rao, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

By Order of the Board

Place : Chennai
Date : 26th June, 1998

R. SRIHARI
Managing Director

NOTE :

1. A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and such a Proxy need not be a Member.
2. The Proxy Form duly stamped and executed should be deposited at the Registered Office of the Company at least forty eight hours before the time fixed for the commencement of the Meeting.
3. The dividend, when declared, will be paid to those members whose names appear on the Register of Members on August 12, 1998.
4. The Register of Members and Share Transfer Books of the Company will remain closed from August 1, 1998 to August 12, 1998 (both days inclusive).
5. Members are requested to notify their change in address, if any.
6. Unclaimed Dividend as per Section 205-A for the year 1994-95 will be transferred to the General Revenue Account of the Central Government, when it becomes due.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

THIRTY FOURTH ANNUAL REPORT

DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors are pleased to present the Thirty Fourth Annual Report of the Company along with the Audited Statements of Accounts for the year ended 31st March, 1998.

WORKING RESULTS

	Rs.	Rs.
Profit before Depreciation and Provision for Tax		6,19,21,277
Less : i. Depreciation	3,04,28,301	
ii. Provision for tax	<u>36,00,000</u>	<u>3,40,28,301</u>
Profit for the year		2,78,92,976
Add : Profit brought forward		49,245
		<u>2,79,42,221</u>
Less : i) Transfer to Debenture Redemption Reserve	1,03,00,000	
ii) Proposed Dividend and Corporate Dividend Tax	68,73,900	
iii) Transfer to General Reserve	50,00,000	
iv) Provision for earlier year taxation	<u>3,84,612</u>	<u>2,25,58,512</u>
Balance carried over		<u>53,83,709</u>

PRODUCTION AND SALES

Production during the year was higher at 53.06 lakhs Kgs as against 49.84 lakhs Kgs in the previous year. The quantity and value of sales during the current year were 53.45 lakhs Kgs and Rs. 7005.95 lakhs as against 51.38 lakhs Kgs and Rs. 6553.00 lakhs in the previous year. The increase in the production is 6.46% and increase in Sales is 6.91%. During the year, the export sales amounted to Rs. 3670.09 lakhs as against Rs. 3129.60 lakhs in the earlier year.

TRADE, PROSPECTS AND OUTLOOK

For the textile industry, the year under review was a very difficult year. Due to reduction in the cotton yield, the cotton prices remained high. The power supply was inadequate and erratic, forcing the Company to depend more on own generation at higher cost. There was also an increase of about 20% in the cost of power purchased. The demand for the yarn was sluggish and the increase in the yarn price was not commensurate with the increase in cost of production. The sudden currency crises in the Near East and Far East parts of the world has an effect on our export sales. Due to prudent raw materials purchase and marketing strategy, increase in the proportion of polyester blends when the polyester price was favourable, change of product mix and optimum capacity utilisation, your Company was able to make a reasonable profit during the year under review. The same market trend continues during the current year also. Due to lack of demand for polyester viscose yarn, production of blended yarn was not remunerative during the first quarter of the current year.

Your Directors are making efforts to improve the financial performance further through change of product mix, further increase in export sales and further control of cost.

MODERNISATION

The modernisation scheme taken for implementation during the last year at an estimated cost of Rs.552 lakhs with financial assistance of Rs.400 lakhs from IFCL in the form of foreign currency loans has been completed in full with the installation of automatic waste evacuation system in Blow Room, 2 Nos. LC100 Cards, 1 No. RIETER Unilap, 3 Nos. Rieter Combers, 3 Nos. RSB D-30 Draw Frames, 2 Nos. LF1465



Sri Lakshmi Saraswathi Textiles (Arni) Limited

Speed Frames, 1 No. Cheese Winder, 3 Nos. TFOs and 1 No. Schlofharst Autoconer 338. Full benefit of the installation of these machines will be available during the current year.

FINANCE

The Board of Directors wishes to thank The Industrial Finance Corporation of India Limited (IFCI) and Indian Overseas Bank (IOB) for their assistance and continued co-operation.

DIVIDEND

Yours Directors recommend a dividend of 15% for the year 1997-98.

LABOUR

The relationship with labour continues to be cordial. Your Directors place on record their appreciation of the devoted services of the officers, members of the staff and workers during the year.

COST AUDIT

As per statutory requirement, the costing records are being audited by the Cost Auditor and he will be submitting his report to the Central Government.

DIRECTORS

The Industrial Finance Corporation of India Limited has withdrawn its nominee Sri M.Surendran from the Board of Directors of your Company with effect from 15th May, 1998. Your Directors place on record their appreciation of the valuable contribution made by Sri M.Surendran during his tenure as Director of the Company.

Sri K.S.T. Pani and Sri V.N. Subba Rao are due to retire by rotation and are eligible for reappointment.

PUBLIC DEPOSIT

No deposit which became due and claim was made, remained unpaid as on 31st March 1998.

DETAILS TO BE DISCLOSED AS PER PROVISION OF SECTION 217 OF THE COMPANIES ACT, 1956

The information to be disclosed as per provision of Section 217(2)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure I. Information to be provided as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure II. Annexure I and Annexure II referred to above form part of this report.

SUBSIDIARY COMPANY

Sri Tripurasundari Hotels Limited, a subsidiary of the Company is yet to commence operation and a statement required under Section 212 (1)(e) of the Companies Act 1956 is annexed.

AUDITORS

The Auditors of the Company M/s. S.Viswanathan retire and are eligible for reappointment. A certificate under Section 224(1B) of the Companies Act 1956 has been obtained from them.

REPLY TO AUDITOR'S REMARK IN THEIR REPORT

Regarding Auditor's remark in their Report to Share holders on non-provision of gratuity to full time Directors, the Directors would like to clarify that there is no provision for payment of gratuity to full time Directors since the same will be paid and accounted for in the year of actual payment.

By Order of the Board

Place : Chennai
Date : 26th June, 1998

R. SRIHARI
Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

ANNEXURE I TO DIRECTORS' REPORT

Information disclosed as per requirement of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

The Company has taken the following steps to conserve energy.

1. Installation of spindles with lesser wharve dia.
2. Replacement of cotton spindle tapes by narrow synthetic spindle tapes.
3. Usage of synthetic spindle oil.
4. Replacement of ring frame drive of dual motors by VPS drive with single motor.
5. Replacement of paper tubes by polycarbonate tubes.
6. Installation of additional capacitors near the distribution board and at the load end.
7. Installation of P20 energy saving equipment for lighting circuits and replacement of electronic chokes for flourescent lamps.
8. Optimum utilisation of higher capacity generators.
9. Provided centralised air compressors room with air receiver to have cut-off and cut-in arrangements for the compressor motors.
10. Conducted energy Audit.
11. Installation of fluid couplings for LR cards.
12. Conversion of 'V' belt drive to flat belt drive system in the humidification plants, TFO and Ring doubling.
13. Installation of Siemens energy saving super efficiency motors in the place of motors which were drawing more no load current and had been rewound more than three times.
14. Replacement of high efficiency KSB Mega pumps in the place of ordinary pumps at the humidification plants and for compressors cooling.
15. Lowered the light fittings to improve the lux and thereby reduced the number of tube light fittings.
16. Fitted roof sheet with glass in the cotton contamination picking shed and blow room to utilise day light to the maximum extent.
17. Replaced photo sensor stop motion in the place of pneumo stop at speed frames.
18. Replaced compactors in the place of condensers at automatic waste evacuation system.
19. Replacement of FRP fans in the place of aluminium fans at humidication plants.
20. Installed "Fuelmax" saver (patented by General Motors USA) for 1000 KVA DG set to improve the KWH (Units) per litre of diesel.

The above steps are in addition to proper cleaning, regular maintenance and overhauling of all equipments.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

FORM A : Form for disclosure of particulars with respect to conservation of energy

A. POWER AND FUEL CONSUMPTION		1997-98	1996-97
1. Electricity			
a) Purchased			
Units (KWH)		2,56,04,517	2,45,35,862
Total Amount (Rs.)		8,60,48,056	6,88,84,239
Rate/Unit (Rs.)		3.36	2.81
b) Own Generation			
i) Through Diesel Generator (Units/KWH)		33,08,780	20,25,800
Unit/Litre of Diesel		3.21	3.28
Diesel Cost/Unit (Rs.)		3.18	2.42
ii) Through Steam Turbine/Generator		Nil	Nil
2. Coal		Nil	Nil
3. Furnace Oil		Nil	Nil
4. Others		Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION		Standards (if any)	1997-98	1996-97
Products : Yarn				
1. Electricity in KWH per kg of yarn produced	—		5.45	5.33
2. Electricity cost/kg of yarn produced (Rs.)	—		18.10	14.94
3. Furnace Oil	—		Nil	Nil
4. Coal	—		Nil	Nil
5. Others	—		Nil	Nil

C. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption as per Form B.	—	Nil	Nil
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D. FOREIGN EXCHANGE EARNINGS AND OUTGO

Value of yarn exported was Rs.3,670.09 lakhs

The expenses in Foreign Currency were Rs. 434.88 lakhs as shown below :

	Rs.
1. Towards Foreign Travel	7,40,070
2. Towards Import of Spares	10,94,804
3. Interest on Foreign Currency Loan	74,92,456
4. Selling Expenses	53,91,036
5. Books and Periodicals	1,23,737
6. Import of Raw Materials	48,267
7. Import of Capital Goods	2,85,97,522
	<u>4,34,87,892</u>

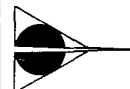
ANNEXURE II TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975 and forming part of the Directors' Report for the year ended 31.03.1998

Sl. No.	Name	Age	Qualification	Designation	Nature of Employment	Date of Commencement of Employment	Remuneration (Rs.)	Nature of Duties	Previous Experience
1.	Sri.R.Srihari	65	M.A.	Managing Director	Contractual	01.04.1971	7,12,806	Managing the affairs of the Company	Nil
2.	Sri.R.Paranthaman	58	B.Com.	Executive Director	Contractual	01.04.1973	6,53,382	General Administration	Nil
3.	Sri.R.Raghuraman	52	L.T.M.	Jt.Managing Director	Contractual	01.04.1988	6,39,924	Rendering Technical Service	Nil
4.	Sri.S.Balakrishna	38	B.Com., M.B.A.	Wholetime Director	Contractual	01.04.1985	6,29,993	General Administration	Nil

NOTE

1. Remuneration includes Salary, Company's Contribution to P.F. and Perquisites.
2. Sri.R.Srihari, Sri.R.Paranthaman, Sri. R.Raghuraman and Sri.S.Balakrishna are related to each other.



Sri Lakshmi Saraswathi Textiles (Arni) Limited