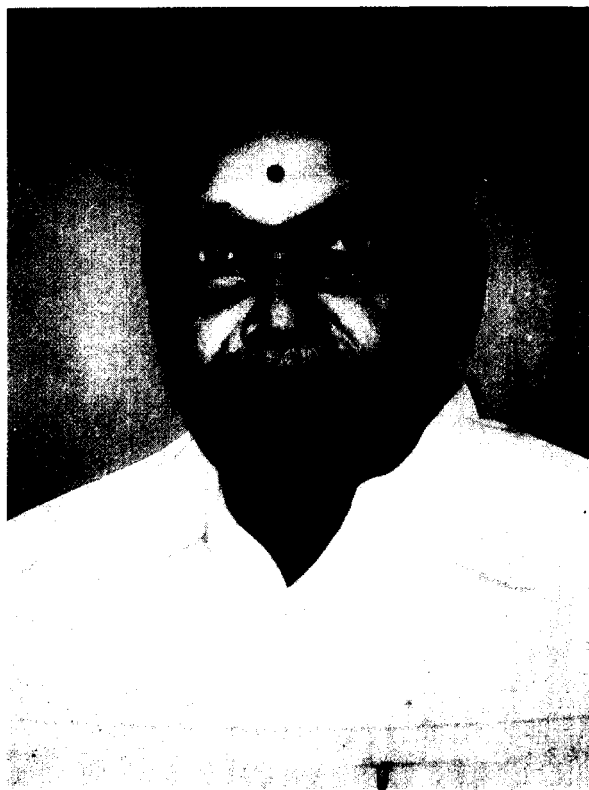


**SRI LAKSHMI SARASWATHI TEXTILES
(ARNI) LIMITED**

40th

Annual Report 2003-2004



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. S. BALAKRISHNA	Wholetime Director
SRI. R. PADMANABHAN	Technical 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

Messers S. Viswanathan
8-A, Bishop Wallers Avenue (West)
Mylapore, Chennai - 600 004.

Legal Advisor

Sri. A. K. Mysamy
61, T T K Road
Chennai - 600 018.

Registered Office

16, Krishnama Road
Nungambakkam, Chennai - 600 034.

Factory

Raghunathapuram, Arni
Tiruvannamalai District
Pin - 632 316.

Registrars & Share Transfer Agents

Cameo Corporate Services Limited
Subramanian Building
No.1, Club House Road
Chennai - 600 002.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fortieth Annual General Meeting of the Company will be held at 2.30 P.M. on Friday, 3rd September, 2004 at Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account of the Company for the year ended 31st March, 2004, the Audited Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri. V. N. Subba Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri. S. Balakrishna, 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 : 14th June, 2004

R. SRIHARI
Chairman & 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. Members/Proxies are requested to bring the Attendance Slip duly filled in for attending the Meeting.
4. Members who hold shares in the de-materialised form are requested to bring their depository account number for easier identification of attendance at the Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from August 26, 2004 to September 3, 2004 (both days inclusive).
6. The ISIN No. allotted to the equity shares of your Company for the purpose of de-materialization is **INE456D01010**.
7. Members holding shares in physical form are requested to notify the change in address, immediately.
8. Members holding shares in the electronic form are advised that address/bank details as furnished to the Company by the respective depositories viz., NSDL & CDSL, will be printed on the dividend warrants in future.
9. Pursuant to the provisions of Sections 205A and 205C, the dividend for the year 1996-97 and subsequent dividends, which remains unpaid or unclaimed for a period of seven years will be transferred to the



Sri Lakshmi Saraswathi Textiles (Arni) Limited

Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend warrants for the year 1996-97 or any subsequent financial years, are requested to make their claim to the Company. Unclaimed dividend for the year 1996-97 will be transferred to the Investor Education and Protection Fund of the Central Government on 08.08.2004.

Year	Interim/Final	Date of Declaration	%
1996-1997	Final	08.08.1997	10%
1997-1998	Final	12.08.1998	15%
1998-1999	Final	24.09.1999	12%
1999-2000	Interim	12.06.2000	15%
2000-2001	Interim	18.06.2001	20%
2001-2002	Interim	09.04.2002	15%
2002-2003	Final	29.08.2003	15%

10. The equity shares of the Company are listed on the following exchanges:

- Madras Stock Exchange**, Exchange Building, P.B. No.183, 11, 2nd Line Beach, CHENNAI - 600 001.
- The Stock Exchange**, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, MUMBAI - 400 023.
- The Stock Exchange**, Kamadhenu Complex, Near Polytechnic, Panjara Pole, AHMEDABAD - 380 015.

The Company has paid the listing fees for 2004-05 to all the three stock exchanges.

11. At this Annual General Meeting, Sri. V. N. Subba Rao and Sri. S. Balakrishna retire by rotation and being eligible, offer themselves for reappointment.

Sri. V. N. Subba Rao, former Technical Director of Binny Limited is a Chartered Textile Technologist. He has been with the Company since October 1987.

Details of other Directorships/Committee Memberships held by him - 1.

Sri. S. Balakrishna, is a Commerce Graduate and holder of Master Degree in Business Administration from Connecticut University, USA. He has been with the Company since October 1985 and joined the Board as Director in August 1986.

Details of other Directorships/Committee Memberships held by him - 5.

By Order of the Board,

Place : Chennai
Date : 14th June, 2004

R. SRIHARI
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

FORTIETH ANNUAL REPORT DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors are pleased to present the Fortieth Annual Report of the Company along with the audited statement of accounts for the year ended 31st March, 2004.

WORKING RESULTS

	Rs.	Rs.
Profit before Financial Charges, Depreciation and Tax		10,04,56,120
Less: Financial Charges		4,16,27,360
Profit before Depreciation and Tax		5,88,28,760
Less: i) Depreciation	3,69,65,856	
ii) Provision for Tax		
- For Current Tax	20,50,000	
- For Deferred Tax	51,00,000	
		4,41,15,856
Profit for the year		1,47,12,904
Add: Profit brought forward		20,88,288
Profit available for appropriation		1,68,01,192

APPROPRIATION

i) Provision for earlier year taxation	20,06,491	
ii) Proposed Dividend and Dividend Tax	56,39,638	
iii) Transfer to General Reserve	60,00,000	
		1,36,46,129
Balance carried over		31,55,063

PRODUCTION AND SALES

Production during the year was 70.02 lakh kgs. as against 43.38 lakh kgs. in the previous year. The quantity and value of yarn sales during the current year were 71.50 lakh kgs. and Rs.10,077.45 lakhs as against 49.75 lakh kgs. and Rs.6,797.71 lakhs in the previous year. The quantity and value of export sales were 42.26 lakh kgs. and Rs.6,759.21 lakhs as against 31.39 lakh kgs. and Rs.4,775.45 lakhs in the previous year. The increase in production and sales value is mainly due to augmenting additional spinning capacity by job work basis and change in product mix.

MODERNIZATION

During the current year, your Company has acquired and installed 5 numbers TFO machines and one yarn conditioning plant. Five numbers old ring frames of 432 spindles each were replaced by two numbers new ring frames of 1008 spindles each.

DIVIDEND

Your Directors have pleasure in recommending a dividend of 15% on the equity.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

TRADE PROSPECT AND OUTLOOK

As indicated earlier, your Company has been able to increase production and sales. Since the rate of increase in sales realisation is not proportionate to the rate of increase in raw material cost, in spite of increase in sales volume, there is an erosion in the net profit. Further the demand for yarn, both in the domestic market and international market, is not consistent. As the quantity restrictions in the international trade in textile products will come to end by the end of 2004, demand for quality yarn, both in domestic and international market, is likely to increase. Your Company is fully geared to utilize the change in the market condition and your Directors are confident that performance during 2004-05 will be better than in 2003-04.

RETIREMENT OF DIRECTORS

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

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that –

1. In the preparation of Annual Accounts for the year ended 31st March, 2004, the applicable accounting standards had been followed along with proper explanations relating to material departures:
2. The Directors had 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 ended 31st March, 2004, and of the profit of the Company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts on a going concern basis.

FINANCE

The Board of Directors wishes to thank Indian Overseas Bank and the IFCI Limited for their assistance and continued co-operation.

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 directly to the Central Government.

PUBLIC DEPOSIT

No deposit which became due and claim was made, remained unpaid as on 31st March, 2004.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

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(1)(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 which forms part of this report.

As none of the employees was in receipt of remuneration in excess of the prescribed limit, there is no report under Section 217(2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The report on management's discussion and analysis and the report on Corporate Governance are given in Annexure II & Annexure III respectively.

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 THE AUDITORS' REMARK IN THEIR REPORT

The Directors' reply to the remark of the Auditors regarding impact of the change in the accounting policy on treatment of compensation for VRS on the profit is as under:

Compensation paid to employees under VRS upto the accounting year 2002-03 accounted as expenses in the year of payment and from 2003-04 onwards the same shall be written off over a period of five years. Accordingly, a sum of Rs.67,85,246 has been carried over, to account as expenses in the next four years.

By Order of the Board,

Place : Chennai
Date : 14th June, 2004

R. SRIHARI
Chairman & 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 340 mm aluminum fan in the place of 380 mm aluminum fan for Carding and Drawframe.
3. Usage of synthetic spindle oil.
4. Replacement of ring frame drive of dual motors by VPS drive with single motors.
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 fluorescent lamps.
8. Installation and optimum utilisation of higher capacity generators.
9. Provided centralised air compressor room with air receiver to have cut-off/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 for humidification plant, TFO and ring doubling.
13. Replacement of Siemens energy saving super efficiency motors which were drawing more no load current and 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 the day light to the maximum extent.
17. Replaced photo sensor stop motion in the place of pneumo stop at speed frames.
18. Provided compactors in the place of condensers at automatic waste evacuation system.
19. Replacement of FRP fans in the place of aluminium fans at humidification plants.
20. Eliminated pneumafil fan and connected it to cylinder drive for C 1/2 and C 1/3 carding machines.
21. Incorporated Auto star-delta-star connection for G 5/1 ring frames.
22. Installed Soliton Automation vector drive for Schlafhorst Autoconer, Model 238.
23. Replaced Osram imported tri-phosphore high illumination tubes in the place of ordinary Philips tubes in the ratio of 1:2.
24. 3 numbers 940 KW furnace oil based captive generators installed to reduce cost of fuel and power.



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

A. POWER AND FUEL CONSUMPTION		2003-2004	2002-2003
1. Electricity			
a) Purchased			
Units (KWH)		69,21,176	60,02,446
Total Amount (Rs.)		3,03,87,540	2,62,76,786
Rate/Unit (Rs.)		4.39	4.38
b) Own Generation			
i) Through Diesel Generators			
Units (KWH)		11,96,965	14,15,323
Units/Litre of Diesel/SKO		3.20	3.25
Diesel Cost/Unit (Rs.)		4.99	5.04
ii) Through Steam Turbine/Generator		Nil	Nil
c) Through Furnace Oil Generator			
Units (KWH)		2,24,86,793	2,14,94,175
Units/Litre of Furnace Oil		4.03	3.85
Furnace Oil Cost/Unit (Rs.)		2.53	2.75
2. Coal		Nil	Nil
3. Others		Nil	Nil
B. CONSUMPTION PER UNIT OF PRODUCTION	Standards	2003-2004	2002-2003
	(if any)		
Products: Yarn			
1. Electricity in KWH per kg. of yarn produced	—	6.38	6.66
2. Electricity cost/kg. of yarn produced (Rs.)	—	21.75	24.40
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

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

Value of yarn exported was Rs.67,59,21,015.

The expenses in foreign currency were Rs.26,31,29,471 as shown below:

	Rs.
1. Import of Raw Materials	24,35,48,219
2. Import of Components & Spares	9,83,907
3. Interest on Foreign Currency Loans	21,91,399
4. Foreign Travel	20,37,957
5. Subscription and Periodicals	1,30,489
6. Selling Expenses	1,42,37,500
	<u>26,31,29,471</u>