

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

41st

Annual Report 2004/2005



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	Wholesale 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.

State Bank of India
Leather & International Branch
'MVJ' Tower, 177/1 Poonamallee High Road
Chennai - 600 010.

Auditors

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

Registered Office

16, Krishnama Road
Nungambakkam, Chennai - 600 034.

Factory

Raghunathapuram
Sevoor Village
Pin - 632 316
Arni Taluk, Tiruvannamalai District
Tamil Nadu.

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 Forty First Annual General Meeting of the Company will be held at 2.30 P.M. on Friday, 12th August, 2005 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, 2005, 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. R. Padmanabhan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri. J.'M. Grover, 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 : 27th June, 2005

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 3, 2005 to August 12, 2005 (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 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.
9. Pursuant to the provisions of Sections 205A and 205C, the dividend for the year 1997-98 and subsequent dividends, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend



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warrants for the year 1997-98 or any subsequent financial years, are requested to make their claim to the Company. Unclaimed dividend for the year 1996-97 was transferred to the Investor Education and Protection Fund of the Central Government on 23.08.2004 and unclaimed dividend for the year 1997-98 will be transferred to the Investor Education and Protection Fund of the Central Government on 12.08.2005.

Year	Interim/Final	Date of Declaration	%
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%
2003-2004	Final	03.09.2004	15%

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

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

The Company has paid the listing fees for 2005-06 to all the three stock exchanges.

11. At this Annual General Meeting, Sri. R. Padmanabhan and Sri. J. M. Grover retire by rotation and being eligible, offer themselves for reappointment.

Sri. R. Padmanabhan is an Engineer and has been with the Company since October 2000.

Details of other Directorships/Committee memberships held by him - Nil.

Sri. J. M. Grover, former Deputy Director and Head, Mechanical Processing Spinning Division, ATIRA is an eminent textile expert. He has been on the Board of Directors of the Company since June 1997.

Details of other Directorships/Committee memberships held by him - Nil.

By Order of the Board,

Place : Chennai
Date : 27th June, 2005

R. SRIHARI
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

FORTY FIRST ANNUAL REPORT DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors are pleased to present the Forty First Annual Report of the Company along with the audited statement of accounts for the year ended 31st March, 2005.

WORKING RESULTS

	Rs.	Rs.
Profit before Financial Charges and Depreciation from business operations		5,32,88,302
Profit on sale of Investments		3,22,34,623
		<u>8,55,22,925</u>
Less: i) Financial Charges	3,07,95,387	
ii) Depreciation	3,25,17,956	6,33,13,343
Profit before tax		<u>2,22,09,582</u>
Less: i) Provision for Tax		
- For Current Tax	16,50,000	
- For Deferred Tax	72,40,000	
		<u>88,90,000</u>
Profit for the year		1,33,19,582
Add: Profit brought forward		31,55,063
Profit available for appropriation		<u>1,64,74,645</u>

APPROPRIATION

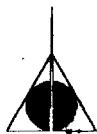
i) Provision for earlier year taxation	8,14,893	
ii) Proposed Dividend and Dividend Tax	57,00,253	
iii) Transfer to General Reserve	70,00,000	
		<u>1,35,15,146</u>
Balance carried over		<u>29,59,499</u>

PRODUCTION AND SALES

Production during the year was 69.78 lakh kgs as against 70.02 lakh kgs in the previous year. The quantity and value of yarn sales during the current year were 71.06 lakh kgs. and Rs.9,671.90 lakhs as against 71.50 lakh kgs and Rs.10,077.45 lakhs in the previous year. The quantity and value of export sales were 24.83 lakh kgs and Rs.4,021.41 lakhs as against 42.26 lakh kgs and Rs.6,759.21 lakhs in the previous year. The marginal reduction in production and sales are due to discontinuance of production on job work basis.

CAPITAL EXPENSES

During the current year, your Company has installed 1 No. 1250 KVA Suzlon make Wind Turbine Generator for captive power consumption, at a cost of Rs.635 lakhs and has taken up a modernization scheme at an estimated cost of Rs.967.20 lakhs. The proposed modernization scheme envisages addition of 6 Nos. autoconers, 1 No. Uster Advance Fibre Information System (AFIS), 4 Nos. Ring Frames of 1008 spindles each and Sieger yarn conditioning machines. For the above said capital expenses, the State Bank of India, Leather and International Branch, Chennai - 600 010 has sanctioned financial assistance of Rs.12.80 crores, out of which Rs.7.70 crores is under Technology Upgradation Fund Scheme (TUFS).



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DIVIDEND

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

TRADE PROSPECT AND OUTLOOK

During the first nine months of 2004-05, the demand for yarn in the domestic and international market was sluggish. As the industry was cautious about the inventory level as on 31.12.04, the date on which the quantity restrictions on textile products in the international market was dispensed with, yarn offtake was poor during this period. Increased exports of garments and fabrics from the last quarter of 2004-05 has resulted in increase in demand for yarn for export production. The profit margin in the domestic sale of yarn was better and the same trend continues in the first quarter of 2005-06. With the implementation of the proposed modernization, your Company is fully geared to utilize this opportunity and your Directors are confident that the performance during 2005-06 will be better than the performance in 2004-05.

RETIREMENT OF DIRECTORS

Sri. R. Padmanabhan and Sri. J. M. Grover are due to retire by rotation and are eligible for reappointment.

DIRECTOR'S 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, 2005, 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, 2005, 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, State Bank of India and the IFCI Limited for their assistance and 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.



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PUBLIC DEPOSIT

No deposit which became due and claim was made, remained unpaid as on 31st March, 2005.

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.

Place : Chennai
Date : 27th June, 2005

By Order of the Board,

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 conducts periodical energy audits and implements the advice given by the energy audit team. In all machines and areas wherever required, energy saving equipments/spares/components are used to conserve energy.

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

A. POWER AND FUEL CONSUMPTION

	2004-2005	2003-2004
1. Electricity		
a) Purchased – Units (KWH)	77,11,180	69,21,176
– Total Amount (Rs.)	3,38,90,898	3,03,87,540
– Rate/Unit (Rs.)	4.39	4.39
b) Own Generation		
i) Through Diesel Generators – Units (KWH)	6,79,205	11,96,965
– Units/Litre of Diesel/SKO	3.40	3.20
– Diesel Cost/Unit (Rs.)	7.58	4.99
ii) Through Steam Turbine/Generator	Nil	Nil
c) Through Furnace Oil Generator – Units (KWH)	2,13,58,096	2,24,86,793
– Units/Litre of Furnace Oil	3.90	4.03
– Furnace Oil Cost/Unit (Rs.)	2.74	2.53
d) Through Wind Turbine Generator (WTG) – Units (KWH)	58,814	Nil
– Unit (Rs.) (Variable Cost)	Nil	Nil

Note: (Power from WTG is wheeled through TNEB grid and payment is made to TNEB after taking credit for units from WTG)

2. Coal	Nil	Nil
3. Others	Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

Products: Yarn	Standards (if any)	2004-2005	2003-2004
1. Electricity in KWH per kg. of yarn produced	—	6.44	6.36
2. Electricity cost/kg. of yarn produced (Rs.)	—	23.33	21.75
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

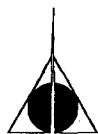
Nil Nil

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

Value of yarn exported was Rs.4021.41 lakhs.

The expenses in foreign currency were Rs.1820.59 lakhs.

	(Rs.)
1. Import of Raw Materials	16,98,50,926
2. Import of Components & Spares	11,06,094
3. Interest on Foreign Currency Loans	24,25,029
4. Foreign Travel	22,16,338
5. Subscription and Periodicals	1,29,551
6. Selling Expenses	63,31,082
	<u>18,20,59,020</u>



Sri Lakshmi Saraswathi Textiles (Arni) Limited

ANNEXURE II TO DIRECTORS' REPORT

REPORT ON MANAGEMENT'S DISCUSSION AND ANALYSIS

i. Industry structure and developments

Our Company is engaged in the manufacture of all types of yarn used for manufacture of woven and knitted fabrics and it is sold both in the domestic and international markets. Demand for yarn in the domestic market depends upon demand for fabrics for domestic consumption and for fabrics for export as such or for garment exports. Thus, domestic demand of yarn depends on the level of domestic consumption through direct use and capability to sell fabrics and garments in the internal market. Direct export of yarn is for the manufacture of fabrics in the foreign countries. In India, especially in Tamil Nadu, excess spinning capacity has been established without corresponding capacity build-up in fabrics production, processing capacity and garment manufacture. This has resulted in stiff competition. Maintaining good quality, cost reduction, increasing the volume and taking up downstream value addition are the ways to progress.

ii. Opportunities and threats

As the quantity restrictions in the international trade for textile products was dispensed with effect from 1st January, 2005, the demand for yarn in the domestic market has increased due to increase in production of fabric for export and for increase in production of garment for export. This trend is likely to be maintained as further growth is estimated in export of textile products. This opportunity is clubbed with the threats existing from established organizations expanding capacities and new entrants to the field.

iii. Segment-wise or product-wise performance

The Company is a single product company and hence, reporting of segment-wise or product-wise performance does not arise.

iv. Outlook

With the world economy and Indian economy poised for impressive growth, the outlook for the current year is positive.

v. Risks and concerns

Inconsistency in the demand for yarn and increasing trend in the price of cotton which is an agriculture commodity are the two risks associated with spinning units. Your Company plans to face these risks, through better sales efforts, optimum product mix, prudent purchase of cotton and improving raw material realization.

vi. Internal control systems and their adequacy

The Company is having an efficient and adequate internal control system commensurate with the size and level of operations of the Company.

vii. Discussion on financial performance with respect to operational performance

During the year 2004-05, the capacity utilization of own production facility was 97%, which can be considered good. As stated in the Directors' report, the sluggish yarn sales during the first nine months of 2004-05 has resulted in reduction of operating profit. Through optimising the product mix, cost reduction and high capacity utilization, your Company aims at improving the operating profit.

viii. Material developments in Human Resources/Industrial Relations front, including number of people employed

The Company's performance in the industrial relations front continues to be cordial and is expected to remain so. Currently, the Company has 1071 employees of all ranks on its rolls.