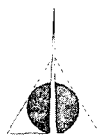


**SRI LAKSHMI SARASWATHI TEXTILES
(ARNI) LIMITED**

43 rd

Annual Report 2006 - 2007



Sri Lakshmi Saraswathi Textiles (Arni) Limited

BOARD OF DIRECTORS

SRI. R. SRIHARI

Managing Director

SRI. BALAKRISHNA S

Wholetime Director

SRI. R.PADMANABAN

Technical Director

SRI. V.N. SUBBARAO

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 PH 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.
Email: slst@vsnl.com,
Web: www.slstindia.com

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 B. RAJAGOPAL NAIDU 1901 - 73
OUR REVERED FOUNDER

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Sri Lakshmi Saraswathi Textiles (Arni) Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Third Annual General Meeting of the Company will be held at 02.30 P.M. on Friday, August 24, 2007 at Rani Seethai Hall, 603 Mount Road, 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 2007, 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 Balakrishna S, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri R.Padmanaban, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass the following Resolution with or without Modification(s) as a Special Resolution:

“RESOLVED THAT, subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and SEBI (Delisting of securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as Board, which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution) consent is hereby accorded to the Board to delist the company's equity shares from Ahmedabad Stock Exchange Limited.

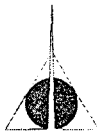
“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors of the Company be and are hereby authorised to do all acts, deeds, matters and things as it may in its absolute discretion deem fit and necessary including settling of all questions, difficulties or doubts in this regard.”

“RESOLVED FURTHER THAT Acts and deeds already done in this regard be and are hereby confirmed, approved and ratified.

By Order of the Board

Place : Chennai
Date : 29th June 2007

(R. SRIHARI)
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

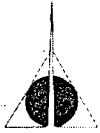
NOTE:

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 atleast 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 17, 2007 to August 24, 2007 (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.
9. Pursuant to the provisions of Sec. 205A and 205C, the dividend for the year 2000-01 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 warrants for the year 2000-01 or any subsequent financial years, are requested to make their claim to the company. Unclaimed Dividend for the year 1998-99 was transferred to the Investor Education and Protection Fund of the Central Government on 27.09.2006 and unclaimed dividend for the year 1999-2000 was transferred to the Investor Education and Protection Fund of the Central Government on 11.06.2007.

Year	Interim / Final	Record Date	%
2000-2001	Interim	18.07.2001	20%
2001-2002	Interim	09.04.2002	15%
2002-2003	Final	29.08.2003	15%
2003-2004	Final	03.09.2004	15%
2004-2005	Final	12.08.2005	15%
2005-2006	Final	25.08.2006	15%
2006-2007	Interim	30.03.2007	15%

10. The Equity Shares of the Company are listed in the following Exchanges:

- a. Madras Stock Exchange Limited,
Exchange Building
P B No. 183
11, 2nd Line Beach
CHENNAI 600 001



Sri Lakshmi Saraswathi Textiles (Arni) Limited

- b. Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street
MUMBAI 400 023
- c. Ahmedabad Stock Exchange Limited,
Kamadhenu Complex
Near Polytechnic Panjara Pole
AHMEDABAD 380 015

The company has paid the listing fees for 2007-08 to all the three stock exchanges.

11. At this Annual General Meeting, Sri Balakrishna S and Sri R.Padmanaban retire by rotation and being eligible, offer themselves for reappointment.

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 - Nil

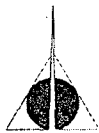
Sri R.Padmanaban is an Engineer and has been with the Company since October 2000.

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

By Order of the Board

Place : Chennai
Date : 29th June 2007

(R. SRIHARI)
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 6

Presently the company's Equity Shares are listed on the following three stock exchanges in India.

- 1) Madras Stock Exchange Limited,
- 2) Bombay Stock Exchange Limited and
- 3) Ahmedabad Stock Exchange Limited,

With the wide and extensive networking of centres of the BSE, the investors have access to online dealings in the company's equity shares across the country. The trading volumes of the company's shares on the Stock Exchange at Ahmedabad, (hereinafter referred to as the said delisting stock exchanges) during the year 2005-06 & 2006-07 are nil. The annual recurring listing fees paid to the stock exchanges do not offer commensurate benefit to the company and the investors in the changed scenario of the nationwide trading terminals set up by BSE. The continued listing on the said stock exchange is therefore, not considered necessary. It would further contribute to reduction in administrative costs/ efforts of the company. The Board of Directors of the company at its meeting held on 29.06.2007 has decided to apply voluntary delisting of the company's equity shares from the said delisting stock exchange.

The proposed voluntary delisting of company's equity shares from the said delisting stock exchange will not adversely affect any investor including the members located in the region where the said stock exchange are situated. Pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, it is now proposed to seek the members' approval by way of a Special Resolution for voluntary delisting of the Company's Equity Shares from the said stock exchange as set out in the resolution. In terms of the said guidelines, as the company's equity shares shall continue to remain listed on BSE, no exit option is required to be offered to the shareholders.

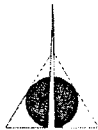
The proposed delisting is in the interest of the company and the Board recommends the resolution for acceptance by the members.

None of the Directors of the company is concerned or interested in the Resolution.

By Order of the Board

Place : Chennai
Date : 29th June 2007

(R. SRIHARI)
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

SRI LAKSHMI SARASWATHI TEXTILES (ARNI) LIMITED

FORTY THIRD ANNUAL REPORT

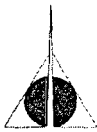
DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors are pleased to present the Forty Third Annual Report of the Company along with the audited statement of accounts for the year ended 31st March 2007

WORKING RESULTS

Details	Rs.	Rs.
Profit before financial charges and depreciation from business operations.		11,19,60,172
Less:-		
1) Financial Charges	3,17,46,206	
2) Depreciation	4,28,91,024	
		<u>7,46,37,230</u>
Profit before Tax		3,73,22,942
Less: (i) Provision for Tax		
- For Current Tax	41,80,000	
Less: Eligible MAT credit written back	<u>16,18,503</u>	25,61,497
- For Deferred Tax	93,10,000	
- For Fringe Benefit Tax	<u>6,66,905</u>	
		<u>1,25,38,402</u>
Profit for the Year		2,47,84,540
Add :- Profit brought forward		<u>30,03,336</u>
Profit available for appropriation		2,77,87,876
APPROPRIATION:		
i) Provision for earlier year taxation	1,10,000	
ii) Proposed Dividend and Dividend Tax	57,00,253	
iii) Transfer to General Reserve	<u>150,00,000</u>	
		<u>2,08,10,253</u>
Balance Carried Over		<u>69,77,623</u>



Sri Lakshmi Saraswathi Textiles (Arni) Limited

PRODUCTION AND SALES

Production of yarn during the year was 36.51 lakhs kgs as against 36.60 lakhs kgs in the previous year. The quantity and value of yarn sold during the year were 32.41 lakhs kgs. and Rs.5,791.88 lakhs as against 37.25 lakhs kgs and Rs.6,410.59 lakhs in the previous year. The quantity and value of export sales were 10.96 lakhs kgs and Rs.2,074.38 lakhs as against 10.59 lakhs kgs and Rs. 1,798.75 lakhs in the previous year. During the year under review our company entered into production of fabric by engaging outside looms using yarn manufactured by us. The quantity and value of fabric sales were 8.49 lakhs meters and Rs.1772.82 lakhs respectively.

CAPITAL EXPENSES

The company has taken-up a modernization/ expansion scheme to be implemented during 2007-08 at an estimated cost of Rs.25.03 crores. This is to be financed by Term Loan of Rs.20 Crores under TUFS and the balance amount will be from internal accruals. The scheme will be implemented during 2007-08 and on implementation the installed capacity will increase by 12096 ring spindles. Full benefit of implementation will realized from the first quarter of 2008-09.

DIVIDEND

Your Directors have already declared and paid an interim dividend of 15% on equity during March 2007. This may be considered as final dividend for the year 2006-07.

TRADE PROSPECT AND OUT LOOK

Due to better market condition the performance of your company during 2006-07 is good. Appreciation of value of Indian Rupee as against US Dollar and sluggish movement of fabric resulted in slackness in yarn sales and yarn price during first quarter of 2007-08. As the domestic consumption, demand of yarn for export production and direct export of yarn are expected to increase, your directors are confident of a good performance during 2007-08 also.

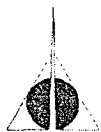
RETIREMENT OF DIRECTORS

Sri Balakrishna S and Sri R.Padmanaban 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 2007, the applicable accounting standards had been followed along with proper explanation 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 2007, 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.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

FINANCE

The Board of Directors wishes to thank Indian Overseas Bank and State Bank of India for their continued 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.

PUBLIC DEPOSIT

Your company is not accepting any deposit from public.

DETAILS TO BE DISCLOSED AS PER PROVISION OF SEC.217 OF THE COMPANIES ACT 1956

The information to be disclosed as per provision of Sec.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. The Audit Committee of the Board of Directors has recommended their re-appointment. A Certificate under Section 224(1B) of the Companies Act 1956 has been obtained from them.

By Order of the Board

Place : Chennai

Date : 29th June 2007

(R. SRIHARI)

Chairman & Managing Director