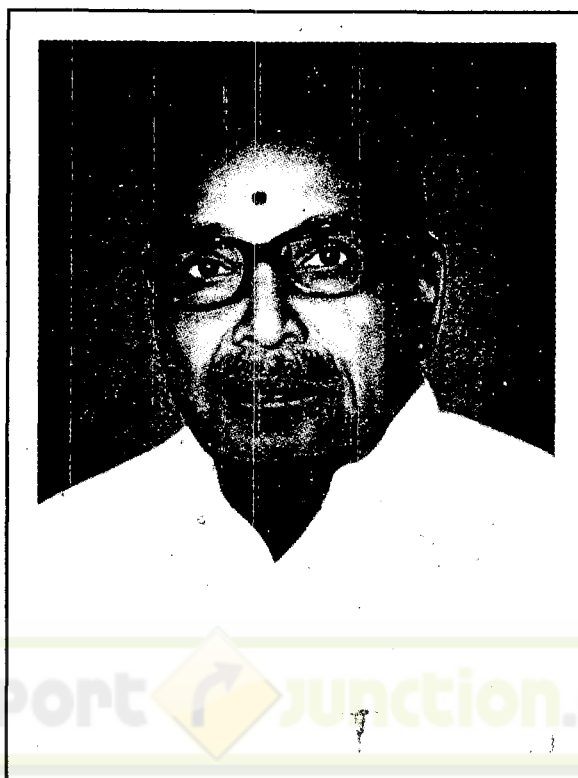


**SRI LAKSHMI SARASWATHI TEXTILES
(ARNI) LIMITED**

44th

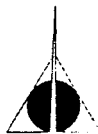
Annual Report 2007 - 2008



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. BALAKRISHNA S	Wholetime Director
SRI. R.PADMANABAN	Technical Director
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' Towers, 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 Lakshmi Saraswathi Textiles (Arni) Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the Company will be held at 02.30 P.M. on Friday, September 19, 2008 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 2008, the Audited Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Sri J M Grover, who retires by rotation and being eligible, offers himself for reappointment.
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 Auditors and to fix their remuneration.

By Order of the Board

Place : Chennai

Date : 30th July 2008

(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 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 September 11, 2008 to September 19, 2008 (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. Members holding shares in the electronic form are requested to notify the change in address to their depository participants.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

8. Pursuant to the provisions of Sec. 205A and 205C, the dividend for the year 2001-02 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 2001-02 or any subsequent financial years, are requested to make their claim to the company. Unclaimed Dividend for the year 2000-01 was transferred to the Investor Education and Protection Fund of the Central Government on 19th July 2008.

Year	Interim / Final	Record Date	%
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%
2007-2008	Nil	—	Nil

9. 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

b. Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street
MUMBAI 400 023

The company has paid the listing fees for 2008-09 to both the stock exchanges.

10. At this Annual General Meeting, Sri J M Grover and Sri K S T Pani retire by rotation and being eligible, offer themselves for reappointment.

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

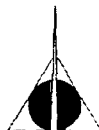
Sri K S T Pani, former Chairman and Managing Director of State Bank of Travancore, is a Professional Banker. He has been with the company since August 1990.

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

By Order of the Board

Place : Chennai
Date : 30th July 2008

(R. SRIHARI)
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

SRI LAKSHMI SARASWATHI TEXTILES (ARNI) LIMITED

FORTY FOURTH ANNUAL REPORT

DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors present the Forty Fourth Annual Report of the Company along with the audited statement of accounts for the year ended 31st March 2008

WORKING RESULTS

Details	Rs.	Rs.
Profit before financial charges and depreciation from business operations.		3,54,62,065
Less:-		
1) Financial Charges	3,76,22,986	
2) Depreciation	3,99,11,894	
		<u>7,75,34,880</u>
Loss before Tax		- 4,20,72,815
Add provision for Fringe Benefit Tax	6,66,933	
Add provision for Current Year Tax	20,000	
Less: Reduction in deferred tax liability	-1,41,91,250	
		<u>1,35,04,317</u>
Profit for the Year		- 2,85,68,498
Add :- Profit brought forward		<u>69,77,623</u>
Loss carried forward		- 2,15,90,875
Balance Carried Over		<u>- 2,15,90,875</u>

PRODUCTION AND SALES

Production of yarn during the year was 45.95 lakhs kgs as against 36.50 lakhs kgs in the previous year. The quantity and value of yarn sold were 45.22 lakhs kgs. and Rs.6,218.09 lakhs as against 32.41 lakhs kgs and Rs.5,791.88 lakhs. The sale value of fabric produced by engaging outside looms using yarn produced by the company was Rs.323.37 lakhs as against Rs.1,772.82 lakhs in the previous year.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

CAPITAL EXPENSES

The company has acquired and installed 1 No. Ring frame of 1008 spindles and 1 No. Autoconer and started construction of additional factory building. This is part of modernization taken-up at an estimated cost of Rs.25.03 crores.

TRADE PROSPECT AND OUTLOOK

The year under review was difficult year for the textile industry. Several factors such as lack of demand for yarn, excess supply of yarn due to additional capacity built-up, appreciation of value of Indian Rupee against USD, high cost of raw cotton, frequent power cut and high cost of fuel, adversely affected the performance of textile industry and your company is not an exception. There has been an improvement in the industrial conditions during the first quarter of 2008-09 and your directors are taking all possible steps to improve the performance during 2008-09.

DIRECTORS

Your Directors regret to inform you about the demise of your Company's Director Sri V.N.Subba Rao on 29th December 2007. He has been with the company, since October 1987. His contribution to the development of your company is commendable. Your Directors wish to place on record their appreciation of his valuable service rendered to the company during his tenure.

RETIREMENT OF DIRECTORS

Sri J M Grover and Sri K S T Pani, 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 –

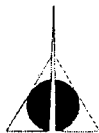
1. In the preparation of Annual Accounts for the year ended 31st March 2008, the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and 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 2008, 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 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.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

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

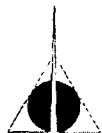
The Auditors of the Company M/s. S.Viswanathan retire and are eligible for reappointment. The Audit Committee of the Board of Directors has recommended their re-appointment. A Certificate under Section 224(1B) of the Companies Act 1956 has been obtained from them.

By Order of the Board

(R. SRIHARI)

Chairman & Managing Director

Place : Chennai
Date : 30th July 2008



Sri Lakshmi Saraswathi Textiles (Arni) Limited

ANNEXURE – I TO DIRECTORS' REPORT

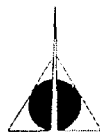
Information disclosed as per requirement of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

The Company conducts periodical Energy Audit and implements the advice given by the energy audit team. In all machines and areas wherever required, energy saving equipments/ spares/ component are used to conserve energy.

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

A. POWER AND FUEL CONSUMPTION	2007-2008	2006-2007
1. Electricity		
a) Purchased		
Units(KWH)	2,57,65,853	2,74,28,591
Total Amount Rs.	10,50,73,843	11,32,47,503
Rate/unit(Rs.)	4.08	4.13
b) Own Generation		
i) Through Diesel Generators		
Units (KWH)	3,74,205	2,91,859
Units/Litre of Diesel	3.33	3.18
Diesel Cost/Unit (Rs.)	9.95	10.82
ii) Through Steam Turbine/Generator	NIL	NIL
c) Through Furnace Oil Generator		
Units (KWH)	1,51,880	NIL
Units/Litre of Furnace Oil	3.68	NIL
Furnace Oil Cost/Unit (Rs.)	5.88	NIL
iii) Through Wind Turbine Generator (WTG)		
Units(KWH)	19,91,987	24,25,289
Unit (Rs.) (Variable Cost)	0.61	0.52
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



Sri Lakshmi Saraswathi Textiles (Arni) Limited

B.CONSUMPTION PER UNIT OF PRODUCTION	Standards (if any)	2007-2008	2006-2007
Products:Yarn			
1.Electricity in KWH per kg.of yarn produced		6.16	8.26
2.Electricity cost/kg of yarn produced(Rs.)		24.13	32.14
3.Furnace Oil		—	—
4.Coal		—	—
5.Others		—	—
C. TECHNOLOGY ABSORPTION			
Efforts made in Technology Absorption as per Form B.		Nil	Nil
D. FOREIGN EXCHANGE EARNINGS AND OUTGO			
Value of export was Rs.1808.20 Lakhs.			
The expenses in foreign currency were Rs.333.75 Lakhs.The details are as below:			
		Rs.	
1. Import of Raw Materials		1,59,20,792	
2. Import of Capital Goods		1,24,09,470	
3. Import of Components & Spares		6,69,388	
4. Interest on Foreign Currency Loans		15,59,045	
5. Foreign Travel		16,66,142	
6. Subscription and Periodicals		3,01,175	
7. Selling Expenses		8,49,269	
Total		3,33,75,281	

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 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 manufacture of garments and other textile products exports. Thus domestic demand of yarn depends on the level of domestic consumption through direct use and capability to sell fabrics and garments and other textile products in the international 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 for fabrics production, processing capacity and garment manufacture. No effective system has been put in place to scrap obsolete spindle capacity and to ensure a coordinated capacity additions in all segments of textile industry. Maintaining good quality, increasing the volume, optimizing the product mix and capacity utilization, cost reduction and taking up down stream value are the ways to progress. Current developments and effect of the same in the performance were discussed in the Directors' Report.