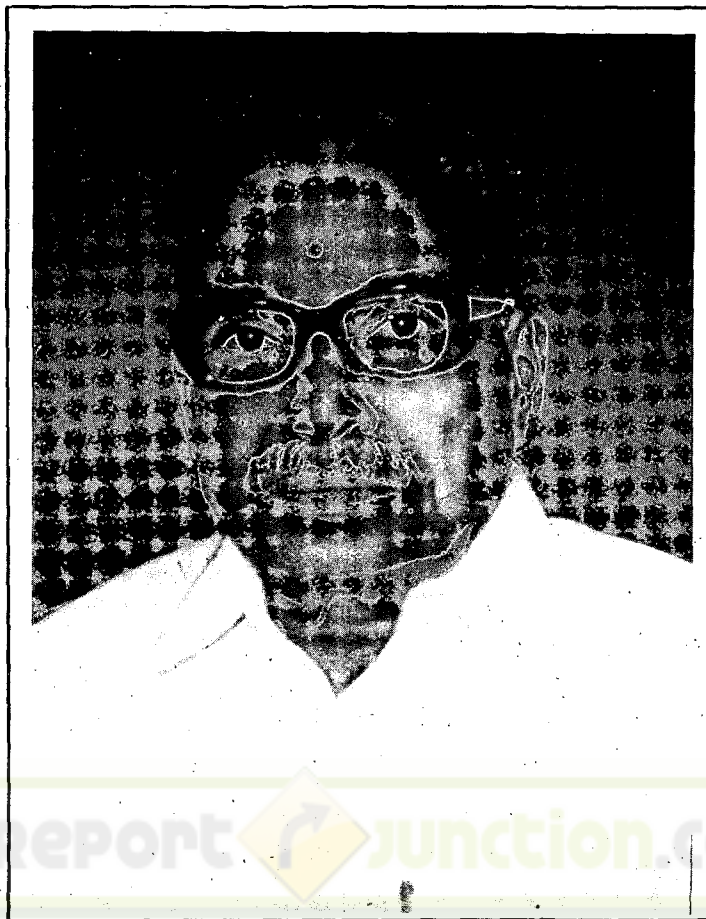


**SRI LAKSHMI SARASWATHI TEXTILES
(ARNI) LIMITED**

*45th
Annual Report 2008 - 2009*



SRI B. RAJAGOPAL NAIDU 1901 - 73
OUR REVERED FOUNDER

Contents

Notice	2
Directors' Report	7
Annexure-I to Directors' Report	10
Annexure-II to Directors' Report	
Report on Managements' Discussion & Analysis	11
Annexure-III to Directors' Report	
Report on Corporate Governance	13
Auditors' Report	22
Annexure to Auditors' Report	23
Balance Sheet	25
Profit & Loss Account	26
Schedules	27
Cash Flow Statement	40



Sri Lakshmi Saraswathi Textiles (Arni) Limited

BOARD OF DIRECTORS

SRI. R. SRIHARI

Managing Director

SRI. BALAKRISHNA S

Wholesale Director

SRI. R. PADMANABAN

Technical Director

SRI. K.S.T. PANI

SRI J. M. GROVER

SRI R. SAMBASIVAN

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

Messrs 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 Fifth Annual General Meeting of the Company will be held at 02.30 P.M. on Friday, September 25, 2009 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 2009, 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 Balakrishna S, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri R.Padmanaban who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To appoint Sri R.Sambasivan as a Director of the Company

To consider and if thought fit to pass with or without modification, the following Resolution as ORDINARY RESOLUTION:

"RESOLVED THAT Sri R.Sambasivan who was appointed as an Additional Director of the Company, pursuant to Section 260 of the Companies Act, 1956 and Article 102 of Articles of Association of the Company at the Meeting of the Board of Directors held on 19th December 2008, to hold office upto the date of this Annual General Meeting and in respect of whom, Notice under Section 257 of the Companies Act, 1956 has been received proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation"

6. To re-appoint Sri R Srihari, Managing Director, for a period of 3 years and to approve his remuneration

To consider and if thought fit, to pass with or without modification the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT, pursuant to Sections 269, 198(4), 309(3) and 310 and other applicable provisions of the Companies Act, 1956, if any, Sri R Srihari, be and is hereby re-appointed as Managing Director of the Company for a period of 3 years from 01.04.2009 to 31.03.2012 and that he may be paid remuneration in accordance with Part II of Schedule XIII as detailed below from 01.04.2009 to 31.03.2012.

a) Salary Rs.60,000/- per month

b) Allowance of 2/3rd of salary per month.

This allowance is not to be taken into account for the purpose of calculation of employer's contribution to provident fund and gratuity payable.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

c) Perquisites

- i) Contribution to provident fund to the extent not taxable under the Income Tax Act, 1961.
- ii) Gratuity at the rate not exceeding half-a-months salary for each completed year of service.
- iii) Medical Reimbursement - Reimbursement of Medical expenses incurred for self and family subject to a ceiling of one month salary in a year or 3 months salary over a period of 3 years.

EXPLANATION: Family means Spouse, Dependent Children and Dependent Parents of the Director

- d) Provision of Car for use on Company's business, telephone at residence and mobile phones will not be considered as perquisites. Personal long distance calls on telephones and use of car for private purpose shall be billed by the Company to the Individual appointee concerned.

7. To re-appoint Sri Balakrishna S, Wholetime Director, for a period of 3 years and to approve his remuneration

To consider and if thought fit to pass with or without modification, the following Resolution as ORDINARY RESOLUTION:

"RESOLVED THAT, pursuant to Sections 269, 198(4), 309(3) and 310 and other applicable provisions of the Companies Act, 1956, if any, Sri Balakrishna S, who fulfill the conditions laid down in Part I of Schedule XIII, be and is hereby re-appointed as Wholetime Director of the Company for a period of 3 years from 01.04.2009 to 31.03.2012 and that he may be paid remuneration in accordance with Part II of Schedule XIII as detailed below from 01.04.2009 to 31.03.2012.

- a) Salary Rs.54,000/- per month
- b) Allowance of 2/3rd of salary per month.

This allowance is not to be taken into account for the purpose of calculation of employer's contribution to provident fund and gratuity payable.

c) Perquisites

- i) Contribution to provident fund to the extent not taxable under the Income Tax Act, 1961.
- ii) Gratuity at the rate not exceeding half-a-months salary for each completed year of service.
- iii) Medical Reimbursement - Reimbursement of Medical expenses incurred for self and family subject to a ceiling of one month salary in a year or 3 months salary over a period of 3 years.

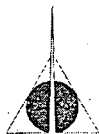
EXPLANATION: Family means Spouse, Dependent Children and Dependent Parents of the Director

- d) Provision of Car for use on Company's business, telephone at residence and mobile phones will not be considered as perquisites. Personal long distance calls on telephones and use of car for private purpose shall be billed by the Company to the Individual appointee concerned.

8. To re-appoint Sri R Padmanaban, Technical Director, for a period of 3 years and to approve his remuneration

To consider and if thought fit to pass with or without modification, the following Resolution as ORDINARY RESOLUTION:

"RESOLVED THAT, pursuant to Sections 269, 198(4), 309(3) and 310 and other applicable provisions of the Companies Act, 1956, if any, Sri R Padmanaban, who fulfill the conditions laid down in Part I of Schedule XIII, be and is hereby re-appointed as Technical Director of the Company for a period of 3 years from 01.04.2009 to 31.03.2012 and that he may be paid remuneration in accordance with Part II of Schedule XIII as detailed below from 01.04.2009 to 31.03.2012.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

- a) Salary Rs.36,000/- per month
- b) Allowance of 2/3rd of salary per month.
This allowance is not to be taken into account for the purpose of calculation of employer's contribution to provident fund and gratuity payable.
- c) Perquisites
 - i) Contribution to provident fund to the extent not taxable under the Income Tax Act, 1961.
 - ii) Gratuity at the rate not exceeding half-a-months salary for each completed year of service.
 - iii) Medical Reimbursement - Reimbursement of Medical expenses incurred for self and family subject to a ceiling of one month salary in a year or 3 months salary over a period of 3 years.

EXPLANATION: Family means Spouse, Dependent Children and Dependent Parents of the Director

- d) Provision of Car for use on Company's business, telephone at residence and mobile phones will not be considered as perquisites. Personal long distance calls on telephones and use of car for private purpose shall be billed by the Company to the Individual appointee concerned.

By Order of the Board

Place : Chennai

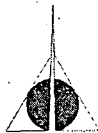
Date : 29th June 2009

(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 17, 2009 to September 25, 2009 (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.
8. Pursuant to the provisions of Sec. 205A and 205C, the dividend for the year 2002-03 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 2002-03 or any subsequent financial years, are requested to make their claim to the company. Unclaimed Dividend for the year 2001-02 was transferred to the Investor Education and Protection Fund of the Central Government on 6th June 2009



Sri Lakshmi Saraswathi Textiles (Arni) Limited

Year	Interim / Final	Record Date	%
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
2008-2009	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 2009-10 to both the stock exchanges.

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

Sri Balakrishna S, 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

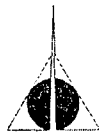
Sri R.Padmanaban is an Engineer and has been with the Company since October 2000.

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

By Order of the Board

Place : Chennai
Date : 29th June 2009

(R. SRIHARI)
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

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

Subject 5

Sri R.Sambasivan, Textile Technologist was appointed as Additional Director at the Meeting of the Board of Directors held on December 19, 2008. Pursuant to Section 260, Sri R.Sambasivan vacates office at the forthcoming Annual General Meeting. The Company has received the Notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing the appointment of Sri R.Sambasivan as a Director of the Company.

Sri R.Sambasivan, Textile Technologist has more than four decades of experience in textiles, specifically in spinning.

None of the Directors other than Sri R.Sambasivan is interested in the Resolution.

<p>Sub 6</p> <p>To</p> <p>Sub 8</p>	<p>Sri R Srihari, Managing Director, Sri Balakrishna S, Wholetime Director and Sri R.Padmanaban, Technical Director, were re-appointed by the Shareholders for a period of 3 years from April 1, 2006 to March 31, 2009 at the 42nd Annual General Meeting held on August 25, 2006. Under the able guidance of these Directors, the Company has made good progress. The Board considers that their continued guidance and services are necessary to the Company in the coming years also. The remuneration proposed is in accordance with the provisions of the Companies Act, 1956.</p> <p>The proposed Resolutions are to obtain the approval of the Shareholders for the reappointment of these three Directors for a period of 3 years from April 1, 2009 and payment of Remuneration from April 1, 2009, which have already been approved by the Board at its Meeting held on January 31, 2009 as recommended by the Remuneration Committee at its Meeting held on January 31, 2009.</p> <p>Sri R.Srihari and Sri Balakrishna S, are interested in Resolutions 6 and 7</p> <p>Sri R.Padmanaban is interested in Resolution 8.</p>
-------------------------------------	---

By Order of the Board

Place : Chennai
Date : 29th June 2009

(R. SRIHARI)
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

SRI LAKSHMI SARASWATHI TEXTILES (ARNI) LIMITED

FORTY FIFTH ANNUAL REPORT

DIRECTORS' REPORT

Ladies and Gentlemen,

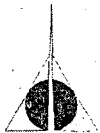
Your Directors present the Forty Fifth Annual Report of the Company along with the audited statement of accounts for the year ended 31st March 2009

WORKING RESULTS

Details	Rs.	Rs.
Profit before financial charges and depreciation from business operations.		4,41,49,257
Less:-		
1) Financial Charges	4,41,85,907	
2) Depreciation	3,96,55,928	
		<u>8,38,41,835</u>
Loss before Tax		- 3,96,92,578
Add provision for Fringe Benefit Tax	5,96,000	
Add provision for Current Year Tax	24,550	
Less: Reduction in deferred tax liability	-1,32,28,706	
		<u>-1,26,08,156</u>
Loss for the Year		- 2,70,84,422
Add :- Loss brought forward		<u>-2,15,90,875</u>
Loss carried forward		<u>- 4,86,75,297</u>
Balance Carried Over		<u>- 4,86,75,297</u>

PRODUCTION AND SALES

Production of yarn during the year was 41.30 lakhs kgs as against 45.95 lakhs kgs in the previous year. The quantity and value of yarn sold were 42.62 lakhs kgs. and Rs.6,587.28 lakhs as against 45.22 lakhs kgs and Rs.6,218.09 lakhs.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

CAPITAL EXPENSES

Due to unfavourable conditions prevailing in the textile industry, the company did not fully implement the expansion/ modernization scheme taken up at an estimated cost of Rs.25.03 crores. The extension factory building construction of which was already started will be completed at an estimated cost of Rs.414 lakhs. The additional space will be used for relocation of certain machines to facilitate improvement in productivity.

TRADE PROSPECT AND OUTLOOK

The year under review continued to be difficult year for the textile industry. Several factors such as inconsistency in demand for yarn, non availability of power, high cost of power and fuel and shortage of employees adversely affected the performance of the company. With the political stability after 2009 general election and determinations of all nations to implement measures to counter the economic slow down, industry condition is expected to improve and your directors are taking all possible steps for better performance.

DIRECTORS

Sri R.Sambasivan, a Textile Technologist was appointed as an Additional Director at the meeting of the Board of Directors held on December 19, 2008. Pursuant to Section 260, Sri R.Sambasivan vacates office at the forthcoming Annual General Meeting. The Company has received a Notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing the appointment of Sri R.Sambasivan as a Director of the Company.

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 2009, 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 2009, 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.