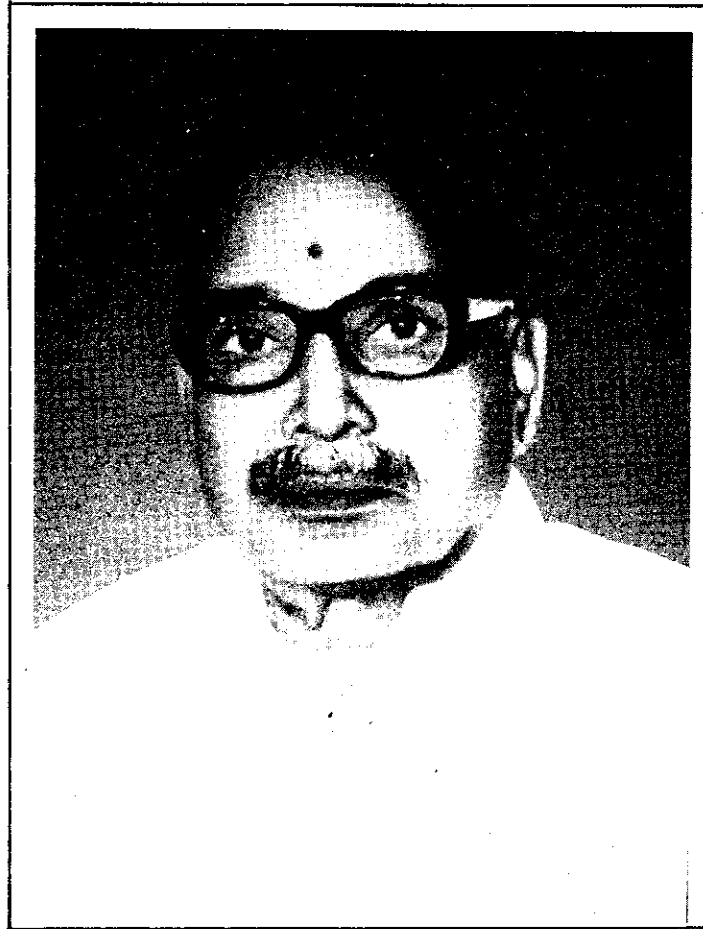


**SRI LAKSHMI SARASWATHI TEXTILES
(ARNI) LIMITED**

46th

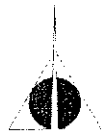
Annual Report 2009 - 2010



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

Wholesale Director

SRI. R. PADMANABAN

Technical Director

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

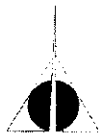
16, Krishnama Road,
Nungambakkam, Chennai 600 034.
Email: slst@vsnl.com
Web: www.slstindia.com

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 Sixth Annual General Meeting of the Company will be held at 02.30 P.M. on Friday, August 06, 2010 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 2010, 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 Balakrishna S. 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 : 28th May 2010

(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 July 29, 2010 to August 06, 2010 (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



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 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

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
2009-2010	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 2010-11 to both the stock exchanges.

10. At this Annual General Meeting, Sri J M Grover and Sri Balakrishna S 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 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

By Order of the Board

Place : Chennai
Date : 28th May 2010

(R. SRIHARI)
Chairman & Managing Director



Sri Lakshmi Saraswathi Textiles (Arni) Limited

SRI LAKSHMI SARASWATHI TEXTILES (ARNI) LIMITED

FORTY SIXTH ANNUAL REPORT

DIRECTORS' REPORT

Ladies and Gentlemen,

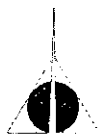
Your Directors present the Forty Sixth Annual Report of the Company alongwith the audited statement of accounts for the year ended 31st March 2010

WORKING RESULTS

Details	Rs.	Rs.
Profit before financial charges and depreciation from business operations.		5,70,10,664
Less:-		
1) Financial Charges	4,04,06,280	
2) Depreciation	4,01,80,723	8,05,87,003
		<u>- 2,35,76,339</u>
Loss before Tax		
	21,600	
Add :- Provision for Current Year Tax	-79,86,222	-79,64,622
Less: Reduction in deferred tax liability		<u>- 1,56,11,717</u>
Loss for the Year		- 4,94,80,000
Add :- Loss brought forward		<u>- 6,50,91,717</u>
Loss carried forward		<u>- 6,50,91,717</u>
Balance Carried Over		

PRODUCTION AND SALES

Production of yarn during the year was 44.43 lakhs kgs as against 41.30 lakhs kgs in the previous year. The quantity and value of yarn sold were 47.94 lakhs kgs. and Rs.7584.79 lakhs as against 42.62 lakhs kgs and Rs. 6587.28 lakhs.



Sri Lakshmi Saraswathi Textiles (Arni) Limited

CAPITAL EXPENSES

The extension of factory building was completed at a cost of Rs.4.08 crores and the additional space will be used for addition of machines as and when the funds are available and on improvement of market conditions.

TRADE PROSPECT AND OUTLOOK

The first three quarters of the year under review continued to be difficult for the textile industry. Several factors such as inconsistency in demand for yarn, non-availability of power, high cost power and fuel adversely affected the performance of the company. Due to general revival of economy worldwide, the demand for yarn and sales realization of yarn in the last quarter were good. This has resulted in improvement in the performance in the last quarter. As the same trend continues the outlook for 2010-11 is good and your Directors are taking all possible steps for better performance.

DIRECTORS

Sri K S T Pani, after serving the Board as Director for nearly 20 years has resigned from the Board with effect from 22.04.2010. The company places on record its appreciation for his untiring and continuous efforts for the development of the Company.

Sri J M Grover and Sri Balakrishna S 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 –

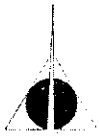
1. In the preparation of Annual Accounts for the year ended 31st March 2010, the applicable accounting standards had been followed along with proper explanation relating to material departures:
2. The Directors had selected such accounting policies and applied them consistently and made judgments and 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 2010, 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

Place : Chennai
Date : 28th May 2010

(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 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	2009-2010	2008-2009
1. Electricity		
a) Purchased		
Units(KWH)	2,18,66,386	2,20,49,465
Total Amount Rs.	11,67,24,616	8,98,27,529
Rate/unit(Rs.)	5.34	4.07
b) Own Generation		
i) Through Diesel Generators		
Units (KWH)	1,46,080	3,46,566
Units/Litre of Diesel/SKO	3.14	3.19
Diesel Cost/Unit (Rs.)	11.42	11.66
ii) Through Steam Turbine/Generator	NIL	NIL
iii) Through Furnace Oil Generator		
Units (KWH)	7,66,490	13,86,632
Units/Litre of Furnace Oil	3.38	3.71
Furnace Oil Cost/Unit (Rs.)	6.69	6.81
iv) Through Wind Turbine Generator (WTG)		
Units(KWH)	23,86,581	20,23,563
Unit (Rs.) (Variable Cost)	0.55	0.62
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

	2009-2010	2008-2009
B.CONSUMPTION PER UNIT OF PRODUCTION		
Standards (if any)		
Products: Yarn		
1.Electricity in KWH per kg.of yarn produced	5.66	6.25
2.Electricity cost/kg of yarn produced(Rs.)	28.14	25.26
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.803.49 Lakhs.		
The expenses in foreign currency were Rs.454.17 Lakhs.The details are as below:		
	Rs.	
1. Import of Raw Materials	90,47,998	
2. Import of Components & Spares	24,36,495	
3. Interest on Foreign Currency Loans	24,87,647	
4. Foreign Travel	9,13,776	
5. Subscription and Periodicals	3,70,080	
6. Selling Expenses	1,60,863	
Total	<u>1,54,16,859</u>	

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. Non-availability of power has resulted in reduction in production of yarn. Maintaining good quality, increasing the volume, optimizing the product mix and capacity utilization, ensuring availability of adequate power at reasonable cost, 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.