

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Hundredth Annual General Meeting of the Members of the Company will be held at "Nani Palkhivala Auditorium", Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore-641037 on Wednesday, the 22nd September 2010 at 4.15 P.M. to transact the following business :

### A. ORDINARY BUSINESS

1. To consider and adopt the Audited Profit and Loss Account for the year ended 31-03-2010, the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Sri. V. Jagannathan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Sri D. Rajendran, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

### B. SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED that the vacancy caused by the retirement by rotation of Justice Sri. G. Ramanujam (Retd.), Director be not filled at this Annual General Meeting or any adjournment thereof."
7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED that Sri. Satish Ajmera who was appointed as Additional Director by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 108 of the Articles of Association of the Company and in respect of whom the company has received a notice in writing, pursuant to Section 257 of the Companies Act 1956, from a member of the Company, proposing his candidature for the office of Director of the Company, and who has consented, if appointed, to act as a Director of the company be and is hereby appointed as a Director of the Company liable to retire by rotation."
8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED that Sri. Sanjay Jayavarthanavelu who was appointed as Additional Director by the Board of

Directors of the Company and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 108 of the Articles of Association of the Company and in respect of whom the company has received a notice in writing, pursuant to Section 257 of the Companies Act 1956, from a member of the Company, proposing his candidature for the office of Director of the Company, and who has consented, if appointed, to act as a Director of the company be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED that, on the recommendation and approval of the Remuneration Committee of the Board, and pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the consent of the Shareholders of the Company be and is hereby accorded to the re-appointment of Sri. S. Pathy as Chairman and Managing Director of the Company for a period of 5 years and payment of remuneration for a period of 3 years with effect from 24.04.2011 on the following terms and conditions:-

1. Salary :  
Rs.2,50,000 per month inclusive of all allowances with an increase of Rs.30,000/- every year.
2. Commission  
1% on the net profit of the Company.
3. Benefits :  
Company's contribution to Provident Fund and Superannuation Fund as per rules of the Company to the extent, either single or together do not exceed the limits fixed under the Income Tax Act, 1961.
4. Gratuity :  
Shall not exceed 15 days salary for every completed year of service.
5. Leave Encashment :  
Shall be entitled to encashment of leave at the end of the tenure.

All the above items, viz., Provident Fund, Superannuation Fund, Gratuity and Leave Encashment shall not be considered as Perquisites.

### Perquisites

In addition to the salary and commission, the Chairman and Managing Director shall also be entitled to interchangeable perquisites like furnished accommodation, gas, electricity, water, medical

# THE LAKSHMI MILLS COMPANY LIMITED

reimbursement, LTA for self and family, club fees, medical insurance etc., in accordance with the rules of Company. However, the aggregate of such perquisites shall not exceed Rupees Three (3) lakhs per annum. The perquisites shall be evaluated as per Income Tax Rules wherever applicable.

Provision of a company car with driver for use on Company's business and telephone facility at his residence will not be considered as perquisites. Personal long distance calls on telephone and use of the car for private purposes shall be billed by the company to the Chairman and Managing Director.

The above remuneration and perquisites shall be paid / allowed as minimum remuneration in the event of absence or inadequacy of profits, subject however to the ceiling prescribed in Section II Part II of Schedule XIII of The Companies Act, 1956.

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

"RESOLVED that, on the recommendation and approval of the Remuneration Committee of the Board, and pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the consent of the Shareholders of the Company be and is hereby accorded to the appointment of Sri Aditya Krishna Pathy as Whole Time Director of the Company for a period of 5 years and payment of remuneration for a period of 3 years with effect from 30.07.2010 on the following terms and conditions :-

1. Salary :  
Rs.1,25,000 per month inclusive of all allowances with an increase of Rs.20,000/- every year.
2. Commission  
1% on the net profit of the Company.
3. Benefits :  
Company's contribution to Provident Fund and Superannuation Fund as per rules of the Company to the extent, either single or together do not exceed the limits fixed under the Income Tax Act, 1961.
4. Gratuity :  
Shall not exceed 15 days salary for every completed year of service.
5. Leave Encashment :  
Shall be entitled to encashment of leave at the end of the tenure

All the above items, viz., Provident Fund, Superannuation Fund, Gratuity and Leave Encashment shall not be considered as perquisites.

## Perquisites

In addition to the salary and commission, the Whole Time Director shall also be entitled to interchangeable perquisites like medical reimbursement, LTA for self, club fees, medical insurance etc., in accordance with the rules of the Company. However, the aggregate of such perquisites shall not exceed Rupees One Lakh Fifty Thousand (Rs.1.5 lakhs) per annum. The perquisites shall be evaluated as per Income Tax Rules wherever applicable.

Provision of a company car with driver for use on Company's business and telephone facility at his residence will not be considered as perquisites. Personal long distance calls on telephone and use of the car for private purposes shall be billed by the company to the Whole Time Director.

The above remuneration and perquisites shall be paid / allowed as minimum remuneration in the event of absence or inadequacy of profits, subject however to the ceiling prescribed in Section II Part II of Schedule XIII of The Companies Act, 1956.

By Order of the Board  
For THE LAKSHMI MILLS CO. LTD.,

Coimbatore  
30.07.2010

**S.BALAMURUGASUNDARAM**  
Company Secretary

## ANNEXURE TO NOTICE

### Explanatory Statement under Section 173 (2) of the Companies Act, 1956

#### ITEM No. 6

Pursuant to Section 256 of the Companies Act, 1956, Justice Sri. **G. Ramanujam** (Retd.) Director of the Company retires by rotation at the conclusion of the 100<sup>th</sup> Annual General Meeting of the Company. Justice Sri. **G. Ramanujam** (Retd.) vide letter dated 28.07.2010 has expressed his desire not to seek re-appointment as Director in view of his age.

Your Company's Board of Directors do not intend to fill up the vacancy which would be caused by the retirement by rotation of Justice Sri. **G. Ramanujam** (Retd.) at this Annual General Meeting or any adjournment thereof, but may do so at a later date.

Except Justice Sri. **G. Ramanujam** (Retd.) none of the other Directors are interested or concerned in the resolution.

#### ITEM No. 7

Sri Satish Ajmera was appointed as Additional Director of the Company at the Board Meeting held on 26-05-2010. He holds office upto the date of the ensuing Annual General Meeting.

The company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 along with

the requisite deposit proposing Sri Satish Ajmera as a candidate for the office of Director.

**Sri Satish Ajmera**, Chartered Accountant, has diversified Audit Experience of more than 40 years in Banks, Industry, Trade, Government and Semi Government organisations. He had been (i) Trustee, Unit Trust of India, (ii) Member, I.D.B.I. North Zone Committee, (iii) Director, Gujarat Alkalies & Chemicals Ltd., Gujarat State Investments Ltd., Hindustan Organic Chemicals Ltd., Rajasthan Financial Corporation, Sunflag Iron & Steel Industries Ltd., Gujarat Heavy Chemical Ltd., Modi Rubber Ltd., JCT Ltd., Rajasthan State Ind. & Inv. Corp. Ltd., Lupin Laboratories Ltd., Aristocrat Luggage Ltd., Jayant Paper Mills Ltd., Modern Syntex Ltd., Allwyn Nissan Ltd., Canfin Homes Ltd., and many other Companies.

He has been the consultant to Government of Rajasthan and Government of Gujarat in Corporate matters. He is the Senior Partner of the Auditing Firm B. L. Ajmera & Co., Jaipur. He is also a former President of Jaipur Chamber of Commerce & Industry.

#### **OTHER DIRECTORSHIPS**

##### **Name of the Company**

S. Ajmera Finance Private Limited  
SRP Infosystems Private Limited  
PCS Technology Limited  
Wires & Fabriks (S.A.) Limited  
A & A Mines and Minerals Private Limited  
FCI Arawali Gypsum Minerals India Limited

#### **COMMITTEE MEMBERSHIPS**

##### **Name of Committees**

##### **Audit Committee**

Wires and Fabriks (SA) Limited  
PCS Technology Limited  
FCI Arawali Gypsum Minerals India Limited

##### **Shareholders / Investors Grievance Committee**

The Lakshmi Mills Company Limited  
Wires and Fabriks (SA) Limited

Sri. Satish Ajmera holds Nil shares in the Company.

Your Board is of the opinion that the appointment of Sri Satish Ajmera will be in the interest of the Company. Except Sri Satish Ajmera none of the other Directors are interested or concerned in the resolution.

#### **ITEM No. 8**

Sri. Sanjay Jayavarthanavelu was appointed as Additional Director of the Company at the Board Meeting held on 30-07-2010. He holds office upto the date of the ensuing Annual General Meeting.

The company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 along with

the requisite deposit proposing Sri. Sanjay Jayavarthanavelu as a candidate for the office of Director.

**Sri. Sanjay Jayavarthanavelu** has vast experience in Textile Industry for more than Sixteen years in various capacities. He is a member of the Textiles Committee appointed by the Ministry of Textiles and the Development Council for Textile Machinery Industry and Machine Tool Industry constituted by the Government of India. He is also a member of the Board of Governors of National Institute of Fashion Technology (NIFT), nominated by the Government of India. His rich experience and knowledge will be beneficial to the Company.

#### **OTHER DIRECTORSHIPS**

##### **Name of the Company**

Lakshmi Machine Works Limited  
Lakshmi Cargo Co. Limited  
Lakshmi Electrical Control Systems Limited  
Lakshmi Ring Travellers (Cbe) Limited  
Lakshmi Technology & Engineering Industries Limited  
Super Sales India Limited  
Hermes Academy of Training Limited  
Fortis Malar Hospitals Limited  
Carborundum Universal Limited

#### **COMMITTEE MEMBERSHIPS**

##### **Name of Committees**

##### **Audit Committee**

Fortis Malar Hospitals Limited

##### **Shareholders/Investors Grievance Committee**

Lakshmi Machine Works Limited  
Super Sales India Limited

Sri. Sanjay Jayavarthanavelu holds 9841 Equity shares of Rs.100/- each of the Company.

Your Board is of the opinion that the appointment of Sri. Sanjay Jayavarthanavelu will be in the interest of the Company.

Except Sri. Sanjay Jayavarthanavelu none of the other Directors are interested or concerned in the resolution.

#### **ITEM No. 9**

The tenure of appointment of Sri S. Pathy, Chairman and Managing Director of the Company who was appointed in the Annual General Meeting held on 29<sup>th</sup> August 2005 is valid upto 23.04.2011.

At the Meeting held on 30-07-2010 the Board of Directors on the recommendation and approval of the Remuneration Committee have re-appointed Sri. S. Pathy as Chairman and Managing Director for a further period of 5 years from 24.4.2011 to 23.4.2016 and approved the remuneration payable to him. The approval of shareholders to the re-appointment and payment of

# THE LAKSHMI MILLS COMPANY LIMITED

remuneration to Sri S. Pathy is to be accorded by a special resolution.

The proposed appointment and remuneration conform to Schedule XIII of the Companies Act, 1956.

None of the Directors except Sri S. Pathy, Sri R. Santharam and Sri Aditya Krishna Pathy are deemed to be interested in the resolution.

## MEMORANDUM OF INTEREST

Sri. S. Pathy as recipient and Sri. R. Santharam and Sri. Aditya Krishna Pathy as relatives, are deemed to be interested in the resolution. This may also be treated as an abstract of the terms of contract of re-appointment of Sri. S. Pathy as Chairman and Managing Director and terms and conditions of remuneration and Memorandum of concern or interest of Directors circulated to the members pursuant to Section 302 of the Companies Act, 1956.

## ITEM No. 10

At the meeting held on 30-07-2010 the Board of Directors on the recommendation and approval of the Remuneration Committee, have appointed Sri Aditya Krishna Pathy as Whole Time Director for a period of 5 years from 30.07.2010 to 29.07.2015 and approved the remuneration payable to him. The approval of shareholders to the appointment and payment of remuneration to Sri Aditya Krishna Pathy is to be accorded by a Special Resolution.

The proposed appointment and remuneration conform to Schedule XIII of the Companies Act, 1956.

None of the Directors except Sri Aditya Krishna Pathy and Sri S. Pathy are deemed to be interested in the Resolution.

## MEMORANDUM OF INTEREST

Sri Aditya Krishna Pathy as recipient and Sri S. Pathy as relative, are deemed to be interested in the Resolution. This may also be treated as an abstract of the terms of contract of appointment of Sri Aditya Krishna Pathy as Whole Time Director and terms and conditions of remuneration and Memorandum of concern or interest of Directors circulated to the members pursuant to Section 302 of the Companies Act, 1956.

## Additional information pursuant to Clause 49 of the listing agreement with Stock Exchanges in respect of the Directors proposed to be re-appointed.

**Sri V. Jagannathan** was first appointed on the Board on 27.3.1975. He has qualified himself in Textile Technology from U.K. He was the General Manager in charge of modernisation, labour administration and several other matters connected with the efficient functioning of the Company for two decades. He was a member of the Business Committee and was a member of the Share Transfer Committee of the Company. Presently he is the Chairman and Managing Director of M/s. Eltex Super Castings Ltd.

## OTHER DIRECTORSHIPS

### Name of the Company

Prokop Eltex India Private Limited

Cape Flour Mills Private Limited

Mckinnon India Private Limited

Super Springs Private Limited

## COMMITTEE MEMBERSHIPS - NIL

Sri. V. Jagannathan holds 450 Equity Shares of Rs.100/- each of the Company.

**Sri. D. Rajendran** has graduated in Commerce from Loyola College, Chennai and thereafter obtained his Higher National Diploma (HND) in Business Management from Huddersfield University, UK. Sri. D. Rajendran is the Managing Director of M/s.Premier Spg. and Wvg. Mills Private Limited and a Director in many other manufacturing companies. The Premier Mills are pioneers in introducing new products and is a highly reputed group in the South.

## OTHER DIRECTORSHIPS

### Name of the Company

Premier Mills Private Limited

Premier Fine Linens Private Limited

Prima Products Private Limited

Coimbatore Polytex Private Limited

## COMMITTEE MEMBERSHIPS

### Name of Committees

#### Audit Committee

The Lakshmi Mills Company Limited

Sri D. Rajendran holds Nil shares in the Company.

## Statement containing information on payment of Managerial Remuneration.

### I. General information

#### 1. Nature of Industry :

The Company is manufacturing Cotton and Synthetic yarn and outsourcing cloth. The Installed capacity is 1,29,360 Ring spindles. The Company presently has two manufacturing Units, one at Palladam and another at Kovilpatti. The operations in the Mills at Coimbatore were discontinued and it is not functioning. Since the location is within the city, it is considered that utilizing it for the Spinning Mill may not be a right proposition in the present day context. It is therefore proposed to develop this property by forming the Company's own Property Development Division.

At present the Chairman and Managing Director is taking care of the entire operations of the Company. Since the Textile Industry is a highly demanding one, it will be very difficult for the Chairman and Managing Director individually to manage both the Textile Division and the



proposed Property Development Division. Therefore it is felt necessary to have a Whole Time Director also in managing the affairs of the Company.

2. Date of commencement of Commercial Production :	01.04.1910
3. Financial Performance :	2009 - 10
	Rs. in lakhs
Sales	13377.07
Profit before Interest, Depreciation and Taxation	1568.43
Net Profit	143.83
Capital Employed	6322.99
4. Export Performance and Net foreign exchange earnings :	2009 - 10
	Rs. in lakhs
Yarn	312.90
Cloth	633.97
5. Foreign Investments or Collaborators :	NIL

## II. Information about the Appointees:

### 1. Sri. S. Pathy, Chairman and Managing Director

Sri S. Pathy, was appointed as Additional Director on the Board on 27.09.1995. Later he was appointed as the Vice Chairman and Managing Director on 24.04.1996 and as Chairman and Managing Director on 11.06.2009. He is a commerce graduate, having more than 30 years of experience in the field of Textiles and Textile Machinery. He is the President of the Kuppaswamy Naidu Charity Trust for Education and Medical Relief and was also Executive Council Member of Textile Machinery Manufacturers Association. He also holds directorship in many other companies.

Past remuneration	: Salary Rs.2,50,000 per month inclusive of Dearness allowance and all other allowances plus perquisites
Remuneration proposed	: Rs.2,50,000 per month inclusive of all allowances with an increase of Rs.30,000/- every year.
Commission	: 1% on the net profit of the Company.

The remuneration proposed is commensurate with the size of the company, the responsibilities and the industry norms.

Relationship with the Company : Sri S Pathy belongs to the Promoters Group.

Sri S. Pathy is related to Sri. R. Santharam, Director and Sri. Aditya Krishna Pathy who is proposed for appointment as Whole Time Director.

### Sri Aditya Krishna Pathy, Whole Time Director

Sri Aditya Krishna Pathy was appointed as Additional Director on the Board on 11.06.2009. He has graduated in Business and Management from the University of Exeter, United Kingdom. He has done projects in Speciality Yarns, Technical Textiles and Non-wovens, Bio Fuels-Ethanol Production & Usage inAutomotives, Brand Building and Marketing in fulfillment of his curriculum. He had been a trainee in the Company and Rajshree Sugars & Chemicals Limited for one year and completed his orientation in M/s. Mahindra & Mahindra, Automotive Division.

Past Remuneration	: NIL
Remuneration Proposed	: Salary Rs.1,25,000 per month inclusive of all allowances with an increase of Rs.20,000/- every year.
Commission	: 1% on the Net Profit of the Company.
Relationship with the managerial personnel	: Sri Aditya Krishna Pathy is related to Sri. S. Pathy.

## III. Other information

Reasons for inadequate profits :

The company is one of the leading Textile Mills in the South India established in the year 1910. The company has a track record of paying Dividend to the shareholders without any break for the last 75 years. The equity shares of Rs.100 each of the company are quoted at Rs. 2500 per share.

Due to modernization programmes undertaken by availing loans and consequent interest burden and also payment of VRS compensation have affected the profitability of the company in the last few years.

The working of the Company for the financial year 2009-10 has resulted in a net profit of Rs.143.83 Lakhs and is expected to maintain the trend in future years considering the improvement in productivity owing to the modernization carried out and implementation of VRS.

## IV. Disclosures :

1. The shareholders of the Company are informed of the remuneration package of the managerial persons.
2. All elements of remuneration package such as salary, benefits etc. of all the directors are mentioned in the Report on Corporate Governance.

# THE LAKSHMI MILLS COMPANY LIMITED

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. Pursuant to Section 205A of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1999 all unclaimed dividends shall be transferred to the 'Investor Education and Protection Fund' of the Central Government after a period of 7 years from the date of declaration. Shareholders who have not encashed the dividend warrants for the years 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009 are requested to write to the Registrar and Share Transfer Agent of the Company, M/s.SKDC Consultants Limited, Kanapathy Towers, 3<sup>rd</sup> Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006 for claiming the dividend. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim can be made thereof.

**Dividend declared in the year 2003 for the financial year 2002-2003 and remaining unclaimed will be transferred to Investor Education and Protection fund after conclusion of this Annual General Meeting.**

3. The Register of Members and Share Transfer Books of the Company shall remain closed between 15.09.2010 and 22.09.2010 (both days inclusive).

4. The dividend as recommended by the Board, if sanctioned at the Meeting, shall be paid to those members whose names appear on the Register of Members of the Company as on 22.09.2010 in respect of Physical Segment. In respect of shares held in Electronic form, the Dividend will be payable, on the basis of beneficial ownership as per details furnished by NSDL and CDSL for this purpose on the close of the business hours on 14.09.2010.

5. Company's share transfer work and dematerialisation of shares, is done by M/s.SKDC Consultants Ltd., Kanapathy Towers, 3<sup>rd</sup> Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.

6. It is reiterated that the request for Dematerialisation and Rematerialisation are to be made only to the DP with whom you have opened an account and not to the Company or its depository transfer agent.

7. International Securities Identification Number given to your company is INE938CO1019.

8. Members who are holding shares in the same name in more than one folio may please advise the Registrar and Share Transfer Agent for consolidating into single folio.

9. Shareholders who are interested to avail the facility of Dividend payment by National Electronic Clearing Service (NECS) are requested to fill the NECS Mandate in the prescribed form (enclosed) and send it to the company's Registrar and Share Transfer Agents M/s.SKDC Consultants Limited.

10. Members holding shares in Physical form are requested to intimate the Change of Address and their Bank Account details such as Bank name, branch with address and account number for incorporating the same in Dividend Warrants/Cheques to Company's Registrar and Share Transfer Agent M/s. SKDC Consultants Limited quoting their respective folio number and members holding shares in Demat form shall intimate the above details to their Depository Participant with whom they have Demat Account.

11. Any member who needs any clarification on accounts or operations of the Company shall write to the Company Secretary, so as to reach him at least 7 days before the meeting, so that the information required can be made available at the meeting.

12. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

13. None of the items listed in the Agenda require Postal Ballot.

14. Investors are required to provide a copy of their PAN Card for effecting Share transfers, transmissions and transposition in their favour.

Coimbatore  
30.07.2010

By Order of the Board  
For THE LAKSHMI MILLS CO. LTD.,  
**S.BALAMURUGASUNDARAM**  
Company Secretary



## DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors have pleasure in presenting the Centenary year Annual Report together with the audited accounts of the Company for the year ended 31.03.2010.

WORKING RESULTS	31.03.2010		31.03.2009
No. of days worked	356		356
		(Rs. in lakhs)	
Sales	13377.07		10397.76
Other income	330.05		652.85
<b>GROSS SALES</b>	<b>13707.12</b>		<b>11050.61</b>
<b>Profit / (Loss) before Tax, Exceptional items</b>	<b>(265.00)</b>		<b>(619.44)</b>
Add : Exceptional items	180.21		(120.72)
<b>Profit / (Loss) before Taxation</b>	<b>(84.79)</b>		<b>(740.16)</b>
Less : Excess depreciation of earlier year withdrawn	-		84.82
<b>Profit / (Loss) before Taxation</b>	<b>(84.79)</b>		<b>(655.34)</b>
Less : Excess tax provision of earlier year reversed	-	(56.13)	
Deferred Tax Credit (Net)	(228.62)	(422.28)	
Fringe Benefit Tax	-	9.00	(469.41)
<b>NET PROFIT / (LOSS) :</b>	<b>143.83</b>		<b>(185.93)</b>
Add : Transfer from General Reserve	157.79		226.62
<b>Available for appropriation</b>	<b>301.62</b>		<b>40.69</b>
<b>Appropriation:</b>			
General Reserve	Nil		Nil
Proposed Dividend	62.60		34.78
Corporate Tax on Dividend	10.40		5.91
Balance carried forward	228.62		-
	<b>301.62</b>		<b>40.69</b>

### OPERATIONS:

During the year under report, the Company operated 1.29 lac spindles in Palladam and Kovilpatti units as follows:-

	Fig. in lakhs
i) Palladam	0.66
ii) Kovilpatti	0.63
Total	1.29

In spite of restrictions and control on the usage of grid power, thanks to the arrangement made with M/s.Sai Regency Power Corporation Pvt. Ltd for supply of gas power and also by operating captive diesel generating sets, the Company was able to achieve better production. The Company could record a turnover of around Rs.137 Crore - an increase of 25% over the

previous year due to improved utilization of resources and better market conditions in the last quarter.

The Company has decided to give up the weaving activities and is in the process of disposing of weaving machines. Though the Company has given up the weaving activities, it continues to export cloth profitably by outsourcing. During the year, the company could achieve cloth sales of Rs.8.20 Crore including a export turnover of Rs.6.50 Crore. The Company is targeting around Rs.12 Crore of cloth sales in the current year.

The Company has exported Yarn and Cloth valued at Rs.10.00 Crore during the year. It hopes to achieve around Rs.15.00 Crore in current year.

# THE LAKSHMI MILLS COMPANY LIMITED

## CURRENT INDUSTRIAL TREND AND FUTURE PROSPECTS

The Textile Industry especially the spinning segment started looking up since the last quarter of the year under report, thanks to revival of demand from overseas markets. Cotton yarn prices touched record high during March and April 2010 compelling the Government to step in to regulate the prices of Yarn and Cotton as well as regulating export of Cotton and Yarn. Initially Government banned the export of Cotton but later on introduced regulatory measures in regard to Cotton exports. Likewise export of Cotton yarn has been brought under registration system. Incentives given for Cotton yarn exports in the form of DEPB, Duty draw back etc. have been withdrawn. However the fact remains that the demand for Cotton yarn appears outstripping supply. Besides, there is lurking fear (which looks genuine) that required quantities of quality Cotton might not be available to the industry till the new crop arrives in October / November 2010. The Industry therefore feels that the Cotton prices might still go up in the next two to three months and that the spinning mills might have to bear the burden of high prices of cotton. In this context, scope for bringing down the Cotton yarn prices by regulatory measures by Government might not be effective.

The next four months looks to be more unpredictable and that only demand and supply is bound to influence the price level and that regulatory measures might not be effective.

Further costs of inputs are becoming increasingly high particularly raw materials, labour and power. There is very little control to manage costs in raw materials and power front. Only cost in labour can be controlled if productivity is improved. Textile Industry needs to improve labour productivity to become competitive in the global market. The present levels of productivity are not at all adequate and urgent steps are needed in this direction.

Your Company is therefore exploring all possibilities to improve labour productivity to be cost competitive.

The Company has resolved to go in for Property Development project with the land available in Coimbatore unit. Plans in this direction are being initiated.

30 employees opted for VRS during the year 2009-10. The number of employees on roll as on 31.03.10 were 2142 as against 1968 on 31.03.09. Due to better utilization of resources, the number of workers on roll had slightly gone up during the year. Efforts are being made to bring down this number to around 1900.

## OUTLOOK

Domestic market offers huge demand potential in view of second largest populated country with largest young population, bubbling economy and expected double digit growth rate. India has second biggest world crop in Cotton. It has the skills to produce World Class cotton yarn for exports and also a reservoir of technical personnel to manage the units.

India has to look to control its costs to become cost competitive in world market. Policies of Government in the Raw material, finance, power and labour fronts need to be oriented so that the Industry is facilitated to achieve this.

## DIVIDEND

Your directors have recommended a dividend of 9% for the year out of past reserves.

## DIRECTORS

Dr. D. Jayavarthanelu, Director passed away suddenly on 11.06.2010. The Board places on record its sincere appreciation of his valuable services rendered during the tenure of his office as Director of the Company.

Justice Sri. G. Ramanujam (Retd.), Director who is liable to retire by rotation at the ensuing Annual General Meeting has not opted for re-election due to his age. The Board has placed on record the valuable contributions made by him during his tenure as a Director. The Board has resolved not to fill the vacancy so caused at this time.

In accordance with the Companies Act, 1956 and the Articles of Association Sri V. Jagannathan and Sri D. Rajendran Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Sri. Satish Ajmera, who was on the Board as a nominee of LIC resigned with effect from 30.03.2010. He has been co-opted as Additional Director on the Board on 26.05.2010 and will be holding office until the ensuing Annual General Meeting.

Sri. Sanjay Jayavarthanelu was co-opted as Additional Director on the Board on 30-07-2010 and will be holding office until the ensuing Annual General Meeting.

Notices have been received from members proposing the appointment of Sri Satish Ajmera and Sri Sanjay Jayavarthanelu as Directors. Necessary resolutions are placed before the Annual General Meeting for their appointments.



Sri S. Pathy's tenure of appointment as Managing Director expires on 23.04.2011. Resolution proposing his re-appointment as Chairman and Managing Director is placed at the ensuing Annual General Meeting.

Sri Aditya Krishna Pathy has been appointed as Whole Time Director on 30.07.2010. Resolution proposing his appointment as Whole Time Director is placed at the ensuing Annual General Meeting.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance of Section 217(2AA) of the Companies Act, 1956, the Directors state that:

- i. In the preparation of Profit and Loss Account for the period ended 31<sup>st</sup> March 2010 and the Balance Sheet as on that date all the applicable accounting standards have been followed.
- ii. Accounting Policies, that are reasonable and prudent, have been selected and applied consistently so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit of the Company for the year ended 31<sup>st</sup> March 2010.
- iii. The accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company as also for preventing and detecting fraud and other irregularities, have been properly maintained and
- iv. The Profit and Loss Account and Balance Sheet have been prepared on a going concern basis.

#### **CORPORATE GOVERNANCE**

Pursuant to clause 49 of the listing agreement with the stock exchanges, Management Discussion and Analysis Report, Report on Corporate Governance and Auditors Certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Report.

#### **FIXED DEPOSIT**

There is a disputed claim since 11.09.2000 on the deposit amount of Rs.15,05,000/- between the legal heirs and is pending before the Principal District Court at

Coimbatore. No other amount remains unclaimed as on 31<sup>st</sup> March 2010.

#### **AUDITORS**

The Company's Auditors M/s.Subbachar & Srinivasan and M/s.Fraser & Ross are to retire at the ensuing Annual General Meeting.

M/s.Fraser & Ross expressed their inability to accept the re-appointment for the year 2010-2011 due to restriction on the number of audits that can be accepted by them. The Board placed on record the valuable services rendered by M/s.Fraser and Ross during the tenure of their office as Auditors of the Company.

M/s.Subbachar & Srinivasan, Chartered Accountants are eligible for re-appointment.

#### **GENERAL**

The Company's Assets have been adequately insured.

The particulars required to be furnished under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are set out separately and form part of this Report.

During the year under review, there was no employee drawing remuneration in excess of the amount prescribed under section 217 2(A) of the Companies Act, 1956.

#### **ACKNOWLEDGEMENT**

The Board acknowledges the continued assistance from the Bankers, Cotton, Yarn and Cloth Dealers of the Company, Shareholders and Depositors and appreciate the valuable services rendered by the employees at all levels.

May the Goddess Lakshmi continue to shower her choicest Blessings for the prosperity of the Company in the years to come.

By Order of the Board  
For THE LAKSHMI MILLS CO. LTD.

Coimbatore  
30th July 2010

**S. PATHY**  
Chairman and Managing Director

#### **ANNEXURE TO DIRECTORS' REPORT**

Statement containing particulars pursuant to the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors Report.

#### **A. CONSERVATION OF ENERGY**

The following energy conservation measures were taken up in Palladam and Kovilpatti units in 2009-2010.

1. Palladam Unit :- In 28 Nos of LR6 Spinning frames the existing 490 mm dia Pneumafil fans were replaced with 460 mm dia Pneumafil fans which resulted into a saving of 31,000 units / month.
2. An Energy Audit was conducted by M/s.Tensor Consulting Engineers at the Palladam Unit and an energy saving potential of Rs.1.24 Crore per annum has been identified, requiring an investment of

# THE LAKSHMI MILLS COMPANY LIMITED

Rs. 1.40 Crore which is proposed to be implemented in the next financial year.

3. At the Kovilpatti 'A' Unit, in 30 Nos. of DJ5 Spinning frames and at 'B' Unit in 29 Nos. of G 5/1 Spinning frames and in all the Humidification Plants by

connecting the capacitors near to the motor end, a saving of 8,577 units per month has been achieved.

4. At the Kovilpatti in 'A' Unit Spinning and 'B' Unit Winding Departments, two Nos. of Voltage stabilizers were installed in the Lighting circuit resulting in a saving of 966 units per month.

The efforts for further conservation of energy are being continued.

Requisite data in respect of energy consumption are given below:

	2009-2010	2008-2009
<b>I) POWER &amp; FUEL CONSUMPTION</b>		
1. Electricity		
a) Purchased unit Lakh KWHr	<b>403.36</b>	395.50
Total amount (Rs. in Lakhs)	<b>1685.49</b>	1,498.51
Rate/Unit Rs.	<b>4.18</b>	3.79
b) Own Generation		
i. Through Diesel Generator:		
Unit/Lakh KWHr	<b>41.36</b>	3.71
Unit/Litre of H.S.D.	<b>3.58</b>	3.21
Cost/Unit Rs.	<b>10.76</b>	11.10
ii. Through Steam Turbine units	—	—
Unit/Litre of Fuel	—	—
Cost/Unit Rs.	—	—
2. Coal (Specify Quality and where used)		
Quantity in tons	—	—
Total Cost (Rs. in lakhs)	—	—
Average Rate (Rs.)	—	—
3. Furnace Oil: Cloth		
Quantity (K. Litres)	—	22.05
Total Cost (Rs. in lakhs)	—	8.66
Average Rate per KL (Rs.)	—	39,257.00
4. Others:		
Quantity in tons	—	—
Total Cost (Rs. in lakhs)	—	—
Rate per unit (Rs.)	—	—
<b>II) CONSUMPTION PER UNIT OF PRODUCTION</b>		
Production:		
Yarn in Kgs. (Excl. outside conversion)	<b>64,74,668</b>	58,32,025
Cloth in L. Metres	—	7,58,262
Electricity KWHr	—	—
Yarn : KWHr/Kg.	<b>6.8690</b>	6.6630
Cloth : KWHr / L. Metres	—	1.3940
Furnace Oil Litre/Linear Metre	—	0.0291
Coal/Tonne	—	—
Others	—	—

## **B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**

Our Company is a member of the following Research Institutions in India.

1. South India Textile Research Association. 2. SIMA Cotton Development and Research Association. Our Company has the benefit of Research and Development work carried out at the above institutions in addition to the continuous in house study carried out at our Quality Control Department.

## **C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The details of Foreign Exchange earnings and outgo are furnished in Schedule 25 of the Balance Sheet.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### I. INDUSTRY STRUCTURE AND DEVELOPMENTS

Domestic market offers huge demand potential in view of India being second largest populated country - largest young population, bubbling economy and expected double digit growth rate.

Second biggest world crop in Cotton - prices competitive in global market - potential to export more than 100 lakh bales of Cotton per year.

Availability of technical and managerial personnel to effectively manage the different segments.

Indian Spinning Industry has got huge potential to grow and play an effective role in the World Textile Trade in the years ahead.

### II. OPPORTUNITIES AND THREATS

However due to relatively lower labour productivity and constraints in getting required power, cost of manufacture especially in the organized sector is not globally competitive to increase its share in global trade.

Further Brand India concept for Textiles in World Trade needs introduction.

The need of the hour is to initiate steps to improve competitiveness by rationalizing tax structure and encourage investments in a big way so that Indian Textile Industry caters to world market in an effective and efficient way.

### III. SEGMENT WISE OR PRODUCT WISE PERFORMANCE

Operations of the Company are under one broad segment - yarn and fabric and hence no further analysis is required.

### IV. OUTLOOK

The performance of the Company improved vastly in the year under report. Thanks to the optimum utilization of resources, the Company performed better in all respects during the year 2009-10 over the previous year. The Company hopes to improve its turnover further by another 15% in 2010-11.

In the export front, the Company hopes to achieve a turnover of Rs.15 Crore in 2010-11 - an increase of around 30% over last year.

### V. RISKS AND CONCERNS

Cotton front looks quite volatile in regard to price factor. In spite of record production of Cotton, domestic industry is not sure of getting quality Cotton at the right price. Government policies in regard to export of Cotton will have a big impact on the price front in the coming year.

By entering into an agreement for purchase of Gas Power to supplement the Electricity Board Power, the company has got the advantage in utilisation of its capacity during peak hour restriction.

Power front continues to be uncomfortable. Still power cuts as well as restrictions for using power during peak hours seriously affect the profitable working of the units.

Cost of labour continues to rise. But labour productivity is not improving. This aspect needs to be addressed to be competitive.

### VI. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an adequate Internal Control System commensurate with its size and nature of its business. Management has overall responsibility for the Company's Internal Control System to safeguard the assets and to ensure reliability of financial records. Audit Committee reviews all financial statements and ensures adequacy of internal control systems.

### VII. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The net sales during the year was Rs.13377 lacs and your Company could achieve a net profit of Rs.143.83 lacs after tax adjustments.

### VIII. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NO.OF PEOPLE EMPLOYED

The Company had on its roll 2142 employees as on 31.03.2010 as against the strength of 1968 as on 31.03.2009. The marginal increase was due to higher utilization of resources in Palladam during the year under review. Negotiations for improving work load in Palladam are in progress and that the No. of workers on roll would come down in the current year.

# THE LAKSHMI MILLS COMPANY LIMITED

## REPORT ON CORPORATE GOVERNANCE

### PHILOSOPHY ON CODE OF GOVERNANCE

Lakshmi Mills is committed to sound practice of corporate functioning and maximise Customer satisfaction by offering the Quality Products at the right time at the reasonable price with the right service and comply with all regulations as applicable from time to time. At Lakshmi Mills the pursuit of perfection is an on-going process enabling it to look back with immense satisfaction on its past achievements and look forward with confidence to a promising though a challenging future. The strategy is always to maintain the position of leadership through a systematic initiative in the product development giving the customers a quality product and to ensure high ethical standard in all its business activities.

### BOARD OF DIRECTORS

In order to enable the Board to discharge its responsibilities effectively all statutory, significant and material information are placed before the Board on a quarterly basis.

#### Composition

The Board is headed by Chairman and Managing Director, supported by a Whole Time Director and Seven Non Executive Directors.

Name of the Director	Category as per Listing Agreement	Other Directorships***	Membership in Board Committees	
			Member	Chairman
Sri. S. Pathy	Executive - Chairman & Managing Director	3	1	-
Sri. R. Santharam	Non-Executive - Vice Chairman	3	4	1
Sri. V. Jagannathan	Non-Executive - Independent	-	-	-
Sri. D. Rajendran	Non-Executive - Independent	-	2	-
Justice Sri. G. Ramanujam (Retd.)	Non-Executive - Independent	5	5	3
Sri. Satish Ajmera *	Non-Executive - Independent	2	2	3
Sri. V. S. Velayutham	Non-Executive - Independent	-	2	-
Sri. Sanjay Jayavarthanavelu **	Non-Executive	9	-	3
Sri. Aditya Krishna Pathy	Executive - Whole Time Director	1	-	-

\* Resigned on 30.03.2010 and was co-opted on 26.05.2010

\*\* Co-opted as Director on 30.07.2010

\*\*\* The Directorships held by Directors as mentioned above do not include Alternate Directorships, Directorships of foreign Companies, Section 25 Companies and Private Limited Companies.

Number of Chairmanships / Memberships in Committees of the Directors are within the limits specified in clause 49(I) (C) (ii) of the Listing Agreement.

### BOARD MEETINGS AND ATTENDANCE

Five Board meetings were held on 27.05.2009, 11.06.2009, 27.07.2009, 30.10.2009 and 29.01.2010 during the period 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010.



Details of attendance of each Director at the meetings of the Board and various Committees of the Board during the financial year ended 31st March, 2010.

Name of the Directors	Board Meeting (5)	Audit Committee (5)	Shareholders / Investors Grievance Committee (1)	Remuneration Committee (1)	Share Transfer Committee (12)	Annual General Meeting
Sri. S. Pathy	4	-	-	-	12	Yes
Dr. D. Jayavarthanavelu *	5	-	-	-	-	No
Sri. V. Jagannathan	5	-	-	-	-	Yes
Sri. D. Rajendran	5	5	-	1	-	Yes
Justice Sri G. Ramanujam (Retd.)	2	2	1	1	-	No
Sri. R. Santharam	4	4	1	-	6	No
Sri. Satish Ajmera	4	-	1	-	-	No
Sri. V.S. Velayutham	3	3	-	1	-	No
Sri. Aditya Krishna Pathy	4	-	-	-	4	Yes

\* Demised on 11.06.2010

The figures within brackets denote the number of meetings held during the period 1st April 2009 to 31st March, 2010.

#### REMUNERATION OF DIRECTORS

Remuneration paid or payable to Directors during the year 2009-10.

Name of the Directors	Sitting Fees	Salary	Perquisites	Contribution to PF & Superannuation	Total
Sri. K. Sundaram *	NA	232258	—	27871	260129 **
Sri. S. Pathy	NA	2625000	300000	748350	3673350 **
Dr. D. Jayavarthanavelu	25000	NA	NA	NA	25000
Sri. V. Jagannathan	25000	NA	NA	NA	25000
Sri. D. Rajendran	43000	NA	NA	NA	43000
Justice Sri G. Ramanujam (Retd.)	22000	NA	NA	NA	22000
Sri. R. Santharam	35000	NA	NA	NA	35000
Sri. Satish Ajmera	23000	NA	NA	NA	23000
Sri. V.S. Velayutham	27000	NA	NA	NA	27000
Sri. Aditya Krishna Pathy	20000	NA	NA	NA	20000

\* Demised on 18.05.2009

\*\* The Remuneration approved by the Shareholders

Non-executive Directors are paid only sitting fees for Board/Committee meetings attended by them.

No Stock options have been granted to Non-executive Directors and Independent Directors in the financial year ended 31st March 2010.

#### SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Name of the Directors	No. of Shares
Sri. V. Jagannathan	450
Sri. D. Rajendran	NIL
Justice Sri G. Ramanujam (Retd.)	NIL
Sri. R. Santharam	NIL
Sri. Satish Ajmera	NIL
Sri. V.S. Velayutham	NIL
Sri. Sanjay Jayavarthanavelu	9841

# THE LAKSHMI MILLS COMPANY LIMITED

## COMMITTEE OF DIRECTORS

The Board has constituted the following Committee of Directors to deal with matters referred to it for timely decisions.

### Audit Committee

The Audit Committee was re-constituted on 30.07.2010 with the following Non Executive Directors as members :

- |                         |            |
|-------------------------|------------|
| 1. Sri. Satish Ajmera   | - Chairman |
| 2. Sri. D. Rajendran    | - Member   |
| 3. Sri. R. Santharam    | - Member   |
| 4. Sri. V.S. Velayutham | - Member   |

Sri. S. Balamurugasundaram, Company Secretary is the Secretary of the Audit Committee.

The Audit Committee would assure to the Board, compliance of adequate Internal Control System, Accounting Standards and financial disclosure and other issues conforming to the requirements specified by the Companies Act, 1956 and by the Stock Exchanges in terms of Listing Agreement.

The committee has met 5 times during the financial year ended 31<sup>st</sup> March 2010 and details of attendance were furnished elsewhere in the Annual Report.

### Remuneration Committee

The Remuneration Committee was re-constituted on 30.07.2010 with the following Non Executive directors as members to determine on behalf of the Board of Directors, with regard to terms of reference, the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

- |                         |            |
|-------------------------|------------|
| 1. Sri. D. Rajendran    | - Chairman |
| 2. Sri. R. Santharam    | - Member   |
| 3. Sri. V.S. Velayutham | - Member   |
| 4. Sri. Satish Ajmera   | - Member   |

The committee met on 11.06.2009 during the financial year ended 31<sup>st</sup> March 2010.

### Shareholders / Investors Grievance Committee

The Committee was reconstituted on 30.07.2010 to specifically look into Shareholders/Investors complaints, if any, on transfer of shares, non-receipt of annual reports, non-receipt of declared dividends etc., and also the action taken by the Company on the above matters.

The committee consists of the following Non-Executive Directors as its members :

- |                        |            |
|------------------------|------------|
| 1. Sri. R. Santharam   | - Chairman |
| 2. Sri. V. Jagannathan | - Member   |
| 3. Sri. Satish Ajmera  | - Member   |

Sri. S. Balamurugasundaram, Company Secretary is the Compliance Officer.

The committee has met on 29.01.2010 during the financial year ended 31<sup>st</sup> March 2010. During the year the company received 3 complaints from the investors and were replied / resolved to their satisfaction and there were no outstanding complaints as on 31.03.2010.

### Share Transfer Committee

The Share Transfer Committee has been formed from the members of the Board, representatives of the Registrar and Share Transfer Agents and the Company Secretary and there are 5 members. The committee had met 12 times during the financial year ended 31<sup>st</sup> March 2010. There were no pending share transfers as on 31.03.2010.

## GENERAL BODY MEETINGS

Details of the last three Annual General Meetings are given below :

Financial Year	Date	Day	Time	Venue
March 31, 2007	30.08.2007	Thursday	4.00 P.M.	Nani Palkhivala Auditorium, Mani Hr. Sec. School, Coimbatore - 641037
March 31, 2008	05.09.2008	Friday	4.35 P.M.	-- do --
March 31, 2009	04.09.2009	Friday	4.35 P.M.	-- do --

## Special Resolutions passed in the previous 3 AGMs

**97th Annual General Meeting :**

1. Re-appointment of Sri. K. Sundaram as Chairman and Managing Director.
2. Increasing the borrowing limits by the Board of Directors under Section 293(1)(d) of the Companies Act, 1956.

**98th Annual General Meeting :** NIL

**99th Annual General Meeting :** Revision in the remuneration of Sri. S. Pathy, Chairman and Managing Director.

No Special Resolution was required to be put through postal ballot during the last financial year.

No Special Resolutions on matters requiring postal balloting are placed for Shareholders' approval at the ensuing Annual General Meeting.

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As required by clause 49 of Listing Agreement, the Auditors' certificate is given elsewhere in the Annual Report.

## DISCLOSURES :

There are no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Details of related party transactions are given elsewhere in the Annual Report.

No penalty or strictures have been imposed on the Company by any Capital Market Regulatory authority for non-compliance of law.

The company has complied with Accounting Standards in the preparation of Balance Sheet, Profit & Loss Account and Cash Flow statement, as referred in the Directors' Responsibility Statement.

The Company has not followed any, accounting treatment different from that prescribed in as Accounting Standard.

There is no pecuniary relationship or transactions by Non-executive Directors with the Company.

All the mandatory requirements have been complied with as stated in this report on Corporate Governance.

## NON MANDATORY REQUIREMENTS

The company at present does not have any Whistle Blower Policy as of now but no personnel is being denied any access to the Audit Committee.

The Board has taken cognizance of the non mandatory requirements and shall consider adopting the same as and when necessary.

## DISCLOSURE OF DIRECTORS INTERSE RELATIONSHIP

Sri. R. Santharam, Vice Chairman is the Sister's husband of Sri. S. Pathy, Chairman and Managing Director and Sri. Aditya Krishna Pathy, Whole Time Director is the son of Sri. S. Pathy. No other Director is related to each other.

## CODE OF CONDUCT

The Code of Conduct for the Directors and Senior Management of the Company has been laid down and posted on the Website of the Company. The Compliance of the said Code of Conduct by the Directors and Senior Management Personnel for the year 2009-10 has been affirmed by the Chairman and Managing Director (CEO).

### A declaration signed by the Chairman and Managing Director is given below:

I hereby confirm that the Company has obtained from the members of the Board and Senior Management personnel their affirmation on compliance of the Code of conduct laid down by the Company for the financial year 2009-2010.

Coimbatore  
25th May 2010

S.PATHY  
Chairman and  
Managing Director

# THE LAKSHMI MILLS COMPANY LIMITED

## MEANS OF COMMUNICATION

The Quarterly and Annual financial results are published in the Business Line (English) and Dinamani (Tamil).

The Company Profile, Corporate information, Shareholding Pattern, Financial Statements, Code of Conduct for Directors and Officers and Product range are displayed in the Company's website [www.lakshmill.com](http://www.lakshmill.com).

Quarterly Financial Results and Quarterly Shareholding Pattern are intimated to Stock Exchanges periodically and also posted in the portal hosted by BSE and NSE [www.corpfiling.co.in](http://www.corpfiling.co.in)

## SHAREHOLDERS INFORMATION

### ANNUAL GENERAL MEETING

Day & Date	: Wednesday, 22nd September, 2010
Time	: 4.15 P.M.
Venue	: Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037.

### FINANCIAL CALENDAR :

Financial year	: 01.04.2009 to 31.03.2010
Annual Results 2009 - 2010 announced	: 26-05-2010
Posting of Annual Reports	: On or before 30th August
Last date of receipt of Proxy Forms	: 20.09.2010
Announcement of Quarterly Results	: July 2010, October 2010, January 2011 & May/June 2011
Date of Book Closure	: 15.09.2010 to 22.09.2010 (both days inclusive)
Dividend Payment Date	: On or before 21.10.2010

## LISTING ON STOCK EXCHANGES

The equity shares of the Company are listed at :

1. Madras Stock Exchange, Chennai
2. Bombay Stock Exchange Limited, Mumbai

Madras Stock Exchange, Stock Code : LML

Bombay Stock Exchange Limited, Stock Code : 502958

National Stock Exchange Limited, Stock Code : LAKSHMIMIL

Listing fee for 2010-2011 have been paid in respect of both Madras and Bombay Stock Exchanges.

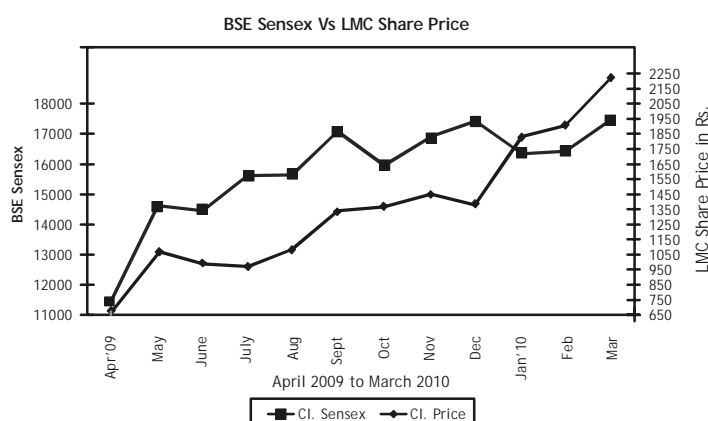
## MARKET PRICE DATA

The Company's Shares are traded under permitted category in the National Stock Exchange under tie-up arrangement made by the Madras Stock Exchange from November 2009.

The High & Low during each month in the last financial year in BSE and NSE are given below.

	B S E in (Rs.)		N S E in (Rs.)	
	HIGH	LOW	HIGH	LOW
April 2009	725.00	580.00	—	—
May	1,069.40	601.00	—	—
June	1,333.05	975.00	—	—
July	1,198.00	830.00	—	—
August	1,130.00	900.00	—	—
September	1,348.00	991.50	—	—
October	1,695.00	1,212.00	—	—
November	1,648.00	1,313.65	1724.00	1301.00
December	1,784.60	1,367.00	1565.00	1345.00
January 2010	2,480.00	1,383.00	2510.00	1355.05
February	2,025.00	1,752.65	2046.80	1750.00
March	2,350.00	1,912.00	2330.00	1885.10

## SHARE PERFORMANCE IN COMPARISON WITH BSE INDEX





## REGISTRAR & SHARE TRANSFER/DEMAT AGENTS

M/s. SKDC Consultants Ltd., Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore-641 006.

## SHARE TRANSFER SYSTEM

The share transfers are registered and share certificates returned within 20 days from the date of receipt if documents are in order. The share transfers are approved by the Share Transfer Committee.

## SHAREHOLDING PATTERN (as on 31-03-2010)

Sl. No.	Category	No. of Share holders	No. of Shares held	% to paid-up capital
1	Promoters and promoters group	38	3,48,400	50.09
2	Financial Institutions, Banks and Mutual Funds	16	43,571	6.26
3	Central / State Government(s)	1	5,107	0.73
4	Foreign Institutional Investors	1	20	0.00
5	Bodies Corporate	176	71,654	10.30
6	Individuals	7,719	2,11,891	30.47
7	Others	223	14,907	2.14
	<b>Total</b>	<b>8,174</b>	<b>6,95,550</b>	<b>100.00</b>

## DISTRIBUTION OF SHARE HOLDING (as on 31-03-2010)

Range (No. of Shares)	No. of Shareholders	No. of Shares	% held
1 - 50	7,361	80,096	11.52
51 - 100	394	29,131	4.19
101 - 200	217	31,131	4.48
201 - 300	73	17,617	2.53
301 - 400	23	7,971	1.15
401 - 500	32	14,162	2.04
501 - 1000	28	21,387	3.07
1001 - 10000	35	1,21,302	17.44
10001 and Above	11	3,72,753	53.58
<b>Total</b>	<b>8,174</b>	<b>6,95,550</b>	<b>100.00</b>

## DEMATERIALISATION OF SHARES

The fully paid up Equity shares (ISIN No. INE938CO1019) of the Company are admitted in the demat mode by both the depositories of the country i.e. National Securities Depository Limited and Central Depository Services (India) Limited.

As on 31-03-2010, 4,29,664 Shares constituting 61.77% of the total paid up capital of the Company have been dematerialised. In view of the numerous advantages offered by the depository system, members have been requested to avail of the facility of dematerialisation of the Company's shares.

The Company has not issued any ADR/GDR/Warrants or any Convertible Instruments.

## NOMINATION FACILITY

The Companies (Amendment) Act, 1999 has provided the facility for nomination in the shares of the Company. The nomination form (Form 2-B) along with instructions is provided to the members on request.

## PLANT LOCATIONS

The Company has 2 Plants situated at the following locations.

Unit I : Lakshmipuram P.O., Kovilpatti.

Unit II : Kuppaswamy Naidupuram, Palladam

## ADDRESS FOR CORRESPONDENCE

All correspondence from shareholders should be addressed to

M/s. SKDC Consultants Limited

Registrars and Share Transfer Agents

Unit : The Lakshmi Mills Company Limited

Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore-641 006.

Phone : 0422-6549995, 2539835 - 36 Fax : 0422-2539837 Email : info@skdc-consultants.com

Investors' grievances email id : secretarial@lakshmimills.com

# THE LAKSHMI MILLS COMPANY LIMITED

## AUDITORS' REPORT

1. We have audited the attached Balance Sheet of **The Lakshmi Mills Company Limited**, as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that dated annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further, to our comments in the Annexure referred to above, we report that
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit
  - (b) In our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
  - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are prepared in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
  - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (e) On the basis of written representations received from the Directors of the Company, as at 31<sup>st</sup> March 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at **March 31, 2010**;
  - (b) in the case of the Profit and Loss Account of the Profit for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

Coimbatore  
26th May 2010

For Fraser & Ross  
Firm Registration No. 000829S  
Chartered Accountants  
**C.R. Rajagopal**  
Partner  
Membership No 23418

For Subbachar & Srinivasan  
Firm Registration No. 004083S  
Chartered Accountants  
**T.S.V. Rajagopal**  
Partner  
Membership No. 200380

**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in our report of even date)**

- i. In respect of fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets.
  - b. Some of the fixed assets were physically verified during the year by the management in accordance with the programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - c. The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the Company and such disposals has, in our opinion not affected the going concern status of the Company.
- ii. In respect of its inventories:
  - a. As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
  - b. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
  - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii. The company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and hence the provisions of clauses 4 (iii) (b) to (d), (f) & (g) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of the goods and services. During the course of the audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- v. In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - a. The particulars of contracts or arrangements referred to Section 301 that needed to be entered into the register maintained under the said section have been so entered.
  - b. In our opinion and according to explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975 with regards to the deposits accepted from the public.
- vii. In our opinion, the Internal Audit functions carried out during the year by Independent Chartered Accountants appointed by the management have been commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of textiles pursuant to the order made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956 and are of the opinion that prime facie prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- ix. In respect of Statutory dues:
  - a. According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund,

# THE LAKSHMI MILLS COMPANY LIMITED

Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise duty, Cess and any other material Statutory dues with the appropriate authorities during the year. There are no undisputed Statutory dues which are outstanding for more than six months as at the Balance Sheet date.

- b. According to the information and explanations given to us details of disputed tax which have not been deposited as on 31.03.2010 on account of any dispute are given below:

Name of the Statute	Nature of Dues	Amount Rs. in Lakhs	Period to which the amount relates	Forum where dispute is pending
Excise Act 1944 / Service Tax Act	Service Tax	5.75	1997 - 99	CESTAT-Chennai
	Excise Duty	1.83	2000 - 02	CESTAT-Chennai
	Cenvat	0.30	2004 - 05	Commissioner Appeals-Coimbatore
	Excise Duty	1.60	1995 - 96	High Court of Madras
	Cenvat	2.78	2004 - 05	Deputy Commissioner-Coimbatore
	Cenvat	1.36	2007 - 08	Asst. Commissioner-Kovilpatti
Income Tax	Income Tax	70.01	A.Y. 2006 - 07	ITAT-Chennai

- x. The company has no accumulated losses and has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us Company has not defaulted in the payment of dues to Financial Institutions and Banks.
- xii. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence the provisions of this clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xiii. The company is not a chit fund or Nidhi mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xiv. The company is not dealing in or trading in shares, securities, debentures and other investments. Hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- xv. In our opinion and according to the information and explanations given to us the company has not given any guarantee for loans taken by others from Banks and Financial Institutions during the year.
- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion term loans availed by the Company were, prime facie, applied by the Company during the year for the purpose for which the loans were obtained, other than temporary deployment pending application.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, prime facie, not been used during the year for long term investment.
- xviii. The provisions of clause 4 (xviii) (xix) and (xx) of the Companies (Auditor's Report) Order 2003 are not applicable since the Company has not issued any shares or debentures during the year.
- xix. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

Coimbatore  
26th May 2010

For Fraser & Ross  
Firm Registration No. 000829S  
Chartered Accountants  
**C.R. Rajagopal**  
Partner  
Membership No 23418

For Subbuchar & Srinivasan  
Firm Registration No. 004083S  
Chartered Accountants  
**T.S.V. Rajagopal**  
Partner  
Membership No. 200380





## Balance Sheet as at 31st March, 2010

Particulars	Schedule No.	31-3-2010	(Rs. in Lakhs)	31-3-2009
<b>I. Sources of Funds</b>				
1. Shareholders' Fund				
a) Share Capital	1	695.55	695.55	
b) Reserves and Surplus	2	11549.79	12245.34	11478.96
2. Loan Funds				
a) Secured Loans	3	9282.77	8688.88	
b) Unsecured Loans	4	228.53	9511.30	225.78
TOTAL			21756.64	21089.17
<b>II. Application of Funds</b>				
1. Fixed Assets	5			
Gross Block		16737.42	25963.04	
Less : Depreciation		9278.99	9026.34	
Net Block		7458.43	16936.70	
Capital Work in Progress		3.60	7462.03	16.70
2. Investments	6		177.55	177.55
3. Deferred Tax Asset (Net)			588.09	359.47
4. Current Assets, Loans & Advances				
a) Inventories	7	12397.39	1672.83	
b) Debtors	8	1056.99	1217.27	
c) Cash & Bank Balances	9	893.85	684.98	
d) Other Current Assets	10	440.12	238.64	
e) Loans & Advances	10	851.29	837.02	
		15639.64	4650.74	
Less:				
Current Liabilities & Provisions				
a) Current Liabilities	11	1687.83	1652.08	
b) Provisions	12	422.84	430.57	
		2110.67	2082.65	
Net Current Assets			13528.97	2568.09
5. Miscellaneous Expenditure (To the extent not written off or adjusted)	13		-	1030.66
TOTAL			21756.64	21089.17
Significant Accounting Policies & Notes Forming Part of Accounts	25			

The schedules referred to above form an integral part of this Balance Sheet.

**S. Pathy**  
Chairman & Managing Director

**R. Santharam**  
Director

Coimbatore  
26th May 2010

**S. Balamurugasundaram**  
Company Secretary

In terms of our report of even date  
For Subbachar & Srinivasan  
Firm Registration No. 004083S  
Chartered Accountants  
**T.S.V. Rajagopal**  
Partner  
Membership No. 200380

For Fraser & Ross  
Firm Registration No. 000829S  
Chartered Accountants  
**C.R. Rajagopal**  
Partner  
Membership No 23418

# THE LAKSHMI MILLS COMPANY LIMITED

## Profit and Loss Account for the year ended 31st March, 2010

Particulars	Schedule No.	31-3-2010	(Rs. in Lakhs)	31-3-2009
<b>Income</b>				
Gross Sales		13677.72		10654.53
Less: Excise Duty	2.29		2.17	
Sales Tax	298.36	300.65	254.60	256.77
Net Sales	14	13377.07		10397.76
Other Income	15	330.05		652.85
<b>Total</b>		<b>13707.12</b>		<b>11050.61</b>
<b>Expenditure</b>				
(Increase) / decrease in stocks	16	(0.78)		350.96
Raw Materials consumed	17	6625.80		5122.43
Salaries & Wages	18	1806.22		1800.87
Power & Fuel		2234.75		1519.00
Stores consumed		391.60		255.84
Repairs & Maintenance	19	312.30		264.04
Other manufacturing expenses		92.99		39.47
Administration & Selling expenses	20	799.47		743.14
Other Expenditure	21	56.55		67.97
Interest	22	1004.23		879.34
Depreciation		648.99		626.99
<b>Total</b>		<b>13972.12</b>		<b>11670.05</b>
<b>Profit / (Loss) before tax, exceptional items &amp; amortisation</b>		<b>(265.00)</b>		<b>(619.44)</b>
Add : Exceptional items (Net)	23	180.21		(120.72)
<b>Profit / (Loss) before taxation</b>		<b>(84.79)</b>		<b>(740.16)</b>
Less : Excess Depreciation of earlier years withdrawn-		-		84.82
<b>Profit / (Loss) before taxation</b>		<b>(84.79)</b>		<b>(655.34)</b>
<b>Taxation</b>				
Current Tax	4.03		-	
MAT Credit Entitlement	(4.03)		-	
Excess tax provision of earlier years reversed	-		(56.13)	
Deferred Tax Credit (Net)	(228.62)		(422.28)	
Fringe Benefit Tax	-	(228.62)	9.00	(469.41)
<b>Net Profit / (Loss)</b>		<b>143.83</b>		<b>(185.93)</b>
Add: Transfer from General Reserve		157.79		226.62
<b>Profit available for appropriation</b>		<b>301.62</b>		<b>40.69</b>
<b>APPROPRIATIONS</b>				
Proposed Dividend		62.60		34.78
Corporate Tax on Dividend		10.40		5.91
Balance carried forward		228.62		-
		<b>301.62</b>		<b>40.69</b>
<b>Significant Accounting Policies &amp; Notes Forming Part of Accounts</b>	25			
Basic and diluted Earnings per share (Nominal value Rs.100 per share) [Ref. Note No B (7)]				
Before Exceptional Items		Rs. (5.23)		(9.38)
After Exceptional Items		Rs. 20.68		(26.73)

The schedules referred to above form an integral part of this Profit & Loss Account.

In terms of our report of even date

<b>S. Pathy</b> Chairman & Managing Director	<b>R. Santharam</b> Director	For Subbachar & Srinivasan Firm Registration No. 004083S Chartered Accountants	For Fraser & Ross Firm Registration No. 000829S Chartered Accountants
Coimbatore 26th May 2010	<b>S. Balamurugasundaram</b> Company Secretary	<b>T.S.V. Rajagopal</b> Partner Membership No. 200380	<b>C.R. Rajagopal</b> Partner Membership No. 23418



## Cash Flow Statement for the year ended 31st March 2010

Particulars	31-3-2010	31-3-2009
	(Rs. in Lakhs)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss before tax and after exceptional items	(84.79)	(740.16)
<b>Adjustments for :</b>		
Depreciation	648.99	626.99
Investment Income	(110.20)	(180.06)
Interest Expenditure	1004.23	879.34
Interest Income	(17.62)	(65.08)
Profit on sale of Building & Machineries	(132.43)	(264.04)
Loss on Sale of Investments	-	0.08
Exceptional Item [VRS]	(180.21)	120.72
Unrealised (Gain) / loss on Foreign Currency cash & Cash equivalents	1212.76	(0.04)
<b>Operating Profit before Working Capital Changes</b>	<b>1127.97</b>	<b>377.75</b>
(Increase)/decrease in trade and other receivables	(5.60)	123.01
(Increase)/decrease in inventories	(116.63)	443.44
Increase/(Decrease) in trade and other payables	214.98	(56.77)
<b>Cash generated from operations</b>	<b>1220.72</b>	<b>887.43</b>
Direct taxes (paid)/refund received	(66.32)	(29.04)
<b>Net Cash from Operating activities before exceptional items</b>	<b>1154.40</b>	<b>858.39</b>
VRS payments	-	(196.70)
<b>Net Cash from Operating activities after exceptional items (A)</b>	<b>1154.40</b>	<b>661.69</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(279.19)	(704.98)
Net Block of fixed assets transferred to Cost relating to Property development	9098.03	-
Proceeds from sale of Building & Machineries	153.79	280.27
Proceeds from sale of Investments	-	1.76
Repayment of Advance Received towards Land and Building Sale	40.67	(22.02)
Interest received	20.19	64.00
Dividend received	110.20	180.06
<b>Net cash used in investing activities (B)</b>	<b>9143.69</b>	<b>(200.91)</b>
<b>C. CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from/(Repayment of) long term borrowings	123.66	(4.12)
Proceeds from/(Repayment of) short term borrowings	473.53	(494.56)
Interest paid	(1005.73)	(879.86)
Dividend paid	(35.24)	(35.82)
Corporate Dividend tax paid	(5.91)	(5.91)
<b>Net cash used in financing activities ( C )</b>	<b>(449.69)</b>	<b>(1420.27)</b>

# THE LAKSHMI MILLS COMPANY LIMITED

Particulars	31-3-2010	31-3-2009
	(Rs. in Lakhs)	
Net increase in cash and cash equivalents (A+B+C)	9848.40	(959.49)
Cash and cash equivalents at beginning of the year	684.98	1644.42
Cash and cash equivalents at end of the year	893.85	684.98
Add: Unrealised (Gain) / loss on Foreign Currency cash & Cash equivalents	-	(0.04)
Cash and cash equivalents at end of the year( As restated)	893.85	684.94

Note : Cash and cash equivalents include the following balances which are restricted and not available for use by the Company.

Unpaid Dividend Warrant Account	13.68	14.15
Margin money Deposit	110.53	101.16
Deposit Pledged with bank for Demand Loan	112.00	112.00

In terms of our report of even date			
<b>S. Pathy</b> Chairman & Managing Director	<b>R. Santharam</b> Director	For Subbachar & Srinivasan Firm Registration No. 004083S Chartered Accountants	For Fraser & Ross Firm Registration No. 000829S Chartered Accountants
Coimbatore 26th May 2010	<b>S. Balamurugasundaram</b> Company Secretary	<b>T.S.V. Rajagopal</b> Partner Membership No. 200380	<b>C.R. Rajagopal</b> Partner Membership No 23418

## Auditor's Certificate on compliance of conditions of Corporate Governance as per clause 49 of the Listing Agreement with Stock Exchanges.

TO THE MEMBERS OF

THE LAKSHMI MILLS COMPANY LIMITED

We have examined the compliance of conditions of Corporate Governance by THE LAKSHMI MILLS COMPANY LIMITED for the year ended on 31.03.2010 as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of

Corporate Governance as stipulated in the above mentioned Listing Agreement, except that in the previous Annual General Meeting the chairman of the Audit Committee was not present and another audit committee member was present to answer shareholder queries.

On the basis of details received from the Share Transfer Agents of the company and on the basis of the records maintained by the Shareholder's / Investor's Grievance Committee of the company, we state that no investor grievance is pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Subbachar & Srinivasan  
Firm Registration No. 004083S  
Chartered Accountants  
**T.S.V. Rajagopal**  
Partner  
Coimbatore  
30th July 2010  
Membership No. 200380

For Fraser & Ross  
Firm Registration No. 000829S  
Chartered Accountants  
**C.R. Rajagopal**  
Partner  
Membership No 23418





## Schedules to the Balance Sheet

Particulars	31-3-2010	31-3-2009
	(Rs. in Lakhs)	
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
10,00,000 Equity Shares of Rs.100/- each	<u>1000.00</u>	<u>1000.00</u>
<b>Issued &amp; Subscribed :</b>		
<b>Fully Paid up :</b>		
6,95,550 Equity Shares of Rs. 100/- each	<u>695.55</u>	<u>695.55</u>
Of the above :		
1,55,059 Shares were allotted for cash consideration		
5,13,491 Shares were allotted as Bonus Shares by Capitalisation of Reserves and Securities Premium		
27,000 Shares were allotted on 1st April 1979 on Amalgamation of erstwhile The Coimbatore Cotton Mills Ltd.		
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>		
1. <b>Capital Reserve</b>	9.00	9.00
2. <b>Securities Premium Account</b>	101.89	101.89
3. <b>General Reserve :</b>		
As per last Balance Sheet	1372.65	1599.27
Less : Transferred to Profit & Loss Account	<u>157.79</u>	<u>226.62</u>
	<u>1214.86</u>	<u>1372.65</u>
4. <b>Investment Fluctuation Reserve</b>	46.71	46.71
5. <b>Revaluation Reserve</b>		
As per last Balance Sheet	9948.71	9948.71
6. <b>Surplus in Profit and Loss Account</b>	<u>228.62</u>	<u>-</u>
	<u>11549.79</u>	<u>11478.96</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
i) <b>Long Term Loans</b>		
a) Term Loan under TUF Scheme		
Central Bank of India	1679.05	1679.58
Canara Bank	2350.77	2256.61
b) Canara Bank VRS Loan	428.51	236.83
c) Central Bank of India VRS Loan	7.96	7.89
d) Canara Bank - Term Loan - II	1838.35	2000.00
(Term Loan repayable within one year Rs. 88 lakhs; Previous year Rs. Nil;)		
ii) <b>Loans from Banks :</b>		
Cash Credit	2744.06	2306.97
Packing Credit	124.71	101.00
Demand Loan (Against Deposit of Rs.112.00 Lakhs; Previous year Rs.112.00 Lakhs)	<u>109.36</u>	<u>100.00</u>
	<u>9282.77</u>	<u>8688.88</u>
1) Working Capital Limits from Banks are secured by Charge on book debts and hypothecation of Inventories and paripasu second charge on the fixed assets of Coimbatore, Kovilpatti and Palladam units.		
2) Term loans from banks are secured by first charge on fixed assets of Kovilpatti and Palladam Units.		
3) Demand loan from banks are secured by fixed deposits with bank.		
4) Canara Bank Term Loan-II is secured by first charge on fixed assets of Coimbatore unit.		

# THE LAKSHMI MILLS COMPANY LIMITED

## Schedules to the Balance Sheet

Particulars	31-3-2010	31-3-2009
	(Rs. in Lakhs)	
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
i) Fixed Deposit from :		
Directors	3.00	55.80
Others	159.90	97.62
(includes repayable within one year Rs.124.63 lakhs (Previous year Rs.126.31 lakhs)	162.90	153.42
ii) Trade Deposits from Customers	62.68	68.79
iii) Interest accrued and due	2.95	3.57
	228.53	225.78

SCHEDULE 5 : FIXED ASSETS (Rs. in Lakhs)									
Particulars	GROSS BLOCK (COST)				DEPRECIATION			NET BLOCK	
	As at 1.4.2009	Additions	Disposals/ adjustment	As at 31.3.2010	As at 1.4.2009	For the year (Disposals/ adjustment)	As at 31.3.2010	As at 31.3.2010	As at 31.3.2009
Land *	9989.33	-	2.18 # 9058.53 *	928.62	-	-	-	928.62	9989.33
Buildings	1687.72	52.51	37.32 # 195.44	1507.47	693.22	32.47 (195.44)	530.25	977.22	994.50
Machinery	12710.11	202.12	100.67	12811.56	7230.25	564.96 (85.02)	7710.19	5101.37	5479.86
Electric Machinery	1103.71	8.42	117.18	994.95	714.38	30.16 (111.81)	632.73	362.22	389.33
Office Equipments	152.07	0.48	-	152.55	110.66	6.29	116.95	35.60	41.41
Vehicles	173.12	27.41	5.30	195.23	140.43	11.81 (2.96)	149.28	45.95	32.69
Canteen Equipments	10.23	0.30	-	10.53	8.96	0.11	9.07	1.46	1.27
Computer Equipments	136.75	1.05	1.29	136.51	128.44	3.19 (1.11)	130.52	5.99	8.31
	25963.04	292.29	9517.91	16737.42	9026.34	648.99 (396.34)	9278.99	7458.43	16936.70
Capital work- in-progress								3.60	16.70
	25963.04	292.29	9517.91	16737.42	9026.34	252.65	9278.99	7462.03	16953.40
Previous year (2008-09)	26099.73	707.21	843.90	25963.04	9311.84	(285.50)	9026.34	16953.40	

\* Opening balance of Land includes Rs.9948.71 lakhs added on revaluation as on 31st March 2005. Increase on revaluation pertaining to CBE Unit land Rs.9058.53 lakhs has been transferred to stock-in-trade of land under development

# Includes Land & Building transferred to Stock in Trade of land under development.



## Schedules to the Balance Sheet

Particulars	31-3-2010		31-3-2009	
	(Rs. in Lakhs)			
SCHEDULE 6 : INVESTMENTS - AT COST				
	Face Value	No. of shares		
A. Non Trade Investments Long Term - Quoted				
EQUITY SHARES in				
Lakshmi Machine Works Ltd.	Rs.10	720000	24.00	24.00
Lakshmi Automatic Loom Works Ltd.	Rs.10	330000	64.05	64.05
Rajshree Sugars & Chemicals Ltd.	Rs.10	220000	22.00	22.00
			110.05	110.05
B. Non Trade Investments - Long Term - Unquoted				
Sai Regency Power Corporation Limited	Rs.10	525000	52.50	52.50
C. Non-Trade Investments - Long Term - Unquoted				
LCC Investments Ltd.	Rs.10	150000	15.00	15.00
			67.50	67.50
			177.55	177.55
		Cost	Market Value	Cost
				Market Value
Market value of Investments	Quoted	110.05	13185.71	110.05
	Unquoted	67.50	-	67.50
		177.55	13185.71	177.55
SCHEDULE 7 : INVENTORIES				
Raw Materials			525.89	370.79
Stock in process			293.15	211.06
Finished Goods (Yarn, Cloth, Garments & Waste)			810.14	891.45
Stores and Spare Parts & Other Stores			160.28	199.53
Stock in trade of Land under Development [See note 4 of Schedule 25 B]			10607.93	-
			12397.39	1672.83
SCHEDULE 8 : DEBTORS				
Unsecured considered Good				
Over six months			12.81	11.29
Other debts			1044.18	1205.98
			1056.99	1217.27
SCHEDULE 9 : CASH & BANK BALANCES				
Balance with Scheduled Banks in				
Current Accounts			229.27	64.03
Unpaid Dividend Warrant Account			13.68	14.14
Deposit Accounts			645.55	601.45
[Including Deposits pledged with bank for Term Loan Rs.112.00 Lakhs (Previous year Rs.112.00 Lakhs) and Margin Money Deposit Rs.110.53 Lakhs (Previous year Rs.101.16 Lakhs)]				
Savings Certificate			0.05	0.05
Remittance in transit			-	3.46
Cash on hand			5.30	1.85
			893.85	684.98

# THE LAKSHMI MILLS COMPANY LIMITED

## Schedules to the Balance Sheet

Particulars	31-3-2010	31-3-2009
	(Rs. in Lakhs)	
<b>SCHEDULE 10 : OTHER CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Other Current Assets</b>		
Prepaid Expenses	1.94	3.33
Income Receivable	416.96	211.52
Interest Accrued	21.22	23.79
	<u>440.12</u>	<u>238.64</u>
<b>Loans &amp; Advances</b>		
<b>(Unsecured and considered good)</b>		
Balance with Central Excise /Sales Tax Authorities	162.16	158.03
Advances recoverable in cash or in kind or for value to be received	135.98	91.50
Electricity Deposit	153.84	240.62
Other Deposits	8.32	8.32
Advance payment of Direct Taxes (Including FBT & Wealth Tax)	366.91	318.50
MAT credit entitlement	24.08	20.05
	<u>851.29</u>	<u>837.02</u>
	<u>1291.41</u>	<u>1075.66</u>
<b>SCHEDULE 11 : CURRENT LIABILITIES</b>		
Sundry Creditors		
- Micro, Small and Medium Enterprises	-	-
- Other Creditors	<u>956.78</u>	<u>744.33</u>
Items Covered by IEPF		
Unclaimed Dividend **	13.68	14.14
Liabilities for expenses	108.92	110.67
Other Liabilities	197.34	411.62
Disputed Matured Deposit payable	15.05	15.05
Advance Received towards Land and Building Sale	391.44	350.77
Interest accrued but not due	4.62	5.50
	<u>1687.83</u>	<u>1652.08</u>
** There are no amounts due and outstanding to be credited to Investors Education and Protection Fund.		
<b>SCHEDULE 12 : PROVISIONS</b>		
Taxation (Including FBT and Wealth Tax)	183.23	197.11
Proposed Dividend	62.60	34.78
Corporate Tax on Dividend	10.40	5.91
Gratuity	166.61	192.77
	<u>422.84</u>	<u>430.57</u>
<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE</b>		
Deferred Revenue Expenses - VRS Payments		
Opening balance	1030.66	709.96
Add: Paid during the year	47.51	441.42
	<u>1078.17</u>	<u>1151.38</u>
Less: Written off during the year	300.10	120.72
Less: Capitalised as a part of expenditure incidental to Development of Land	778.07	-
	<u>-</u>	<u>1030.66</u>



## Schedules to the Profit and Loss Account

Particulars		31-3-2010	31-3-2009
		(Rs. in Lakhs)	
<b>SCHEDULE 14 : SALES</b>			
Cotton and Synthetic Yarn - Own	Quantity in lakhs Kgs 65.41 (58.64)	12283.92	9386.57
Cloth - Own	in lakhs Mtrs 0.28 (11.11)	11.64	707.68
Cloth - Trading	in lakhs Mtrs 8.69 (1.89)	811.92	104.97
Garments	in lakhs pcs 0.02 (0.30)	0.72	18.56
Garments - Trading	in lakhs pcs - (0.01)	-	2.68
Waste	in lakhs Kgs 12.98 (8.62)	268.87	155.66
Raw Materials	in lakhs Kgs - (0.10)	-	21.64
		<b>13377.07</b>	<b>10397.76</b>
<b>SCHEDULE 15 : OTHER INCOME</b>			
Dividend on Long Term Trade Investments		110.20	180.06
Rent (Tax deducted at source Rs.6.17 Lakhs / Previous year Rs. Nil)		50.65	9.21
Profit on sale of machinery		132.43	264.04
Foreign Exchange gain/(loss)		(0.51)	8.01
Duty Drawback on Export		-	3.36
Sale of DEPB licence		1.75	21.66
Miscellaneous Income		17.91	101.43
Interest receipts (Tax deducted at source Rs.5.94 Lakhs/Previous year Rs.16.56 Lakhs)		17.62	65.08
		<b>330.05</b>	<b>652.85</b>
<b>SCHEDULE 16 : INCREASE / DECREASE IN STOCK</b>			
<b>Finished goods</b>			
<b>Opening Stock</b>			
Yarn	769.67		981.03
Cloth	66.83		155.06
Garments	50.44		77.65
Waste	4.51		18.11
Work in Progress	211.06	1102.51	221.62
<b>Closing Stock</b>			
Yarn	658.90		769.67
Cloth	95.18		66.83
Garments	47.88		50.44
Waste	8.18		4.51
Work in Progress	293.15	1103.29	211.06
<b>Increase / (Decrease) in Stocks</b>		<b>(0.78)</b>	<b>350.96</b>
<b>SCHEDULE 17 : RAW MATERIALS CONSUMED</b>			
<b>1. Raw Material</b>			
Opening Stock		370.79	498.69
Add: Purchases		6177.35	4858.33
		6548.14	5357.02
Less: Closing Stock		525.89	370.79
		6022.25	4986.23
<b>2. Yarn purchase for consumption</b>		0.90	34.57
<b>3. Cloth/Garment purchase for resale</b>		602.65	101.63
		<b>6625.80</b>	<b>5122.43</b>



# THE LAKSHMI MILLS COMPANY LIMITED

## Schedules to the Profit and Loss Account

Particulars	31-3-2010	31-3-2009
	(Rs. in Lakhs)	
<b>SCHEDULE 18 : SALARIES AND WAGES</b>		
Salaries, Wages & Bonus	1453.75	1487.76
Contribution to PF & Administrative charges	105.30	130.04
Gratuity	86.36	42.80
Contribution to Superannuation Fund	2.47	0.71
ESI Contribution	43.14	47.34
Welfare expenses	115.20	92.22
	<u>1806.22</u>	<u>1800.87</u>
<b>SCHEDULE 19 : REPAIRS &amp; MAINTENANCE</b>		
Building	80.48	106.57
Plant & Machinery	211.52	139.82
Others	20.30	17.65
	<u>312.30</u>	<u>264.04</u>
<b>SCHEDULE 20 : ADMINISTRATION AND SELLING EXPENSES</b>		
Insurance	19.96	16.98
Licence fees, duties and taxes	59.69	71.99
Advertisement, printing, stationery & subscription	36.56	19.46
Travelling, postage, telex, telephone & transport charges	107.33	118.37
Sales Commission	141.49	113.32
Bank charges	55.56	44.66
Sales expenses, export expenses & freight	225.20	216.59
Office maintenance & miscellaneous expenses	153.68	141.77
	<u>799.47</u>	<u>743.14</u>
<b>SCHEDULE 21 : OTHER EXPENDITURE</b>		
Managing Directors' Remuneration (Minimum)	38.94	44.46
Directors' Sitting Fees	2.20	1.59
Auditors' Remuneration	5.99	4.98
Cost Audit fees	0.40	0.40
Legal and consultancy expenses	6.02	16.21
Loss on sale of investments	-	0.08
Donations	3.00	0.25
	<u>56.55</u>	<u>67.97</u>
<b>SCHEDULE 22 : INTEREST</b>		
Bank loans & others	989.96	862.35
Fixed deposit	14.27	16.99
	<u>1004.23</u>	<u>879.34</u>
<b>SCHEDULE 23 : EXCEPTIONAL ITEMS</b>		
VRS expenditure amortised	300.10	120.72
Add : Capitalisation of VRS Expenditure written off in earlier years as part of expenditure incidental to development of land	480.31	-
	<u>180.21</u>	<u>(120.72)</u>
<b>SCHEDULE 24 : COST RELATING TO LAND UNDER DEVELOPMENT</b>		
Conversion of Land & Buildings from Fixed assets to stock in trade at net book value	9098.03	-
Add : Expenditure relating to land under development VRS Compensation and other expenditure incidental to development of land	1509.90	-
	<u>10607.93</u>	<u>-</u>
Less: Transfer to Closing stock of land under development	10607.93	-
Balance	<u>-</u>	<u>-</u>

## Schedules to the Balance Sheet and Profit and Loss Account

### SCHEDULE 25 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A) ACCOUNTING POLICIES

##### 1. Method of Accounting

The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with the Accounting Principles generally accepted in India (Indian GAAP) and comply with mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting standard) Rules 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable.

##### 2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/ materialized.

##### 3 Fixed Assets

Fixed assets are stated at historical cost net of Cenvat credit /Value added Tax, including appropriate direct and allocated expenses and interest on specific borrowings related to qualifying assets up to the commencement of production less accumulated depreciation and impairment losses, if any.

##### 4 Investments

Long Term Investments are carried at cost inclusive of all expenses incidental to acquisition. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in nature in the opinion of the management. Diminution with respect to market value, if temporary, is not recognized.

##### 5 Valuation of Inventories

Inventories are valued as under:

Finished goods: Yarn and cloth at lower of weighted average cost and net realizable value (Including excise duty)

Waste at contracted prices

Raw materials and stock-in-process at lower of weighted average cost and net realisable value.

Stores and spare parts, components at weighted average cost

Real estate under development comprises of Free hold land and buildings at net book value, converted from fixed assets into Stock in trade and expenses related /attributable to the development of the said property. The same is valued at lower of such net book value or Net realisable value.

##### 6 Translation of Foreign Currency Transactions

Foreign currency transactions are recorded at the prevailing exchange rates at the time of initial recognition. Exchange differences arising on final settlement are adjusted and recognized as income or expense in the profit and loss account. Outstanding balances of monetary items denominated in foreign currency are restated at closing exchange rates and the difference adjusted as income or expense in the profit and loss account.

The premium or discount arising at the inception of forward exchange contracts is accounted as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense in the period in which they arise.

##### 7 Depreciation

Depreciation is provided on plant and machinery and factory buildings on straight line basis and on the other assets on WDV basis at the rates specified in Schedule XIV of the Companies Act, 1956. For additions and deletions depreciation is provided on pro-rata basis.

##### 8 Recognition of Revenue

Income and Expenditure are recognized and accounted on accrual basis as and when they are earned or incurred. Revenue from sale transaction is recognized as and when significant risks and rewards attached to ownership in the goods is transferred to the buyer. Revenue from service transactions is recognized when invoiced / upon completion of work based on confirmed contracts. Dividend from Investments and Export incentives under Duty Entitlement Pass Book [DEPB] Scheme and Duty drawback scheme are recognized when the right to receive payment/credit is established and no significant uncertainty as to measurability or collectability exists.

##### 9 Borrowing costs

Borrowing costs, if any, attributable to acquisition/ construction of qualifying assets are capitalized and included in the cost of the asset, as appropriate.

##### 10 Earnings per Share

Basic Earning per share is calculated by dividing the Net Profit after tax attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year.

##### 11 Employee Benefits

Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees rendered service are accounted on accrual basis.

# THE LAKSHMI MILLS COMPANY LIMITED

## Schedules to the Balance Sheet and Profit and Loss Account

### Defined Contribution Plans

Company's contributions paid/payable during the year to Provident Fund and Superannuation Fund and ESIC are recognised in the Profit and Loss account.

### Defined Benefit Plans

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the statement of profit and loss account as income or expenses. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligations. The expected return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the related obligations.

There is no scheme for encashment of unavailed leave on retirement since unavailed earned leave is settled annually and accounted on payment.

The cost of termination benefits, namely voluntary retirement payments are amortized over a period of not exceeding 5 years, so however it does not extend beyond 31st March 2010. The unamortized costs are carried as deferred revenue expenditure under the head "Miscellaneous expenditure" in the Balance Sheet. Voluntary retirement payments incurred from year ended 31st March 2010 are fully expensed in the year of payment. In respect of VRS payments relating to Coimbatore Unit it is carried as development cost of land since the company proposes to carry out property development activity.

### 12 Taxes on Income

Current Tax is determined as per the provisions of the Income-tax Act, 1961 in respect of taxable income for the year and based on the expected outcome of assessment /appeals

Deferred Tax assets and liabilities are recognized on timing differences between accounting income and taxable income that originate in one period and are capable of reversal in one or more subsequent period and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax assets, other than those arising on account of unabsorbed depreciation or carried

forward business losses under tax laws, are recognised and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred Tax assets arising on account of unabsorbed depreciation or carried forward business losses are recognized only when there is virtual certainty with convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be related.

The carrying amount of deferred tax assets and liabilities are reviewed at each Balance sheet date.

### 13 Provisions, contingent liabilities and contingent assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to financial statements. Contingent assets are neither recognized nor disclosed in the financial statements. Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 14 Cash Flow Statements

Cash Flows are reported using the Indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

### 15 Impairment of assets

An asset is treated as impaired when the carrying amount of the asset exceeds its estimated recoverable value. Carrying amounts of fixed assets are reviewed at each balance sheet date to determine indications of impairment, if any, of those assets. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss equal to the excess of the carrying amount over its recoverable value is recognized as an impairment loss. The impairment loss, if any, recognized in prior accounting period is reversed if there is a change in estimate of recoverable amount.

## B) NOTES ON ACCOUNTS

- 1 Contingent Liability
  - a) Excise duty/Service tax on appeals Rs.13.63 lakhs (Previous Year Rs.24.47 Lakhs)
  - b) Income tax disputed dues Rs.70.01 lakhs (Previous Year Rs.100.74 Lakhs)
- 2 As per information available with the Company there are no Micro, Small and Medium Enterprises in respect of whom the Company's dues are outstanding for more than 45 days at the Balance Sheet date.

**31-3-2010**      **31-3-2009**  
(Rs.in lakhs)

- a) The Principal amount and the Interest due there on remaining unpaid to any supplier as at the end of each accounting year
 

	Nil	Nil
--	-----	-----
- b) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the payment made to the supplier beyond the appointed day during each accounting year.
 

	Nil	Nil
--	-----	-----
- c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act
 

	Nil	Nil
--	-----	-----
- d) The amount of interest accrued and remaining unpaid at the end of each accounting year
 

	Nil	Nil
--	-----	-----
- e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the dues are actually paid for the purpose of disallowance under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.
 

	Nil	Nil
--	-----	-----
- 3 a) The net deferred tax liability carried over as at 31st March 2010 comprises of the following:

	Opening as on 1.4.2009	Movement for the year	Closing as on 31.3.2010
<b>Deferred Tax Asset</b>			
43 B Disallowance-Gratuity	50.97	(14.88)	36.09
Unabsorbed Depreciation and Carry Forward Losses	1420.82	84.15	1504.97
Others	-	(2.93)	(2.93)
<b>Deferred Tax Liability</b>			
Depreciation	988.68	(11.76)	976.92
Voluntary Retirement Scheme	123.64	(144.66)	(21.02)
<b>Net Deferred Tax (Asset) / Liability</b>	<b>(359.47)</b>	<b>(228.62)</b>	<b>(588.09)</b>

- b) Consequent to completion of substantial modernisation in one of its units and discontinuation of manufacturing operations in a unit, in the opinion of the management, the restructured operations coupled with profitable alternate use of lands rendered surplus is virtually certain to result in realisation of deferred tax assets on account of unabsorbed depreciation and unabsorbed business losses against future taxable income.
- 4 The company is examining various options available in regard to development of landed properties of the decommissioned Coimbatore unit and has in the meantime decided to convert these assets in to Stock in Trade, at net book value, of the Property Development division aggregating to Rs.9098.03 Lakhs and to capitalise and carry forward the VRS compensation paid for making such land available for development and other expenditure incidental to development of these assets amounting to Rs.1509.90 Lakhs (Including reversal of Rs.480.31 Lakhs of such VRS compensation written off in earlier years). Accordingly an amount aggregating to Rs.10607.93 Lakhs consisting of net book value of these assets and the aforesaid expenditure capitalised and carried forward have been shown under " Stock in trade of Land under development" in the inventory schedule-7.
- 5 Discontinuing Operations: As part of overall restructuring plans for economising operations, the company had decommissioned one of its plants at Coimbatore during the previous year. The viable and productive machinery were relocated at other units. Substantial part of machinery rendered surplus in this process have been disposed

# THE LAKSHMI MILLS COMPANY LIMITED

## Schedules to the Balance Sheet and Profit and Loss Account

and balance will be disposed off in future. A Voluntary retirement scheme was offered to and accepted by all the employees of the unit, which rendered the land of that unit available for development. Since the unit was part of integrated operations of the company with no complete independent financial process, the impact of the discontinuance on the cash flows and the results from ordinary activities are not separately ascertainable.

	31-3-2010	31-3-2009
	(Rs.in Lakhs)	
<b>6 (i) Earnings per Share (Gross)</b>		
Profit /(Loss) after taxation as per Profit & Loss Account	<b>143.83</b>	(185.93)
Weighted average number of equity shares outstanding	<b>695550</b>	695550
Basic and diluted earnings per share in rupees (Face value Rs.100 per share)	<b>20.68</b>	(26.73)
<b>(ii) Earnings per Share (Excluding Exceptional items)</b>		
Profit /(Loss) after taxation as per Profit & Loss Account	<b>(36.38)</b>	(65.21)
Weighted average number of equity shares outstanding	<b>695550</b>	695550
Basic and diluted earnings per share in rupees (Face value Rs.100 per share)	<b>(5.23)</b>	(9.38)

### 7 Segment Reporting

The operations of the company are under a single broad segment "Textile Intermediary products".

These in the context of Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India are considered as one single primary segment.

### 8 Disclosure of related parties and related party transactions:

Related parties

Associates :-

1. Lakshmi Card Clothing Manufacturing Company Private Limited
2. Lakshmi Automatic Loom Works Limited
3. Balakumar Shipping & Clearing Agency Private Limited
4. Aloha Tours & Travels (India) Pvt. Ltd

Key Management Personnel

1. Sri. K. Sundaram
2. Sri. S. Pathy

### Relatives of Key Management Personnel

1. Smt. Rajshree Pathy - [Wife of Sri. S. Pathy]
2. Sri. Aditya Krishna Pathy - [Son of Sri. S. Pathy]
3. Smt. Aishwarya Lakshmi - [Daughter of Sri. S. Pathy]

(Rs. in Lakhs)

Transaction with related parties	Associates		Key Management Personnel		Relatives of Key Management Personnel	
	31.3.2010	31.3.2009	31.3.2010	31.3.2009	31.3.2010	31.3.2009
Purchase of goods/assets	<b>91.42</b>	42.33	-	-	-	-
Sale of goods/assets	<b>0.29</b>	135.63	-	-	-	-
Purchase of power	-	38.97	-	-	-	-
Receiving of services	<b>47.84</b>	27.27	-	-	-	-
Rendering of services	<b>9.95</b>	6.32	-	-	-	-
Receiving of dividend	-	-	-	-	-	-
Managerial Remuneration	-	-	<b>38.94</b>	44.46	-	-
Interest/Dividend paid	<b>2.87</b>	2.87	<b>10.96</b>	10.33	5.78	6.03
Amount receivable	<b>59.98</b>	53.39	-	-	-	-
Amount payable	<b>38.82</b>	2.87	<b>15.09</b>	24.87	-	-

	31-3-2010	31-3-2009
	(Rs.in Lakhs)	
<b>9 Estimated amount of contracts remaining to be executed on capital account not provided (Net of Advances)</b>	<b>21.04</b>	Nil





## Schedules to the Balance Sheet and Profit and Loss Account

Particulars		31.3.2010	31-3-2009	31.03.2008
		(Rs. in Lakhs)		
10	Employees benefits			
(a)	Defined Benefit Plans			
	<b>A. Expense recognised during the year ended 31.03.2010</b>			
	1. Current Service cost	18.62	19.55	49.72
	2. Interest cost	15.96	29.78	25.38
	3. Expected return on plan assets	(6.02)	(6.03)	(8.55)
	4. Actuarial Losses / (Gains) during the year	56.54	(0.05)	(52.74)
	5. Total Expense	85.10	42.80	13.81
	<b>B. Actual return on Plan assets</b>			
	1. Expected return on plan assets	6.02	6.03	8.55
	2. Actuarial (Loss) / Gain on Plan assets	2.30	(0.92)	(1.73)
	3. Actual return on plan assets	8.32	5.11	6.82
	<b>C. Net Asset/(Liability) recognised in the Balance Sheet</b>			
	1. Present value of the obligation as on 31.03.2010	243.58	275.45	518.21
	2. Fair value of plan assets as on 31.3.2010	78.67	80.14	75.82
	3. Funded status surplus/(deficit)	(164.91)	(195.31)	(442.39)
	4. Unrecognised past service cost	-	-	-
	5. Net Asset/(Liability) recognised in the Balance Sheet	(164.91)	(195.31)	(442.39)
	<b>D. Change in Present value of the Obligation during the year ended March 31, 2010</b>			
	1. Present value of the obligation as at April 1, 2009	275.45	518.21	745.32
	2. Current service cost	18.62	19.55	49.72
	3. Interest cost	15.96	29.78	25.38
	4. Benefits paid	(125.29)	(293.21)	(247.74)
	5. Actuarial (gain) loss on obligation	58.84	1.13	(54.47)
	6. Present value of obligation as at March 31, 2010	243.58	275.45	518.21
	<b>E. Change in Assets during the year ended March 31, 2010</b>			
	1. Fair value of plan assets as at April 1, 2009	80.14	75.82	144.74
	2. Expected return on plan assets	6.02	6.03	8.55
	3. Contributions made	115.50	292.42	172.00
	4. Benefits paid	(125.29)	(293.21)	(247.74)
	5. Actuarial gain / (loss) on plan assets	2.30	(0.92)	(1.73)
	6. Fair value of plan assets as at March 31, 2010	78.67	80.14	75.82
	<b>F. Major categories of plan assets as a percentage of total plan</b>			
	Special Deposit Schemes	84.76%	81.73%	84.76%
	Bank Balances and recoverables	15.24%	18.27%	15.24%
	Total	100.00%	100.00%	100%
	<b>G. Actuarial Assumptions</b>			
	1. Discount rate	8.00%	7.50%	8.00%
	2. Salary escalation	1.00%	2.00%	4.00%
	3. Expected rate of return on plan assets	4.00%	8.00%	6.00%
	4. Attrition rate	8.00%	12.00%	8.00%
	5. Mortality rate	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)

Note: The salary escalation considered in actuarial valuation takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The details of experience adjustment arising on account of plan assets and liabilities as required by paragraph 120(n)(ii) of AS-15 (Revised) on Employee Benefits are not readily available in the valuation report and hence are not furnished.

# THE LAKSHMI MILLS COMPANY LIMITED

## Schedules to the Balance Sheet and Profit and Loss Account

Particulars			31-3-2010	(Rs. in Lakhs)		31-3-2009
<b>b Defined Contribution Plan</b>						
Contribution to Defined Contribution Plan recognized and charged off for the year are as under:						
Employer's Contribution to Provident and Family Pension Fund			105.30			130.04
Employer's Contribution to Superannuation Fund			5.22			5.22
<b>11 Other monies for which the Company is contingently liable :</b>						
Letter of Credit			848.50			164.21
Bills discounted			219.36			40.40
Bank Guarantees			9.00			13.03
			<u>1067.86</u>			<u>217.64</u>
<b>12 Amount remitted during the year in Foreign Currency on account of dividend.</b>						
			NIL			NIL
<b>13 Expenditure in foreign currency (on payment basis) on account of</b>						
Travel			2.83			-
Sales Commission			18.69			27.81
Subscription			0.59			0.64
			<u>22.11</u>			<u>28.45</u>
<b>14 Earnings in foreign exchange-Export of goods on FOB value</b>						
Cloth			633.97			478.22
Yarn			312.90			166.03
			<u>946.87</u>			<u>644.25</u>
<b>15 Capacities and Production</b>						
<b>Capacities</b>			Installed		Installed	
Ring spindles	Nos		129360			139728
Looms	Nos		-			199
<b>Production</b>			In lakhs			
Cotton & Synthetic Yarn	Kgs.		64.73			58.37
Cloth	Mtrs.		-			7.58
<b>16 Raw Materials Consumed</b>						
		Qty			Qty	
Cotton & Synthetic Fibre	Kgs.	78.33	6624.90	62.15		5087.86
Yarn	Kgs.	0.01	0.90	0.23		34.57
			<u>6625.80</u>			<u>5122.43</u>
<b>17 Opening Stock</b>						
Finished - Cotton & Synthetic		Qty.			Qty.	
Yarn	Kgs.	3.09	769.67	4.31		981.03
Cloth	Mtrs.	1.08	66.83	2.38		155.06
Garments	Pcs	0.12	50.44	0.39		77.65
Waste	Kgs.	0.20	4.51	0.46		18.11
Work in Progress	Kgs.	2.01	211.06	2.35		221.62
			<u>1102.51</u>			<u>1453.47</u>
<b>18 Closing Stock</b>						
Finished-Cotton & Synthetic						
Yarn	Kgs.	2.35	658.90	3.09		769.67
Cloth	Mtrs.	1.22	95.18	1.08		66.83
Garments	Pcs	0.10	47.88	0.12		50.44
Waste	Kgs.	0.27	8.18	0.20		4.51
Work in Progress	Kgs.	2.25	293.15	2.01		211.06
			<u>1103.29</u>			<u>1102.51</u>



## Schedules to the Balance Sheet and Profit and Loss Account

Particulars		31-3-2010		31-3-2009	
		(Rs. in Lakhs)			
19	<b>CIF Value of Imports</b>				
	Raw Materials		250.80		110.27
	Components & Spares		2.78		Nil
20	<b>Value of Raw Materials, Stores, and Components consumed</b>				
	<b>Cotton, Fibre and Yarn</b>				
	Imported	3.18%	210.56	3.14%	160.91
	Indigenous	96.82%	6415.24	96.86%	4961.52
			6625.80		5122.43
	<b>Stores consumed</b>				
	Imported	0.71%	2.78	Nil	Nil
	Indigenous	99.29%	388.82	100%	255.84
			391.60		255.84
21	<b>Managing Directors' Remuneration - Minimum</b>				
	Salary & Allowance		28.57		36.00
	Contribution to P.F., Superannuation & Gratuity		10.37		8.46
			38.94		44.46
22	<b>Auditors' Remuneration</b>				
	Audit fees		2.20		2.20
	Tax Audit fees		0.50		0.50
	Taxation matters		1.47		0.70
	Certifying statements		1.11		0.74
	Out-of-pocket expenses		0.71		0.84
			5.99		4.98
23	In opinion of the Board of directors, all current assets, Loans & advances have a realisation in the ordinary course of a sum of atleast equal to the amount at which they are realised.				
24	a) The company does not have any derivatives financial instrument either for hedging or for speculation purpose outstanding as on the Balance Sheet date.				
	b) Details of foreign currency exposures that are not hedged by any derivative instrument or otherwise are:				
	Particulars	Amount in foreign currency	31.3.2010	31.3.2009	Rs. in Lakhs
					31.3.2010 31.3.2009
1.	Sundry Debtors	USD	291612	39162.99	134.10 19.31
		POUNDS	206600	34727.85	149.84 23.52
2.	Sundry Creditors		Nil	Nil	Nil Nil
3.	Bank balances (EEFC A/c)	USD	4252.24	944.12	1.95 0.48
25	As in the Balance Sheet the figures in the Profit & Loss Account have been expressed in terms of rupees in lakhs.				
26	Comparative figures for previous year have been re-classified and re-grouped wherever necessary to conform to this year's classifications.				

**S. Pathy**  
Chairman & Managing Director

**R. Santharam**  
Director

In terms of our report of even date  
For Subbchar & Srinivasan  
Firm Registration No. 004083S  
Chartered Accountants  
**T.S.V. Rajagopal**  
Partner

For Fraser & Ross  
Firm Registration No. 000829S  
Chartered Accountants  
**C.R. Rajagopal**  
Partner

Coimbatore  
26th May 2010

**S. Balamurugasundaram**  
Company Secretary

Membership No. 200380

Membership No 23418

# THE LAKSHMI MILLS COMPANY LIMITED

## PART IV - SCHEDULE VI OF THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

### I REGISTRATION DETAILS

Registration 

0	0	0	0	9	3
---	---	---	---	---	---

State Code 

1	8
---	---

Balance Sheet dated 

3	1	0	3	1	0
---	---	---	---	---	---

### II Capital raised during the year (Amount Rs. in Thousands)

Public issue

N	I	L
---	---	---

Right Issue

N	I	L
---	---	---

Bonus issue

N	I	L
---	---	---

Private Placement

N	I	L
---	---	---

### III Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands)

Total Liabilities

	2	1	7	5	6	6	4
--	---	---	---	---	---	---	---

Total Assets

	2	1	7	5	6	6	4
--	---	---	---	---	---	---	---

Source of Funds

Paid up capital

		6	9	5	5	5
--	--	---	---	---	---	---

Reserves & Surplus

	1	1	5	4	9	7	9
--	---	---	---	---	---	---	---

Secured Loans

	9	2	8	2	7	7
--	---	---	---	---	---	---

Unsecured Loans

		2	2	8	5	3
--	--	---	---	---	---	---

### Application of Funds

Net Fixed Assets

		7	4	6	2	0	3
--	--	---	---	---	---	---	---

Investments

		1	7	7	5	5
--	--	---	---	---	---	---

Deferred Tax Asset

		5	8	8	0	9
--	--	---	---	---	---	---

Net Current Assets

1	3	5	2	8	9	7
---	---	---	---	---	---	---

Accumulated Losses

				N	I	L
--	--	--	--	---	---	---

Misc. Expenditure

		N	I	L		
--	--	---	---	---	--	--

### IV Performance of Company (Amount Rs. in Thousands)

Turnover - Textiles (Net)

	1	3	3	7	7	0	7
--	---	---	---	---	---	---	---

Total Expenditure

	1	3	9	7	2	9	0
--	---	---	---	---	---	---	---

Other Income

			3	3	0	0	5
--	--	--	---	---	---	---	---

Decrease in Stock

				-	7	8
--	--	--	--	---	---	---

Loss before Tax

			8	4	7	9
--	--	--	---	---	---	---

Exceptional Items

	1	8	0	2	1
--	---	---	---	---	---

Loss after Tax

	1	4	3	8	3
--	---	---	---	---	---

Earnings per share before exceptional items in Rs. 

	-	5	.	2	3
--	---	---	---	---	---

Dividend Rate% 

				9
--	--	--	--	---

Earnings per share after exceptional items in Rs. 

	2	0	.	6	8
--	---	---	---	---	---

### V Generic name of Principal Product of the Company (As per monetary terms)

Item Code No.

(ITC CODE)

Product Description

Cotton Yarn

52.05

Cotton Fabrics

52.08

Staple Fibre yarn

55.09

S. Pathy

Chairman & Managing Director

R. Santharam

Director

In terms of our report of even date

For Subbarchar & Srinivasan

Firm Registration No. 004083S

Chartered Accountants

T.S.V. Rajagopal

Partner

Membership No. 200380

For Fraser & Ross

Firm Registration No. 000829S

Chartered Accountants

C.R. Rajagopal

Partner

Membership No 23418

Coimbatore

26th May 2010

S. Balamurugasundaram

Company Secretary

To

M/s. SKDC Consultants Limited,  
Kanapathy Towers, 3rd Floor,  
1391/A-1, Sathy Road,  
Coimbatore 641 006.

**Unit : THE LAKSHMI MILLS COMPANY LIMITED**  
**NATIONAL ELECTRONIC CLEARING SERVICE (CREDIT CLEARING)**

1. Particulars of the shareholder
- a) Regd. Folio No. : .....
- b) Name of the first Regd. Holder (in block letters) : .....
2. Particulars of the Bank
- a) Name of the Bank : .....
- b) Address of the Branch : .....
- c) Account No. : .....  
(As appearing in the cheque book)
- d) Ledger Folio No. (if any) of the bank account : .....
- e) Account Type : .....  
(Savings Account, Current Account or Cash Credit)
- Please Tick relevant box
- |         |         |             |
|---------|---------|-------------|
| SAVINGS | CURRENT | CASH CREDIT |
|---------|---------|-------------|
- f) Nine Digit code number of the bank and branch appearing on the MICR cheque issued by the bank : .....  
(Please attach a photocopy of a cheque for verifying the accuracy of the code number)

**DECLARATION**

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effective at all for reasons of incomplete or incorrect information, I would not hold the Company responsible.

(Signature of the first Regd. holder)  
as per specimen signature with the Company

Place : Name : .....

Date : Address : .....  
.....  
.....Pincode .....

- Note :
1. Shareholders holding shares in Demat form and wish to avail NECS facility are requested to contact their Depository Participant.
  2. Please send the form to the address mentioned above, if shares are held in physical form.
  3. In case the scheme does not meet with the desired response or due to any other operational reasons it is found to be unviable, the Company reserves the right to pay dividend by issue of Warrants.







## THE LAKSHMI MILLS COMPANY LIMITED

Regd. Office: 686, Avanashi Road, Coimbatore - 641 037.

### ADMISSION SLIP

Reg. Folio.

DP.ID ★	<input type="text"/>
Client ID ★	<input type="text"/>

Name & Address of Member :

I certify that I am a registered Shareholder of the Company and hold ..... shares

Member's / Proxy's Signature ★★

- Notes :
1. Shareholder / Proxy holder must bring the admission slip to the meeting & hand over at the entrance duly signed.
  2. Shareholders are requested to advise their change in address as well as request for consolidations of folio, if any, to the Registrar's address quoting folio number.



## THE LAKSHMI MILLS COMPANY LIMITED

### PROXY FORM

I / We .....

of .....being a Member / Members of **The Lakshmi Mills Co. Ltd.**,

hereby appoint .....or failing him.....of

..... as my / our Proxy to attend and vote for me / our

behalf at the hundredth Annual General Meeting of the Company, to be held on 22nd September, 2010

at 4.15 p.m. at Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam,

Coimbatore - 641 037 and at any adjournment thereof.

As witness my / our hand(s) this .....day of .....2010

Affix  
15 paise  
Revenue  
Stamp.

Signed by the said.....

Folio No.	<input type="text"/>	DP.ID ★	<input type="text"/>	Client ID ★	<input type="text"/>
-----------	----------------------	---------	----------------------	-------------	----------------------

Note : The proxy form must be sent so as to reach the Registered Office of the Company, at 686, Avanashi Road, Coimbatore - 641 037 not less than forty eight hours before the time for holding the aforesaid meeting.

★ Applicable to Investors holding shares in electronic form.

★★ Please indicate whether Member/Proxy