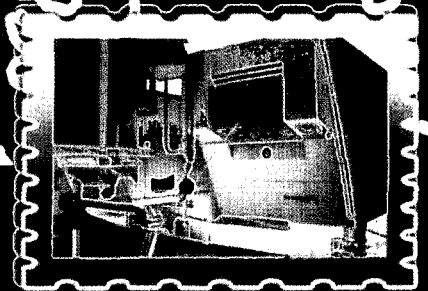
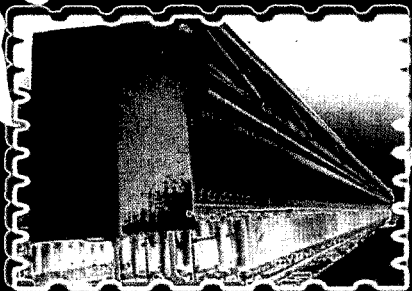
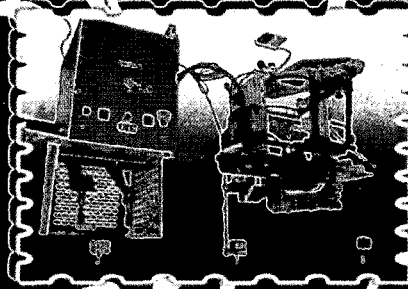
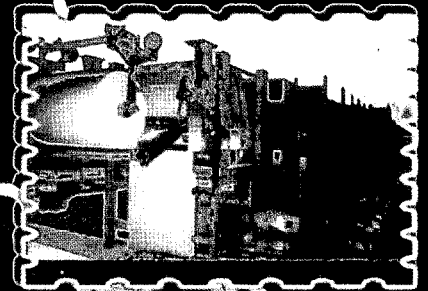
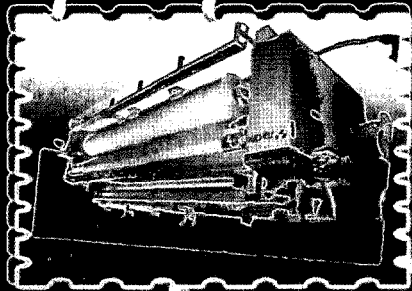


ANNUAL REPORT 2008 - 2009



LOYAL TEXTILE MILLS LTD

LOYAL TEXTILE MILLS LIMITED

BOARD OF DIRECTORS : Mr. MANIKAM RAMASWAMI,
(As on 20th May 2009) Chairman & Managing Director

: Mr. K.J.M. SHETTY I.A.S. (Retd.)
: Mr. S. VENKATARAMANI
: Mr. R. POORNALINGAM I.A.S. (Retd.)
: Mr. SHRIDHAR SUBRAHMANYAM
: Mr. P. MANIVANNAN

BANKERS : EXPORT IMPORT BANK OF INDIA
: CENTRAL BANK OF INDIA
: STATE BANK OF INDIA
: KARUR VYSYA BANK LTD
: INDIAN BANK
: STATE BANK OF MYSORE

AUDITORS : MESSRS. SURI & CO., MADURAI.

REGISTERED OFFICE : 21/4, MILL STREET, KOVILPATTI - 628 501.
: PHONE : 04632 - 220001
: E-mail:investors@loyaltextiles.com

REGISTRAR AND SHARE : GNSA INVESTOR SERVICES (P) LIMITED
TRANSFER AGENTS GR MANSION
NO. 11, SRINIVASA ROAD
PONDY BAZAR
T. NAGAR
CHENNAI - 600 017
PHONE : (044) 4296 2230 / 4296 2222
E-mail:info@gnsaindia.com

Notice

LOYAL TEXTILE MILLS LTD.

REGD. OFFICE : 21/4 MILL STREET,
KOVILPATTI 628 501.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty Third Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at 21/4, Mill Street, Kovilpatti : 628 501 at 9.45 A.M. on Wednesday, the 2nd day of September, 2009 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and the Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. K.J.M. Shetty who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint M/s. Suri & Co., Chartered Accountants, Madurai, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.

"**RESOLVED THAT** Mr.P. Manivannan, who was co-opted as an Additional Director by the Board of Directors with effect from 1st November, 2008 and who vacates office at this annual general meeting and in respect of whom the company has received a notice from a member under section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- proposing his candidature for the office of director, be and is hereby appointed as a director of the Company".

5. To consider and, if thought fit, to pass the following resolutions with or without modification as a **SPECIAL RESOLUTION**.

"**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310,311 and other applicable provisions of the Companies Act, 1956 if any and read with Section II, Part II of Schedule XIII to the Companies Act, 1956, subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, Mr.P. Manivannan be and is hereby appointed as a Whole time Director of the Company for a period of 3 years with effect from 1st November 2008 on the following terms of remuneration and perquisites.

- (A) i) Salary - Rs. 29,000/- per month subject to a revision of upto Rs. 50,000/- per month with an authority to the Board to increase the salary from time to time within the limits prescribed under schedule XIII of the Companies Act 1956

- ii) Educational Allowances - Rs. 1,900/- per month subject to a maximum of Rs. 9,500/- per month
- iii) City Compensatory Allowance - Rs. 1,000/- per month subject to a maximum of Rs. 5,000/- per month
- iv) Annual Bonus at the discretion of the Board will be paid at a sum not exceeding Rs. 5 lakhs per annum
- v) Festival allowance - As applicable to other employees, as per rules of the Company

(B) Perquisites :

- i) Gratuity - As per rules of the Company and as per the provisions of the Gratuity Act.
- ii) Rent - Mr.P. Manivannan shall also be entitled to rent free accommodation or house rent allowance of Rs. 10,000/- per month subject to a maximum of Rs. 25,000/- per month as approved by the Board of Directors.
- iii) In addition to the basic salary and allowances, Mr.P. Manivannan is also entitled to medical reimbursement, leave travel concessions for self and family (family includes his spouse, children) as per company policy applicable to the senior management personnel of the Company.
- iv) Mr.P. Manivannan will also be eligible for Company's contribution to Provident Fund as per the rules of the Company.
- v) He shall be provided with a car for use of Company's business and in case he is not provided with a car, he shall be eligible for reimbursement of petrol and maintenance expenses incurred by him for Company's business.
- vi) He shall be provided with cellphone and a telephone at his residence for official purpose and personal long distance calls shall be billed by the Company.

The items (i) to (vi) mentioned in point no. (B) above will not be included in the computation of the ceiling of remuneration

Salary and perquisites shall not exceed 5% of the net profits of the Company in any financial year.

It is **RESOLVED FURTHER THAT** pursuant to the above provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if any required, the remuneration/allowances aforesaid and the perquisites provided to Mr.P. Manivannan be paid as minimum remuneration in the event of absence or inadequacy of profits in any year during the currency of the appointment subject to such limits as may be prescribed in Section II of part II of Schedule XIII to the Companies Act, 1956 from time to time.

Notice

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things as may be necessary or required to give effect to this resolution."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION** :

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310, 314 and other applicable provisions of the Companies Act, 1956 if any and subject to approval of the Central Government, if required Mr. Shridhar Subrahmanyam be paid a consultancy fee of Rs. 75,000/- per month excluding any taxes payable and in addition to reimbursement of out of pocket expenses and other incidental expenses with effect from 1st October 2009 towards technical services to be rendered by him for the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be necessary or required to give effect to this resolution."

NOTES :

1. The relevant explanatory Statement pursuant to Section 173 of the Companies Act, 1956, setting out material facts relating to the special business at Item 4 to 6 of the Notice as set out above, is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS, IN ORDER TO BE VALID, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Share Transfer Books of the Company will be closed from 19th August, 2009 to 02nd September, 2009 (both days inclusive).

4. Members are requested to notify to the Company's Registrars and Transfer Agents (R&TA) M/s GNSA Investor Services (P) Limited, G.R. Mansion, No. 11, Srinivasa Road, Pondy Bazar, T. Nagar, Chennai - 600 017. Phone : 044-4296 2230 / 4296 2222 E-mail : info@gnsaindia.com

- any change in their registered address along with PIN code number.
- details about their bank account number, name of the bank, bank's branch name and address to enable the Company to print the same on the dividend warrants.

Please quote your Ledger Folio No./DP and Client Id in all correspondence with the Company / R&TA.

5. Members holding shares in the same name or same order of names under different Ledger Folios are requested to apply for consolidation of such Folios, to the Company's R&TA, at the address stated in Note No. 4 above.

6. As per the amended provisions of the Companies Act, 1956, dividends remaining unclaimed for a period of 7 years has to be transferred to the Investor Education and Protection Fund established by the Government of India. Members who have not encashed the dividend warrants for the year ended 31st March 2002 and/or any subsequent years are requested to write to the Company, giving necessary details before 9.10.2009.

7. Members may avail themselves of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the prescribed form a person to whom their shares in the Company shall vest in the event of their death. The prescribed form can be obtained from its R&TA at the aforesaid address.

8. As required under Clause 49 of the Listing Agreement, the details of the Director retiring by rotation and eligible for reappointment are furnished below :

Mr. K.J.M. Shetty

Mr.K.J.M. Shetty aged 75 years, is a retired IAS officer. He has been in the Board since June 2002. He is also the Chairman of the Audit committee and Shareholders grievances committee of the Board of Directors.

He holds 50 equity Shares of the Company as second holder.

Outside Directorship :

- Jumbo Bag Ltd, Chennai
- Endeka Ceramics India Ltd.
- Roots Multiclean Ltd, Coimbatore
- Gateway Distriparks Ltd.
- Savant India Institute of Technology.
- Gateway Distriparks (south) Ltd.
- VKS solutions Ltd.
- Shri Chintamani Textile Mills Ltd.

Committee Membership :

- Jumbo Bag Ltd, Chennai
- Endeka Ceramics India Ltd.
- Roots Multiclean Ltd, Coimbatore
- Gateway Distriparks Ltd.
- Savant India Institute of Technology.
- Gateway Distriparks (south) Ltd
- VKS solutions Ltd.

By order of the Board
For Loyal Textile Mills Ltd.,

Place: CHENNAI

Date : 20th May, 2009.

MANIKAM RAMASWAMI
Chairman & Managing Director

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following explanatory Statement sets out all material facts relating to the Special Business mentioned under item No. 4 to 6 of the Notice dated 20th May, 2009.

Item No. 4 :

Mr.P. Manivannan was appointed by the Board of Directors with effect from 1st November 2008 as an Additional Director in terms of Section 260 of the Companies Act, 1956 to act as a whole time director. He holds office as a Director upto the date of this Annual General Meeting and is eligible for appointment. A notice in writing along with the requisite deposit as required in terms of Section 257 of the Companies Act, 1956 has been received from a shareholder of the Company signifying his intention to propose the aforesaid individual as a Director of the Company at this Annual General Meeting.

Mr.P. Manivannan aged about 48 years is employed in the Company since 1982. He rapidly occupied positions of increasing responsibility and is presently holding the position of Vice President, Marketing of the Company. He has vast experience in marketing and in administration of a Textile Mill.

Mr.P. Manivannan holds 1632 shares in the Company. Mr.P. Manivannan is a Director in M/s Shri Chintamani Textile Mills Ltd.

None of the Directors other than Mr.P. Manivannan is concerned or interested in this resolution.

The Directors recommend the resolution at item No. 4 for approval of the members.

Item No. 5 :

Mr.P. Manivannan was appointed as Additional Director of the Company w.e.f. 1st November 2008 by the Board of Directors of the Company to act as a whole time director of the Company with the remuneration as detailed in the resolution under Item No. 5 of the agenda.

Your Directors consider the aforesaid remuneration is commensurate with the duties and responsibilities of Mr.P. Manivannan. On his appointment as a whole time Director with effect from 1st November 2008, Mr.P. Manivannan continues to be paid the same remuneration as was paid prior to his appointment as a Director, as approved by the Board.

In compliance with the provisions of Section 309 read with Schedule XIII of the Act, terms of the remuneration specified in the resolution is placed before the members for their approval.

The Board desires that in view of his qualification and experience he be paid the remuneration as fixed by the Board from time to time as a whole time director. Hence the Board recommends the payment of remuneration to Mr.P. Manivannan including the minimum remuneration in case of inadequacy of profit in any year during the currency of the appointment.

None of the Directors other than Mr.P. Manivannan is concerned or interested in this resolution. The agreement entered into with Mr.P. Manivannan contains the terms and conditions of his appointment including remuneration. The agreement shall be open for inspection on all working days between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of appointment of Mr.P. Manivannan, as a Whole Time Director of the Company under Section 302 of the Companies Act, 1956.

Item No. 6 :

Mr.Shridhar Subrahmanyam was appointed as a Director of the Company by the members at the Annual General meeting held on 27th August, 2007. He holds Master degree of Science in Engineering from University of California at Los Angeles, USA, Bachelor of Technology (Honours) In Mechanical Engineering from IIT, Kharagpur, India and Bachelor of Science in Physics, Chemistry and Maths from University of Allahabad, India. He has vast experience and has served across the globe as a top managerial person.

The Board of directors would like to utilize his technical knowledge for the development of Company's operations, by appointing him as a Technical consultant to the Company.

He being a director a special resolution is called for.

Hence the above resolution.

None of the Directors other than Mr. Shridhar Subrahmanyam are concerned or interested in this resolution.

By order of the Board
For Loyal Textile Mills Ltd.,

Place: CHENNAI
Date : 20th May, 2009.

MANIKAM RAMASWAMI
Chairman & Managing Director

Directors' Report

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have great pleasure in presenting their 63rd Report on the business and operations of the Company together with the audited statement of accounts for the year ended 31st March 2009.

WORKING RESULTS

Financial results for the year under review are as follows :

	(Rs. in Crore)
For Year ended 31 st March 2009	
GROSS PROFIT	46.43
Less : Interest	22.12
OPERATING PROFIT	24.31
Less : Depreciation	45.32
LOSS BEFORE TAX	(21.01)
Less : Provision for Current Tax	0.01
Provision for Fringe Benefit Tax	0.19
LOSS AFTER CURRENT TAX AND FBT	(21.21)
Less : Provision for Deferred Tax	(7.08)
LOSS AFTER DEFERRED TAX	(14.13)
Add : Surplus brought forward from previous year	4.90
LOSS FOR THE YEAR	(9.23)

DIVIDEND

In view of the losses incurred by the Company, your Directors are not in a position to recommend any dividend on the shares of the Company.

PERFORMANCE REVIEW, MANAGEMENT DISCUSSION, ANALYSIS REPORT AND OUTLOOK FOR THE CURRENT YEAR :

The performance during the year under review was severely affected owing to the following reasons, which resulted in the Company making cash profits but net losses:

- Shortage of power in Tamilnadu resulting in under utilization of the plant and also higher power cost due to greater utilization of the captive power plant.
- Global meltdown resulting in steep drop in demand and excess supply, which adversely affected our unit price realization.
- High volatility in the forex market; the Company was taking forward cover against confirmed export contracts, but some export orders were cancelled forcing us to liquidate our forward contracts at a loss.
- Rise in interest rates resulting in higher financing costs.

- Delay in disbursement of TUFSS subsidy and VAT refund resulting in blocking of funds - the company had to borrow more leading to further interest burden.

While power shortage, volatility in the forex market and the global recession continue to be areas of concern, Marginal improvement in demand and unit price realization coupled with the anticipated reduction in the interest rates give us the hope that the operating performance for the current year would be better.

The Company has an established adequate internal control, systems and procedures commensurate with the size of its operations.

Industrial relations have been cordial during the year. The Company has an employee strength of 3100.

Statement in the above Management Discussion and Analysis may be considered 'forward - looking statements' within the meaning of the applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries in which the Company conducts its business and other incidental factors.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

All amounts which are due to be transferred to the Investor Education and Protection Fund are regularly monitored and transferred. During the year, the Company has transferred a sum of Rs. 3.74 Lakhs, being the amount due and payable and remaining unpaid for a period of 7 years, as provided under Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (awareness and protection of investors) Rules, 2001. Members who have not encashed the Dividend warrants for the financial year ended 2001-2002 and / or any subsequent years are requested to write to the Company with necessary details before 9.10.2009

EXPORTS

During the Year under review, the company exported goods to the tune of Rs. 303.20 crore.

MODERNISATION :

A sum of Rs.14.63 crore (Previous year Rs.79.94 crore) was spent on modernization / replacement of plant and machinery during the year under review.

Directors' Report

FINANCE :

During the year the Company availed term loans to the tune of Rs. 16.57 crore and repaid loans to the extent of Rs. 27.21 crore to Banks/ Financial institutions.

FIXED DEPOSITS :

6 fixed deposits aggregating to Rs. 2 lakhs remained unclaimed as on 31st March 2009. No deposit has since been renewed / repaid.

DIRECTORS :

Mr. C. Nallakrishnan who was a Director on the Board of the Company resigned on 31st October, 2008. The Directors place on record the valuable contributions of Mr. C. Nallakrishnan as Director of the Company.

Mr.P. Manivannan was appointed as additional director on the Board with effect from 1st November 2008 and holds office till the date of the ensuing Annual General Meeting. Mr.P. Manivannan is eligible for reappointment as Director of the Company.

In accordance with the provisions of the Companies Act, 1956, Mr.KJM.Shetty, Director, retires by rotation and is eligible for reappointment.

DIRECTOR'S RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

The Directors hereby state :-

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures.
- b) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year;
- c) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the directors have got prepared the annual accounts on a going concern basis.

COMPANY SECRETARY :

During the year under report, Ms.V. Prasanna was appointed as Company Secretary with effect from 18th June, 2008.

LISTING :

The Company's equity shares continue to be listed on the Stock Exchange, Mumbai. The listing fees for the year 2009-2010 has been paid.

AUDITORS :

M/s. Suri & Co., Chartered Accountants, Auditors of the Company retire at this Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s. Suri & Co to the effect that their appointment as auditors, if made, would be within the limits of Section 224(1-B) of the Companies Act, 1956.

The Auditors Report to the shareholders does not contain any qualifications. The remuneration paid to Mr.P.Manivannan a Director is subject to approval by the members.

REPORT ON CORPORATE GOVERNANCE

A detailed report on Corporate Governance is annexed to this report. The Company has complied with the conditions of Corporate governance as stipulated in clause 49 of the listing agreement. The certificate obtained from the auditors of the Company regarding compliance of conditions is annexed to this report.

PARTICULARS OF EMPLOYEES :

As required by Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, a statement of information relating to the employees has been given in the Annexure, which forms part of this Report.

PARTICULARS OF ENERGY CONSUMPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required as per Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is given in the annexure, which forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to acknowledge the co-operation and assistance extended by Exim Bank, Central Bank of India, State Bank of India, Karur Vysya Bank Ltd., Indian Bank and State Bank of Mysore. Your Directors appreciate the continued co-operation extended by staffs and workers of the company and look forward to the same cordial relationship in the coming years.

For and on behalf of the Board of Directors

Place: CHENNAI

Date : 20th May, 2009.

MANIKAM RAMASWAMI

Chairman & Managing Director

Directors' Report

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH 2009.

A) Employed throughout the year and in receipt of remuneration in aggregate of not less than Rs.24 lakhs per annum.

Name	Designation	Nature of Duties	Age	Remuneration (Rs.)	Qualification	Date of appointment	Experience	Last employment
Manikam Ramaswami	Chairman & Managing Director	Management of affairs of the company	55 Years	27,27,707	B. Tech. (Hons)	01.06.1979	30 Years	NIL

B) Employed for part of the year and in receipt of remuneration of more than Rs. 2 lakhs per month.

NONE

Note :

- 1) Remuneration includes Salary, allowances, value of perquisites and Company's contribution to provident and superannuation funds but excludes contribution to gratuity fund on the basis of actuarial valuation as separate figures are not available.
- 2) The nature of employment is contractual.
- 3) Mr. Manikam Ramaswami belongs to the promoter group and holds 1,09,315 shares in the Company which comprises of 2.32% of the total paid up share capital of the Company. Along with his wife and dependent child he holds 1,96,011 shares in the company which comprises of 4.17% of the total paid up share capital of the Company.

STATEMENT OF PARTICULARS PURSUANT TO THE PROVISIONS OF SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 ANNEXED TO AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH 2009.

(a). Energy conservation measures taken

The Company continuously monitors the energy usage in all its units and following major measures have been taken during the year ended 31st March, 2009 for bringing down the energy cost.

- ❖ Energy efficient impellers have been installed.
- ❖ New ID fan was installed in the boiler to save energy.
- ❖ Optimisation of system pressure was done for compressed air.

(b). Additional investments and proposals, being implemented for reduction of consumption of energy.

The company focuses on energy conservation measures on an ongoing basis and depending upon the savings potential, decision to invest would be made.

(c). Impact of measures (a) and (b) above on reduction of energy consumption and consequent impact on the cost of production of goods.

Due to above energy saving measures implemented during 2008-09, the Company has an annual savings of Rs. 0.30 crore.

ANNEXURE

FORM A

(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

(A) POWER AND FUEL CONSUMPTION	2008 - 2009	2007-2008
1. Electricity		
a) Purchased		
Units	6,95,23,237.00	9,49,92,358.80
Total Amount Rs.	30,42,15,347.56	40,08,81,702.97
Rate/ Unit Rs.	4.38	4.22
b) Generation		
i) Through Diesel etc./ Generator Units		
Units	2,83,926.01	2,87,531.00
Units per Ltr of Oil	3.13	3.04
Cost/unit Rs.	11.48	13.93
ii) Through Furnace Oil /Generator Units		
Units	2,16,11,467.00	36,50,672.00
Units per Ltr of Oil	4.17	4.05
Cost / unit Rs.	4.99	5.30
iii) Through Wind /Generator Units		
Units	4,16,82,829.00	3,64,14,814.00
Value	14,58,89,901.50	12,74,51,849.00
Cost / unit Rs.	3.50	3.50
iv) Through Steam Turbine/ Generator	Not Applicable	Not Applicable
2. Coal (specify quantity and where used)		
Qty. (Tonnes)		
Total Cost	Not Applicable	Not Applicable
Average cost		
3. Furnace oil		
Qty (Ltrs)	--	--
Total Cost Rs.	--	--
Average Cost Rs.	--	--
4. Others / Internal Generation		
Fire wood (for boiler)		
Quantity (Kgs)	1,85,55,703.00	1,79,45,216.00
Total cost Rs.	4,97,46,564.97	4,32,22,014.58
Rate/unit Rs.	2.68	2.41
(B) Consumption per unit of production products with details unit (per kg/mtr)		
Electricity		
Yarn	4.60	4.25
Cloth	2.87	2.98
Garments	0.14	0.18

FORM B
(See Rule 2)

Form for disclosure of particulars with respect to Absorption.

Research and Development :

Research and Development is being carried out by South India Textile Research Association (SITRA). Being a Member of SITRA, we get latest information on Research.

Foreign Exchange earnings and outgo :

The Company is one of the leading exporters of Textiles.

Initiatives are constantly undertaken to improve exports to various Countries.

	<u>2008 - 2009</u>	<u>(Rs. in Crore)</u> <u>2007 - 2008</u>
Total Foreign Exchange Earned	268.13	259.58
Total Foreign Exchange Used	81.56	84.58

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Corporate Governance is about promoting Corporate fairness, transparency and accountability. The Company believes that, the Corporate Governance Code will protect the shareholders' rights, minimise risk and enhance value in the investment process. The ultimate purpose thus is to create a self driven, self assessed and self regulated organisation in a competitive business environment.

The following is a report on the status and progress on major aspects of Corporate Governance.

2. BOARD OF DIRECTORS :

i) The composition of the Board of Directors as on 31st March, 2009 is as follows :

S.No	Name of the Director	Executive/Non Executive/ Independent	No. of directorships in Other companies*	Committee Membership In other companies**
1.	Mr. Manikam Ramaswami Chairman & Managing Director	Promoter & Executive	1	Nil
2.	Mr. KJM. Shetty	Independent & Non-Executive	8	7
3.	Mr. S. Venkataramani	Independent & Non-Executive	3	1
4.	Mr. R. Poornalingam	Independent & Non-Executive	3	Nil
5.	Mr. Shridhar Subrahmanyam	Independent & Non-Executive	Nil	Nil
6.	Mr. P. Manivannan	Executive Director	1	Nil

* Directorship in Private Limited Companies, Section 25 Companies and Foreign Companies are excluded.

** Only Audit Committee, Shareholders' / Investors' Grievance Committee and Remuneration Committee considered.

The information on the Directors retiring by rotation and eligible for reappointment at the ensuing AGM is furnished in the AGM notice.

ii) Board Meetings & AGM

During the year under review four Board meetings were held i.e. on 23rd May, 2008, 31st July, 2008, 31st October, 2008, and 28th January, 2009. The Company regularly furnishes all the relevant information, as recommended by the Securities and Exchange Board of India / Stock Exchange, to the Board. The AGM was held on 4th September, 2008.

The attendance of directors at these meetings and the remuneration paid to the Directors is as follows :

Directors	No.of Board Meetings Attended	Whether attended last AGM
Mr.Manikam Ramaswami	4	No
Mr.K.J.M. Shetty	4	No
Mr.C.Nallakrishnan*	Nil	Yes
Mr.S.Venkataramani	2	No
Mr.R. Poornalingam	3	No
Mr.Shridhar Subrahmanyam	4	No
Mr.P. Manivannan**	2	No

* Mr. C. Nallakrishnan resigned from the Board with effect from 31st October 2008.

** Mr. P. Manivannan was co-opted as a Director with effect from 1st November 2008.

iii) Remuneration to Directors

No remuneration other than the sitting fees and other expenses (travelling, boarding and lodging incurred for attending the Board / Committee Meetings) were paid to the non-executive Directors in 2008-2009.

a) Details of Remuneration paid to the Managing Director during the year 2008-2009 is given below.

NAME OF DIRECTOR	SALARY	PERKS	COMMISSION	PF & SUPER ANNUATION FUND	TOTAL
	Rs.	Rs.	Rs.	Rs.	Rs.
Mr. Manikam Ramaswami	17,00,000	6,02,707	---	4,25,000	27,27,707
Mr. P. Manivannan	1,45,000	17,400	---	14,500	1,76,900

b) Details of payments made to Non-Executive Directors during the year 2008-2009 is given below :-

Directors	Sitting Fees (in Rupees)		Total No. of Shares held in the Company as on 31 st March 2009.
	Board Meeting	Committee Meeting	
Mr.K.J.M. Shetty	20,000	25,000	50*
Mr.C.Nallakrishnan	Nil	5,000	50*
Mr.S.Venkataramani	10,000	15,000	Nil
Mr.R. Poornalingam	15,000	Nil	Nil
Mr.Shridhar Subrahmanyam	20,000	5,000	Nil

* Shares held as second holder.

3. BOARD COMMITTEES

In accordance with the Code of Corporate governance, the Board has set up the following Committees. All Directors have confirmed that the number of committee memberships they hold across all Companies is within the limits prescribed as per stock exchange regulations.

(i) Audit Committee

The Audit Committee consists of three Non-Executive directors with Mr.KJM.Shetty (as Chairman), Mr.S.Venkataramani and Mr.Shridhar Subrahmanyam as members. Mr. Shridhar Subrahmanyam replaced Mr.C. Nallakrishnan, who resigned during the year 2008-2009.

During the year the Committee met four times i.e. on 23rd May, 2008, 31st July, 2008, 30th October, 2008 and 28th January, 2009.

The terms of reference of the Audit Committee are in tandem with those laid down by stock exchange regulations and *Inter-alia* include the following :

- Overseeing the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- Recommending appointment and removal of external / internal auditors and fixing their fees;
- Reviewing with management the annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements; and
- Reviewing the adequacy of the Audit and compliance function, including their policies, procedures, techniques and other regulatory requirements.

The details of attendance of members of the Audit Committee are as follows :

Name of the Member	No. of Meetings Attended
Mr. K.J.M. Shetty	4
Mr. C. Nallakrishnan *	1
Mr. S. Venkataramani	2
Mr. Shridhar Subrahmanyam**	1

* Mr. C. Nallakrishnan resigned from the Committee with effect from 31st October, 2008.

** Mr. Shridhar Subrahmanyam was appointed as a member of the Audit Committee with effect from 1st November, 2008.

The Statutory Auditor, Vice President (Operations), Company Secretary and other concerned executives of the Company attended the Committee Meetings.

ii) Shareholders' / Investors' Grievance Committee

This Committee (a) approves and monitors share transfers, and transmissions, splitting and consolidation of Shares and issue of duplicate share certificates and share certificates in the case of rematerialisation of shares. All these requests are approved by the Committee once in a fortnight by way of circular resolutions. (b) looking into redressal of shareholders / investors complaints viz. transfer of shares, non receipt of declared dividends etc. and deciding on any other matter as may be required in connection with the shareholders/investors' servicing or redressal of their grievances and (c) carries out functions envisaged under the Code of conduct for prevention of Insider Trading adopted in terms of Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992.

The Committee consists of 3 Directors, out of which 2 are Non-Executive Directors namely, Mr. KJM Shetty, and Mr.S. Venkataramani, and 1 executive director namely: Mr.P. Manivannan. Mr.P. Manivannan replaced Mr.C. Nallakrishnan, who resigned during the year 2008 - 2009.

The Committee met once during the year, on 23rd May 2008.

Name of the Member	No. of Meetings Attended
Mr. K.J.M. Shetty	1
Mr.C.Nallakrishnan*	Nil
Mr. S. Venkataramani	1
Mr. P. Manivannan**	Nil

* Mr. C. Nallakrishnan resigned from the committee with effect from 31st October, 2008.

** Mr. P. Manivannan became a member only on 1st November, 2008.

35 shareholders' complaints in the nature of non-receipt of dividend warrants, non - receipt of share certificates after transfer, non - receipt of Annual Report etc were received during 2008 - 2009.

To monitor investor servicing on a continuous basis the Committee has directed the Company Secretary to forward to the Committee members a report on investors servicing on a periodical basis. All the complaints received from the shareholders during the year under review were resolved to the satisfaction of the shareholders.

The Company has designated an exclusive E-Mail ID for the purpose of registering complaints by investors and necessary follow up action by the company / compliance officer in compliance with Clause 47(f) of the Listing Agreement. The e-mail ID is : investors@loyaltextiles.com

4. MANAGEMENT DISCUSSION & ANALYSIS REPORT :

The Management and Discussion and Analysis Report forms part of the Annual Report.

5. DISCLOSURES

a) There were no materially significant related party transactions made by the Company with its Promoters, Directors or Management or relatives etc., during the year, that may have potential conflict with the interests of the Company. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.

Transactions with related parties are disclosed in Note No. 18 of Schedule 21 to the Accounts in this annual report.

b) The Company has complied with the statutory provisions, rules and regulations relating to the capital markets during the last three years and Stock Exchanges or SEBI or any statutory authority has not imposed any penalty or stricture on the Company.

6. GENERAL SHAREHOLDER INFORMATION

a) Annual General Meeting

Day : Wednesday
Date : 2nd September, 2009
Time : 9.45 a.m
Venue : 21/4, Mill Street, Kovilpatti : 628 501

The information on the Directors retiring by rotation and eligible for reappointment at the ensuing AGM is furnished in the notice of the AGM.

Last three Annual General Meetings were held :

Date & Time	Location	Special Resolution passed
27 th September, 2006, 10.15.A.M.	21/4, Mill Street, Kovilpatti - 628 501. Tamil Nadu	Nil
27 th August, 2007, 10.00.A.M.		Re-Appointment of Mr.Manikam Ramaswami as Chairman and Managing Director and payment of Remuneration
4 th September, 2008, 10.30.A.M.		Commencement of new business of Farming

- No Special Resolution was passed last year through postal ballot.
- No Special Resolution is proposed to be passed through postal ballot this year.

b) Financial Calendar (tentative calendar of events and subject to change) for the 2009 - 2010.

Financial reporting for the quarter ending 30th June 2009 : End of July 2009

Financial reporting for the quarter ending 30th September 2009 : End of October 2009

Financial reporting for the quarter ending 31st December 2009 : End of January 2010

Financial reporting for the quarter ending 31st March 2010 : End of June, 2010

Annual General Meeting for the year ending 31st March, 2010: Last week of August 2010.

c) Book Closure period :

19th August, 2009 to 2nd September, 2009. (As stipulated in the Listing agreement)

d) Share Capital :

The Share capital of the Company comprises of 47,03,946 equity shares of Rs. 10/- each. No shares were issued / allotted during the year.

e) Dividend :

In view of the losses incurred by the Company, your Directors do not recommend any dividend on the shares of the Company.

f) Listing on Stock Exchange and stock code :

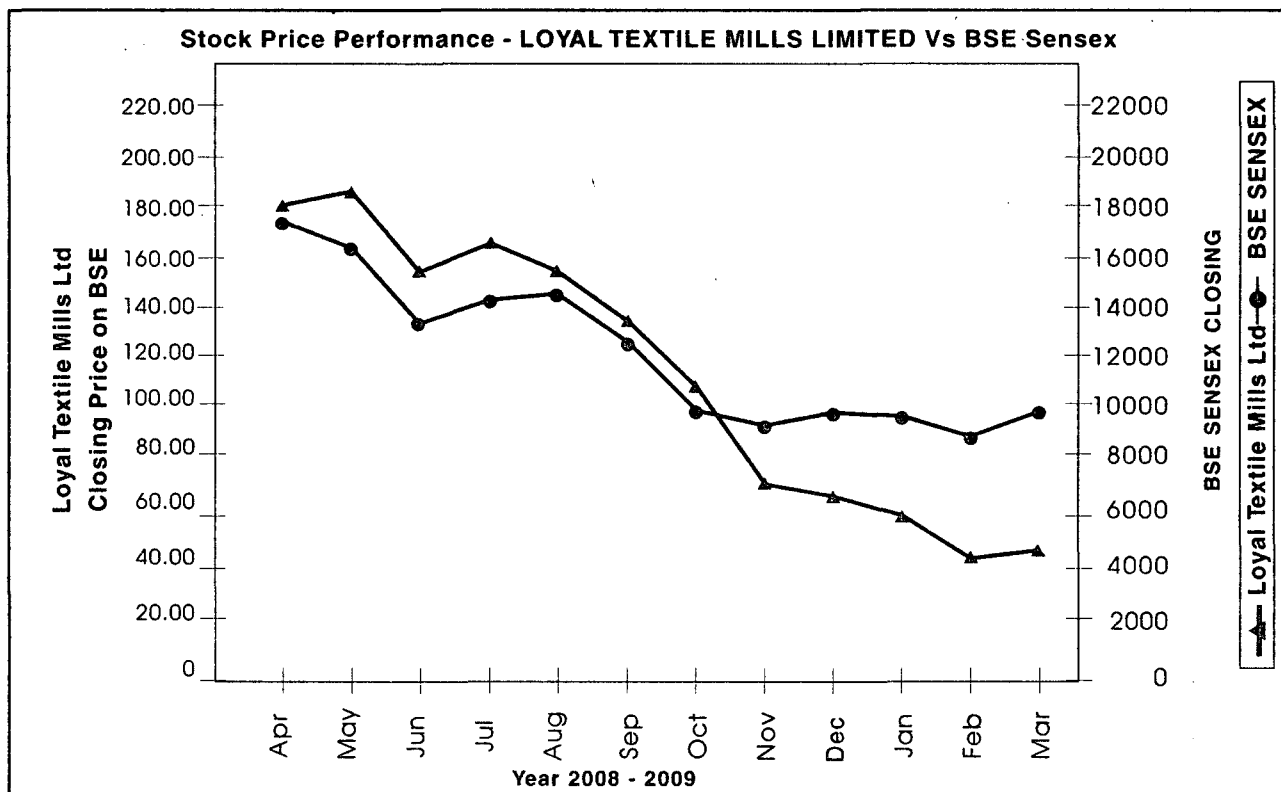
The Company's equity shares are listed on the Stock Exchange, Mumbai. The address of the Stock exchange and the stock code is given below :

Stock Exchange	Stock code
Bombay Stock Exchange Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001	514036

g) Market price Data :

MONTH	COMPANY'S SHARE PRICE			BSE SENSEX		
	HIGH	LOW	CLOSE	HIGH	LOW	CLOSE
Apr 08	194.00	160.00	180.00	17,480.74	15,297.96	17,287.31
May 08	226.80	157.00	186.00	17,735.70	16,196.02	16,415.57
June 08	210.00	145.00	155.20	16,632.72	13,405.54	13,461.60
July 08	195.00	126.00	167.90	15,130.09	12,514.02	14,355.75
Aug 08	170.00	146.00	152.00	15,579.78	14,002.43	14,564.53
Sept 08	164.95	133.05	134.00	15,107.01	12,153.55	12,860.43
Oct 08	147.00	109.30	109.30	13,203.86	7,697.39	9,788.06
Nov 08	114.50	67.70	70.00	10,945.41	8,316.39	9,092.72
Dec 08	70.55	58.00	68.00	10,188.54	8,467.43	9,647.31
Jan 09	71.40	58.75	60.45	10,469.72	8,631.60	9,424.24
Feb 09	59.00	45.85	45.85	9,724.87	8,619.22	8,891.61
Mar 09	51.80	42.00	48.00	10,127.09	8,047.17	9,708.50

Chart Comparing the Company's closing share price movement with that of BSE SENSEX :



h) Share Transfer System :

M/s. GNSA Investor Services (P) Ltd, Chennai are the Share Transfer Agent of the Company. The share transfer process is reviewed by the Shareholders' / Investors' Grievance Committee. The share transfer requests in physical form and other shares related issues are processed and despatched to the respective lodgers within the statutory period, provided the documents are complete in all respects. To ensure better investor servicing, share transfers/transmissions are processed every fortnight. Ms. V. Prasanna, Company Secretary is the Compliance Officer of the Company. The total number of shares transferred during the year was :

	No. of Transfers	No. of shares
No. of Transfers	5	980
No. of Transmissions	7	1855
No. of Duplicate Share Certificates issued	5	485

i) Dematerialisation of shares :

The Company has entered in to an agreement with both NSDL & CDSL to have electronic depository facilities for the shares of the Company. As on 31st March, 2009, **8,20,552** shares were in dematerialised form representing 17.44% of the total shares. The Demat ISIN code Number of our share is INE970D01010.

j) Shareholding Pattern (As on 31st March, 2009) :

S. No.	Category	No. of Shares	% to total capital
1	Promoter Group	3428977	72.90
2	Nationalized Banks	5200	0.11
3	Insurance Companies	Nil	Nil
4	Non Residents	37330	0.79
5	Others	1232439	26.20
	TOTAL	4703946	100.00

k) Distribution of shareholding of the Company as on 31st March 2009 :

Nominal value (in Rs.)	Shareholders		Share Amount	
	Number	% to Total	In Rs.	% to Total
up to 5000	1927	83.06	27,29,520	5.80
5001 - 10000	183	7.89	14,56,390	3.10
10001 - 20000	105	4.53	16,21,180	3.45
20001 - 30000	30	1.29	7,47,300	1.58
30001 - 40000	21	0.91	7,71,530	1.64
40001 - 50000	7	0.30	3,23,680	0.69
50001 - 100000	17	0.73	12,67,930	2.70
100001 and above	30	1.29	3,81,21,930	81.04
Total	2320	100.00	470,39,460	100.00

l) The Company has not issued any GDRs/ ADRs/ Warrants or any convertible Instruments during the year under review.

m) Plant locations :

Spinning, Knitting, Weaving and Garments

- 21/4, Mill Street, Kovilpatti - 628 501.
- N. Venkateswarapuram, N.Subbiahpuram, Sattur Taluk - 626 205.

Processing :

- C7-1, SIPCOT Industrial Complex, Kudikadu, Cuddalore - 607 005.

n) Means of Communication :

The Quarterly financial results, as taken on record by the Board of Directors, are communicated to the Stock Exchange where the shares of the Company are listed. These results are also published in English dailies like the Business Line & Vernacular dailies like the Tamil Murasu and also on SEBI's website www.sebidifair.nic.in.

The annual reports are sent to all the shareholders. The shareholding pattern is also available on the SEBI website.

o) Address for Communication :

a. Compliance Officer

Ms.V.Prasanna

Company Secretary

Loyal Textile Mills Ltd.

No. 83, (Old No.41) First Main Road,

R A Puram, Chennai - 600 028

Phone : (044) 42277374 Fax : (044) 43060622

Email : investors@loyaltextiles.com

(or)

2. Registrar and Share Transfer Agent

GNSA Investor Services (P) Limited

G.R. Mansion, No. 11, Srinivasa Road

Pondy Bazar, T. Nagar, Chennai - 600 017

Phone : (044) 4296 2230 / 4296 2222

E-mail : sta@gnsaindia.com

Contact person : Mr. Krishna Kumar, Director

INSIDER TRADING POLICY

As per the SEBI Guidelines on Insider Trading, all listed companies were required to setup an appropriate mechanism for regulating transactions in the shares of the Company by insiders. Your company has framed a Code of Conduct for Prevention of Insider

To

The Members of Loyal Textile Mills Limited

Sub : Declaration by the CEO under Clause 49 (I) (D) (ii) of the Listing Agreement

I, Manikam Ramaswami, Chairman & Managing Director of Loyal Textile Mills Limited, to the best of my knowledge and belief, declare that all the members of the Board and Senior Management Personnel have affirmed compliance with the code of conduct of the Company for the year ended 31st March 2009.

Place : CHENNAI

Date : 20th May 2009

Trading for Promoters, Directors, Designated Employees & their dependant family members. Ms. V. Prasanna, Company Secretary has been appointed as the Compliance Officer for monitoring insider trading.

Information pursuant to Clause 49(IV)(G) of the Listing Agreement :

The necessary information are provided in the notice, calling the Annual General Meeting.

EXTENT OF COMPLIANCE WITH NON MANDATORY REQUIREMENTS

Remuneration Committee :

The Company has not constituted any Remuneration Committee. The remuneration to the Executive Director is paid as approved by the Members of the Company based on the recommendation of the Board of Directors.

Circulation of Quarterly / Half-yearly results :

The Quarterly / half yearly results are sent to shareholders who request for the same.

Audit qualifications :

The auditors have not made any qualifications on the financial statements of the Company. The remuneration paid to Mr. P. Manivannan a Director is subject to approval by the members.

Postal Ballot :

During the year no resolutions were passed by postal ballot.

Training of Board Members and their evaluation

Majority of the Board members have been associated with the Company for a number of years and are well aware of the business model of the company as well as the risk profile of the business parameters of the company, their responsibilities as directors, and the best ways to discharge them.

Whistle Blower Policy :

The Company is yet to implement a Whistle Blower Policy.

MANIKAM RAMASWAMI

Chairman & Managing Director

MANIKAM RAMASWAMI

Chairman & Managing Director

Report of the auditors

AUDITOR'S REPORT TO THE MEMBERS OF M/S. LOYAL TEXTILE MILLS LIMITED, KOVILPATTI

1. We have audited the attached Balance Sheet of M/s. Loyal Textile Mills Limited, Kovilpatti as at 31st March, 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date.
2. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
5. 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.
6. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
7. In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
8. On the basis of written representations received from the Directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
9. As per information furnished, pending notification from the Central Government, the company is not required to pay any cess under Section 441A of the Companies Act 1956, as on the date of Balance Sheet.
10. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and subject to the payment of remuneration of Rs. 1,76,900/- to a director of the company from 01-11-2008, pending approval by the shareholders at the ensuing annual general meeting, give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.
 - ii) In the case of the profit and Loss Account, of the LOSS for the year ended on that date, and
 - iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

As required by the Companies (Auditor's Report) Order,

2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, we further state that:

- 11.a) The Company has maintained proper records to show full particulars including quantitative details and situation of Fixed Assets.
 - b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed on such verification.
 - c) No substantial part of fixed assets have been disposed off during the year.
- 12.a) As explained to us, the inventories have been physically verified by the management at regular intervals during the year.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The company has maintained proper records of inventory. As explained to us, the discrepancies noticed on physical verification of stocks, as compared to book records were not material and the same have been properly dealt with in the books of accounts.
- 13.a) In our opinion and according to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
 - b) In our opinion and according to the information and explanations given to us, the Company has not taken loans, secured or unsecured from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956
14. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no major weakness in internal control which requires correction.
- 15.a) The particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained in pursuance of section 301 of the Act.
 - b) As explained to us there have been transactions made in pursuance of such contracts or arrangements in respect of each such party entered in the register maintained under Section 301 of the Companies Act, 1956 during the year and the same have been made at prices which are reasonable having regard to the prevailing market prices.
16. In our opinion and according to the information and explanations given to us, the Company has complied with directives of Reserve Bank of India and the provisions of Sections 58A and 58 AA of the Companies Act, 1956 and the rules framed thereunder or any other relevant provisions of the Act with regard to the deposits accepted from the public.

Report of the auditors

- As per information furnished, the company has not received any order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
17. In our opinion, the Company has an Internal Audit system which is commensurate with the size of the company and the nature of its business.
 18. We have broadly reviewed the cost records maintained by the company in respect of products where pursuant to the Rules made by the Central Government, the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
 - 19.a) According to the information and explanations given to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income-tax, Sales-tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year.
 - b) According to the information and explanations given to us, there are no undisputed statutory dues payable in respect of above which are outstanding as at 31-3-2009 for a period of more than six months from the dates they became payable.
 - c) According to the information and explanations furnished to us there are no dues of Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited with appropriate authorities on account of any dispute. In respect of income tax and sales tax which are pending payment on account of dispute, the information of which is given below :
 20. The company has neither any accumulated losses nor has incurred any cash losses in the financial year or in the immediately preceding financial year.
 21. According to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions or banks. The Company has no outstanding debentures.
 22. The company has not granted any loans / advances on the basis of security by way of pledge of shares, debentures and other securities.
 23. The company not being a Chit fund, Nidhi or mutual benefit Society, the requirements of item (xiii) of paragraph 4 of the Order is not applicable to the company.
 24. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. In respect of shares held as investments, the same are held in the name of the Company.
 25. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others, from a bank or financial institution.
 26. As per information and explanations given to us, term loans were applied for the purpose of which loans were obtained.
 27. According to the information and explanations given to us, no fund raised on short-term basis has been used for long-term investment.
 28. The company has not made any allotment of shares during the year.
 29. The company has not issued debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order regarding creation of securities for debentures issued are not applicable to the company.
 30. The Company has not raised any amount by public issues.
 31. According to the information and explanations given to us, a fraud on or by the Company has not been noticed or reported during the year.

FOR SURI & CO.,

(R.KRISHNAMOORTHY)
PARTNER
CHARTERED ACCOUNTANTS
M.No. 20695

Place : CHENNAI
Date : 20th May 2009

ANNEXURE TO REPORT OF THE AUDITORS FOR THE YEAR ENDED 31st MARCH 2009 STATEMENT OF UNPAID DISPUTED DUES

Name Statute / Dues	Unpaid Disputed Liability (Rs. in '000s)	Period to which the amount relates	Forum where dispute is pending
Income Tax	65,71	2004-2005 and 2003 -2004	Commissioner of Income Tax (appeals)
Sales Tax - TNGST	16,34	2002 - 2003	Appellate Assistant Commissioner of Sales Tax
Sales Tax - CST	6,06	2002 - 2003	Appellate Assistant Commissioner of Sales Tax
Service Tax	1,43,00	2003 - 2009	High Court of Chennai, Madurai Bench.
Total	2,31,11		

FOR SURI & CO.,

(R.KRISHNAMOORTHY)
PARTNER
CHARTERED ACCOUNTANTS

Place : CHENNAI
Date : 20th May 2009

Report of the Auditors

AUDITOR'S CERTIFICATE IN COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

To the Members of Loyal Textile Mills Ltd., KOVILPATTI.

We have examined the Compliance of conditions of Corporate Governance by M/s.Loyal Textile Mills Ltd. Kovilpatti for the year ended on 31st March 2009, as stipulated in clause 49 of the Listing Agreement of the 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.

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.

Place : CHENNAI
Date : 20th May 2009

FOR SURI & CO.,
(R.KRISHNAMOORTHY)
PARTNER
CHARTERED ACCOUNTANTS
M.No. 20695

Operating Results Summary

(Rs. in Lakhs)

Year Ended	31.3.2009	31.3.2008	31.3.2007	31.3.2006	31.3.2005
Turnover	42405.65	39256.82	36099.38	30283.50	29075.24
Export Incentives / Duty Drawback	1649.19	1614.33	1000.31	723.21	1188.92
Other income	188.86	557.39	564.04	349.67	294.10
Increase / (Decrease) in Stock	38.22	787.33	520.69	280.94	182.19
	<u>44281.92</u>	<u>42215.87</u>	<u>38184.42</u>	<u>31637.32</u>	<u>30740.45</u>
Raw Material Consumed	20746.05	18159.97	16526.39	12354.34	12867.32
Conversion / Processing Charges	1980.33	1467.27	1646.85	2074.14	2172.90
Stores Consumed	2135.15	1839.16	1844.05	1799.20	1654.06
Purchase of Finished Goods for Processing / Sales	4132.12	4220.12	2208.41	1277.64	1377.66
Power and Fuel	3042.19	3269.91	3472.45	3264.39	2159.90
Salaries, Wages, Bonus & Amenities	2406.95	2185.08	1915.93	1649.59	1456.96
Repairs & Maintenance	1297.16	1272.39	1287.00	1534.49	1724.57
Interest	2212.39	1524.30	893.13	649.75	457.30
Other Expenses	3898.68	3277.22	3083.15	2493.82	2594.84
Depreciation	4531.87	4225.95	3286.71	2832.20	2098.07
	<u>46382.89</u>	<u>41441.37</u>	<u>36164.07</u>	<u>29929.56</u>	<u>28563.58</u>
Pre Tax Profit (Loss)	(2100.97)	774.50	2020.35	1707.76	2176.87
Export (C & F Value)	28671.18	27618.55	26635.27	21748.72	24538.78
Production of yarn in Lakh Kgs.	180.20	178.33	150.61	127.23	83.54
Production of Cloth in Lakh Mtrs.	269.11	252.10	234.13	234.49	175.96

Balance Sheet Summary

(Rs. in Lakhs)

As at	31.3.2009	31.3.2008	31.3.2007	31.3.2006	31.3.2005
Gross Block	52444.59	50928.62	43287.43	37004.15	28567.41
Depreciation	21890.68	17734.87	14364.28	12710.76	10354.68
Net Fixed Assets	30553.91	33193.75	28923.15	24293.39	18212.73
Investments	180.19	186.29	192.58	214.92	221.62
Current Assets	18404.30	17836.75	13156.81	13293.85	11042.01
Loans and Advances	4078.19	3927.53	3594.50	2950.79	2898.05
	53216.59	55144.32	45867.04	40752.95	32374.41
Secured & Unsecured Loans	39247.16	37561.91	30219.32	25413.97	19096.81
Current Liabilities & Provisions	3331.71	4824.02	3344.20	4565.18	3815.38
Deferred Tax Liability	2307.78	3015.28	2819.28	2360.28	1940.28
	44886.65	45401.21	36382.80	32339.43	24852.47
Net Worth	8329.94	9743.11	9484.24	8413.52	7521.94
Represented By :					
Share Capital	470.40	470.40	470.40	470.40	470.40
Reserves and surplus	7859.54	9272.71	9013.84	7943.12	7051.54
Pre Tax Profit (Loss)	(2100.97)	774.50	2020.35	1707.76	2176.87
Dividend paid on Equity shares	--	183.45	183.45	183.45	183.45
% of Dividend on Equity Shares	--	39.00	39.00	39.00	39.00

Profit and Loss Account for the year ended 31st March, 2009

(Rs. '000)

Particulars	Schedule No.	Year ended 31.03.2009	Year ended 31.03.2008
INCOME			
Net Sales		423,42,17	392,00,97
Export Incentives & Duty Drawback		16,49,19	16,14,33
Processing Charges		63,48	55,85
Other Income	1	1,88,86	5,57,39
Increase/ (Decrease) in Stocks	2	38,22	7,87,33
	Total	442,81,92	422,15,87
EXPENDITURE			
Raw Material Consumed	3	207,46,05	181,59,97
Conversion and Processing Charges		19,80,33	14,67,27
Stores Consumed		21,35,15	18,39,16
Purchase of Items traded/processed		41,32,12	42,20,12
Power and Fuel		30,42,19	32,69,91
Salaries, Wages, Bonus and Amenities	4	24,06,95	21,85,08
Repairs and Maintenance	5	12,97,16	12,72,39
Interest	6	22,12,39	15,24,30
Other Expenses	7	38,98,68	32,77,22
Depreciation		45,31,87	42,25,95
	Total	463,82,89	414,41,37
Profit / (Loss) Before Taxation		(21,00,97)	7,74,50
Less : Provision for Current Tax		70	90,00
Less : Provision for Fringe Benefit Tax		19,00	15,00
Profit after Current Tax and FBT		(21,20,67)	6,69,50
Less : Provision for Deferred Tax		(7,07,50)	1,96,00
Profit after Taxation		(14,13,17)	4,73,50
Add : Balance Brought Forward		4,90,34	3,31,47
		(9,22,83)	8,04,97
LESS : APPROPRIATIONS			
(a) Transfer to General Reserve		--	1,00,00
(b) Proposed Dividend on Equity Shares (39%)		--	1,83,45
(c) Provision for tax on distributed profits		--	31,18
Balance carried to Balance Sheet		(9,22,83)	4,90,34
Earnings per share			
a) Before extra ordinary Item Basic and Diluted		(30.04)	10.07
b) After extra ordinary Item Basic and Diluted		(30.04)	10.07

Schedules 1 to 7 and Schedule 21 (Notes) form part of this Profit and Loss Account

MANIKAM RAMASWAMI
Chairman & Managing Director

K.J.M. SHETTY
S. VENKATARAMANI
R. POORNALINGAM
SHRIDHAR SUBRAHMANYAM
P. MANIVANNAN
Directors

V. PRASANNA
Company Secretary

Vide our Report of even date attached
For **SURI & CO.,**
R. KRISHNAMOORTHY
Partner
Chartered Accountants

Date : 20th May 2009
Place : Chennai.

Date : 20th May 2009
Place : Chennai.

Balance Sheet as at 31st March, 2009

(Rs.'000)

Particulars	Schedule No.	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS :			
SHARE HOLDERS FUNDS :			
Capital	8	4,70,40	4,70,40
Reserves and Surplus	9	78,59,54	92,72,71
		<u>83,29,94</u>	<u>97,43,11</u>
Deferred Tax Liability (Net)	10	23,07,78	30,15,28
LOAN FUNDS :			
Secured Loans	11	392,04,97	375,10,22
Unsecured Loans	12	42,19	51,69
		<u>392,47,16</u>	<u>375,61,91</u>
Total		<u>498,84,88</u>	<u>503,20,30</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	13	523,05,89	498,25,82
Less : Depreciation		<u>218,90,68</u>	<u>177,34,87</u>
Net Block		304,15,21	320,90,95
Capital Work-in-Progress		1,38,70	11,02,80
		<u>305,53,91</u>	<u>331,93,75</u>
INVESTMENTS	14	1,80,19	1,86,29
CURRENT ASSETS, LOANS & ADVANCES :			
Interest on deposits & Interest subsidy receivable		9,13,47	13,46,06
Inventories	15	92,08,57	83,02,31
Sundry Debtors	16	81,05,91	78,58,47
Cash and Bank Balances	17	1,76,35	3,29,91
Loans and Advances	18	40,78,19	39,27,53
		<u>224,82,49</u>	<u>217,64,28</u>
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	19	32,14,37	45,38,01
Provisions	20	1,17,34	2,86,01
		<u>33,31,71</u>	<u>48,24,02</u>
Net Current Assets		191,50,78	169,40,26
Total		<u>498,84,88</u>	<u>503,20,30</u>

Schedules 8 to 20 and 21 (Notes) form part of this Balance Sheet

MANIKAM RAMASWAMI
Chairman & Managing Director

K.J.M. SHETTY
S. VENKATARAMANI
R. POORNALINGAM
SHRIDHAR SUBRAHMANYAM
P. MANIVANNAN
Directors

V. PRASANNA
Company Secretary

Vide our Report of even date attached
For **SURI & CO.,**
R. KRISHNAMOORTHY
Partner
Chartered Accountants

Date : 20th May 2009
Place : Chennai.

Date : 20th May 2009
Place : Chennai.

Schedules to Profit and Loss Account

(Rs. '000)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
SCHEDULE 1 - OTHER INCOME		
Rent (TDS Rs. 17,93,482/-)	77,62	70,51
Profit on Sale of Assets (Net)	65,39	3,20,57
Insurance claim Received	29,50	--
Gain on Exchange fluctuation (Net)	--	93,13
Lease Rent	--	5
Dividends - Non Trade (Trade) - (TDS Rs. NIL/-)	2	72,43
Miscellaneous Income	15,37	--
Testing charges	96	70
TOTAL	<u>1,88,86</u>	<u>5,57,39</u>
SCHEDULE 2 - INCREASE / (DECREASE) IN STOCK		
OPENING STOCK		
Process Stock	21,52,11	16,22,05
Finished Goods	26,48,66	24,09,14
Waste Cotton	24,49	6,74
TOTAL (A)	<u>48,25,26</u>	<u>40,37,93</u>
Less : CLOSING STOCK		
Process Stock	18,91,97	21,52,11
Finished Goods	29,41,04	26,48,66
Waste Cotton	30,47	24,49
TOTAL (B)	<u>48,63,48</u>	<u>48,25,26</u>
INCREASE / (DECREASE) IN STOCK (B-A)	<u>38,22</u>	<u>7,87,33</u>
SCHEDULE 3 - RAW MATERIAL CONSUMED		
OPENING STOCK		
	30,33,99	24,92,82
Add : Purchase and Expenses	215,50,74	187,01,14
	245,84,73	211,93,96
Less : CLOSING STOCK	38,38,68	30,33,99
TOTAL	<u>207,46,05</u>	<u>181,59,97</u>

Schedules to Profit and Loss Account

(Rs. '000)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
SCHEDULE 4 - SALARIES, WAGES, BONUS AND AMENITIES		
Salaries, Wages and Bonus	19,72,82	18,11,07
Un availed earned Leave Encashment	20,71	17,04
Contribution to Super Annuation Fund	2,21	1,56
Contribution to Provident Fund	113,40	88,06
Contribution to E.S.I. & Group Insurance	33,10	27,95
Gratuity	70,10	62,29
Welfare Expenses	1,94,61	1,77,11
TOTAL	24,06,95	21,85,08
SCHEDULE 5 - REPAIRS AND MAINTENANCE		
Machinery	10,45,26	9,70,17
Buildings	1,85,89	2,53,05
Others	66,01	49,17
TOTAL	12,97,16	12,72,39
SCHEDULE 6 - INTEREST		
Interest paid on Fixed Loans*	15,72,87	11,44,36
Interest on other loans	9,33,57	6,13,89
	25,06,44	17,58,25
Less : Interest received (TDS Rs. 16,17,423/-)	2,94,05	2,33,95
TOTAL	22,12,39	15,24,30
*Includes Rs.NIL (Previous year Rs.67.70 lacs) of interest subsidy received relating to the earlier period.		
SCHEDULE 7 - OTHER EXPENSES/CHARGES		
Insurance	92,68	1,80,58
Rent, Taxes and Licence Fees*	1,27,38	53,86
Brokerage and Commission (TDS Rs.49,155/-)	7,09,11	7,17,93
Selling Expenses	5,95,10	4,29,81
Freight and forwarding charges	13,86,49	13,19,08
Traveling Expenses	1,03,83	1,11,48
Postage, Telephone, Telegram etc.,	56,96	60,16
Miscellaneous Expenses**	7,14,21	3,96,27
Donation	41	1,29
Auditor's Remuneration	5,54	5,56
Directors' Sitting Fees	1,15	1,20
Bad debts	--	1,36
Provision for doubtful debts	1,05,82	(1,36)
TOTAL	38,98,68	32,77,22

* Include Rent paid of Rs. 2401780.- (Previous year Rs. 301300/-)

** Misc Expenses include provision for diminution in value of Investment Rs. 610726/- (Previous year Rs. 895712/-) Misc Expenses include loss on exchange fluctuation of Rs. 28378632/- (Previous year Rs. NIL)

Schedules to Profit and Loss Account

(Rs.'000)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Auditors' Remuneration		
For Audit	2,50	2,50
For Taxation and tax appeals	1,31	1,51
For Certification work	75	72
Service tax	56	61
Reimbursement of Expenses	42	22
TOTAL	5,54	5,56

SCHEDULES TO BALANCE SHEET

SCHEDULE 8 - SHARE CAPITAL

AUTHORISED :

80,00,000 Equity Shares of Rs. 10/- each	8,00,00	8,00,00
6,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each	6,00,00	6,00,00
TOTAL	14,00,00	14,00,00

ISSUED, SUBSCRIBED AND PAID-UP :

47,03,946 Equity Shares of Rs. 10/- each Fully paid-up	4,70,40	4,70,40
TOTAL	4,70,40	4,70,40

NOTE :

EQUITY SHARES -OF THE ABOVE

- (i) 27,69,970 Equity Shares of Rs. 10/- each were issued as Fully paid-up Bonus Shares by way of Capitalising part of General Reserve.
- (ii) 60,000 Equity Shares of Rs. 10/- each were issued as Fully paid-up shares pursuant to a Scheme of Reorganisation of Capital Structure without the payment being received in Cash.
- (iii) 15,38,266 Equity Shares of Rs. 10/- each were issued as Fully paid up shares pursuant to amalgamation of "Valli Cotton Traders Ltd". and "Loyal Super Fabrics Ltd".

Schedules to Balance Sheet

(Rs. '000)

Particulars	As at 31.03.2009	As at 31.03.2008
SCHEDULE 9 - RESERVES AND SURPLUS		
1. (a) Capital Reserve		
As per Last Balance Sheet	24,19	24,19
(b) Amalgamation Reserve		
As per Last Balance sheet	2,08,77	2,08,77
(c) Capital Redemption Reserve		
As per Last Balance Sheet	4,30,00	4,30,00
2. Revaluation Reserve		
Surplus on Revaluation of Land		
As per Last Balance Sheet	40,52	40,52
3. General Reserve		
As per Last Balance Sheet	80,78,89	
Add : Transfer from Profit & Loss A/c	<u>(9,22,83)</u>	80,78,89
	71,56,06	
4. Surplus		
Balance in Profit and Loss Account	--	4,90,34
TOTAL	<u>78,59,54</u>	<u>92,72,71</u>
SCHEDULE 10 - DEFERRED TAX LIABILITY		
Deferred Tax Liability	38,62,83	41,61,52
Deferred Tax Assets	<u>(15,55,05)</u>	<u>(11,46,24)</u>
TOTAL	<u>23,07,78</u>	<u>30,15,28</u>
SCHEDULE 11 - SECURED LOANS		
(A) TERM LOANS		
From Financial Institutions (including interest accrued thereon)	8,96,24	11,60,39
From Banks	<u>252,47,63</u>	<u>260,20,25</u>
	261,43,87	271,80,64
(B) Working Capital Loans from Banks	<u>130,61,10</u>	<u>103,29,58</u>
TOTAL	<u>392,04,97</u>	<u>375,10,22</u>
NOTES		
Term Loans are secured by Joint and equitable mortgage of all immovable properties, present and future, and by hypothecation of machineries ranking paripassu with one another.		
Working Capital Loans from Banks are secured by hypothecation of Raw Materials, Stock-in-process, finished goods, stores, consumables, spares and book debts and are also secured by a second charge on block assets.		
GUARANTEE		
Term Loans and Working Capital loans are guaranteed by the Chairman and Managing Director.		
SCHEDULE 12 - UNSECURED LOANS		
1) Fixed Deposits	39,74	49,34
2) Interest accrued and due on fixed deposits	<u>2,45</u>	<u>2,35</u>
TOTAL	<u>42,19</u>	<u>51,69</u>

SCHEDULE : 13 - FIXED ASSETS

(Rs.'000)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01-04-2008	Addition	Sales	Cost as on 31-03-2009	Acc. Dep. as On 01-04-2008	For the year	Withdrawal	Acc. Dep. as On 31-03-2009	W.D.V. AS ON 31-03-2009	W.D.V. AS ON 31-03-2008
1. LAND*	5,96,53	3,12,68	6,94	9,02,27	—	—	—	—	9,02,27	5,96,53
2. BUILDINGS	41,34,24	1,63,93	—	42,98,17	10,23,08	1,56,32	—	11,79,40	31,18,77	31,11,16
3. FURNITURE	2,54,50	5,26	4,52	2,55,24	1,72,84	24,48	3,17	1,94,15	61,09	81,66
4. PLANT AND MACHINERY	446,30,36	24,26,59	4,29,39	466,27,56	164,09,03	43,28,61	3,72,77	203,64,87	262,62,69	282,21,33
5. VEHICLES	2,10,19	14,28	1,82	2,22,65	1,29,92	22,46	12	1,52,26	70,39	80,27
TOTAL	498,25,82	29,22,74	4,42,67	523,05,89	177,34,87	45,31,87	3,76,06	218,90,68	304,15,21	320,90,95
PREVIOUS YEAR TOTAL	397,63,06	110,13,17	9,50,41	498,25,82	143,64,28	42,25,95	8,55,36	177,34,87	320,90,95	253,98,78

* Include Lease Land Rs. 5,87,588/-.

WORK IN PROGRESS	<u>31.03.2009</u>	<u>31.03.2008</u>
LEASE LAND PENDING ALLOTMENT	1,19,88	1,19,88
PLANT AND MACHINERY	18,82	9,82,92
Total	1,38,70	11,02,80

SCHEDULE 14 - INVESTMENTS

(Rs.'000)

	BALANCE AS ON 01.04.2008		PURCHASES		SALES / ADJUSTMENTS		BALANCE AS ON 31.03.2009	
	No. of Shares	Cost Rs.	No. of Shares	Cost Rs.	No. of Shares	Cost Rs.	No. of Shares	Cost Rs.
LONG TERM								
1. NON-TRADE (QUOTED) IN EQUITY SHARES								
CENTRAL BANK OF INDIA								
			762	78			762	78
(Market value Rs. 25870/-)			762	78			762	78
2. INVESTMENT IN GOVERNMENT SECURITIES :								
NON-TRADE - UN QUOTED :								
i) 12 Year National Plan Certificate *		7						7
ii) 12 Year National Defence Certificate *		1						1
iii) 5 Year Postal Deposit*		1						1
iv) 6 Year National Savings Certificate **		1						1
		10						10
*Investment value of Rs.9.000/- deposited with Central Excise Dept.								
** Investment value of Rs. 1000/- deposited with Andhra Sales Tax Dept.								
3. INVESTMENT IN EQUITY SHARES :								
TRADE UNQUOTED (FULLY PAID UP)								
i) Uniloyal Expotex Ltd.	24700	2,47	—	—	—	—	24700	2,47
ii) Shri Teyem Processors Ltd.	24808	2,48	—	—	—	—	24808	2,48
iii) Gruppo P&P Loyal Spa (Joint Venture 47.5%)	3325	1,49,30	—	—	—	—	3325	1,49,30
iv) Cuddalore Sipcot Industries Association	4665	4,67	—	—	—	—	4665	4,67
v) Loyal Dimco Group A.E.B.E. (Joint Venture 50%)	50000	22,60	—	—	—	4,21*	50000	18,39
vi) SIMA Textile Processing Centre Ltd.	20000	2,00	—	—	—	—	20000	2,00
vii) Loyal Textile (UK) Ltd.	2450	1,89	—	—	—	1,89*	2450	
	129948	1,85,41	—	—	—	6,10	129948	1,79,31
GRAND TOTAL	130710	1,86,29	—	—	—	6,10	130710	1,80,19
	31.03.2009	31.03.2008						
Aggregate Cost of Un-quoted investments	1,79,41	1,85,51						
Aggregate Cost of quoted investments	78	78						
	1,80,19	1,86,29						

* Represents provision for diminution in the value of investments

Schedules to Balance Sheet

(Rs. '000)

Particulars	As at 31.03.2009	As at 31.03.2008
SCHEDULE 15 - INVENTORIES (As Certified by Management)		
1. Stores and Spares	5,06,41	4,43,06
2. Stock-in-Trade		
i) Raw Materials	38,38,68	30,33,99
ii) Yarn, Cloth and Garments	29,41,04	26,48,66
iii) Stock in Process	18,91,97	21,52,11
iv) Waste Cotton	30,47	24,49
TOTAL	<u>92,08,57</u>	<u>83,02,31</u>
SCHEDULE 16 - SUNDRY DEBTORS		
a) Exceeding Six Months		
(i) Unsecured - Good	15,55,40	5,83,47
(ii) Considered doubtful	1,37,57	31,76
LESS : Provisions	1,37,57	31,76
	<u>15,55,40</u>	<u>5,83,47</u>
b) Other Debts - Unsecured Good	65,50,51	72,75,00
TOTAL	<u>81,05,91</u>	<u>78,58,47</u>
SCHEDULE 17 - CASH AND BANK BALANCES		
1. Cash and Stamps on hand	19,06	26,34
2. Bank Balances		
a) With Scheduled Banks :		
i) In Current Accounts	1,27,75	90,18
ii) In Deposit Accounts (Deposit Receipts for Rs.22,03,797/- lodged with Bank and are in Margin Money Account)	29,54	2,13,39
TOTAL	<u>1,76,35</u>	<u>3,29,91</u>
SCHEDULE 18 - LOANS AND ADVANCES (Unsecured Good)		
i) Advance recoverable in cash or in kind or for services to be rendered	30,32,30	30,97,50
ii) Deposits with Government Departments	7,46,05	6,09,16
iii) Tax payments pending adjustments	17,45,89	
Less : Provision for tax	14,46,05	2,20,87
TOTAL	<u>40,78,19</u>	<u>39,27,53</u>
SCHEDULE 19 - CURRENT LIABILITIES		
i) Sundry Creditors	31,62,68	44,96,34
ii) Due to Micro and small Enterprises / SSI	--	--
iii) Due to Managing Director	17,73	15,18
iv) Unclaimed Dividend	33,96	26,49
TOTAL	<u>32,14,37</u>	<u>45,38,01</u>

Note : There is no amount due and outstanding to be credited to Investors Education and Protection Fund.

Schedules to Balance Sheet

Particulars	(Rs. '000)	
	As at 31.03.2009	As at 31.03.2008
SCHEDULE 20 - PROVISIONS		
a) Proposed Dividends	--	1,83,45
b) For Provident Funds and other Funds	23,93	20,47
c) Gratuity	70,10	62,29
d) Un availed earned Leave Encashment	23,31	19,80
TOTAL	1,17,34	2,86,01

SCHEDULE 21 - NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

A) The accounts have been prepared to comply, in all material aspects, the generally accepted accounting principles under the historical cost convention, on accrual basis and in line with the applicable accounting standard specified in Companies (Accounting Standard) Rule 2006, the provisions of Companies Act 1956. The disclosure and other requirements under the Micro Small and Medium Enterprises Development Act, 2006 have been considered.

B) Revenue recognition:

i) Sales are recognised when goods are despatched and are recorded excluding Sales Tax and recoveries. There is no Excise Duty collection on sales as the Company has opted out of the duty payment scheme.

ii) Rental Income / Interest income is accounted on accrual basis.

iii) Dividend income on investments / claims are accounted for, when the right to receive the payment is established.

C) Expenditure:

Expenses are accounted for on accrual basis and provision is made for all losses and known liabilities. Cost of Inputs are accounted net of duty concessions availed.

D) Duty Draw Back claims:

i) Duty draw back claims are accounted on completion of exports, on complying with the rules of the scheme governing it. No obligation is attached to this assistance

ii) Sale of import entitlements are accounted on completion of transfer.

iii) Duty portion of capital goods availed against Target plus licences for which no obligation is attached, is recognised under income approach method.

E) Use of estimates:

The preparation of financial statement requires the management to make estimates and assumptions that affect the reported balance of assets and liabilities statement and the reported amount of income and expenses during the year.

F) Fixed Assets and Depreciation :

i) Land including lease is stated at cost except for a portion revalued. Other Fixed Assets are stated at cost less depreciation. The cost include borrowing cost and in respect of imported machinery, the cost include the value portion of customs duty credit availed as granted by the government under export incentive schemes. The Capital subsidy from government is accounted when the right to receive is established and is deducted from the gross value of the respective assets and shown in the fixed assets schedule. Assets under erection are stated at value incurred.

ii) Depreciation in respect of all assets at Loyal division excepting Plant and Machinery has been provided on Written Down value basis at the rates specified in schedule XIV to the Companies Act 1956.

iii) Depreciation in respect of all assets at Valli Division, Processing Division and Plant and Machinery of Loyal division (except as stated specifically elsewhere) has been provided at the rates specified in schedule XIV to the Companies Act, 1956 on straight line basis. Depreciation in respect of all assets at Garment division has been provided on written down value basis at the rates specified in schedule XIV. Rate of depreciation is determined on certain assets as per the internal assessment on the useful life of such assets.

Notes Forming Part of Accounts for the year ended 31st March 2009

(Rs. '000)

Particulars	As at 31.03.2009	As at 31.03.2008
iv) Depreciation in respect of additions / sales has been provided pro-rata from the date of commissioning or till the date of sale as rounded off to the nearest month.		
v). Consequent to the amendment to schedule VI as per notification No. G.S.R. 226(E) Dated 31.03.2009 the increase / decrease in long term liability due to fluctuation in foreign currency in respect of imported Plant and Machinery beyond the date of commissioning is taken to Profit and Loss account. Depreciation has been provided from the date of commissioning. The assets identified as obsolete and held for disposal are stated at their estimated net realisable values.		
G. Foreign Currency Transactions :		
i) Foreign currency transactions are recorded at the negotiated rates prevailing on the dates of transactions. Exchange difference on Foreign Currency Transactions covered by specific forward contracts are recognised over the period of the contract.		
ii) Foreign exchange assets and liabilities are converted at the year end exchange rates. However non-monetary assets ie., investments are stated at the rate prevailing on the date of transaction.		
iii) Exchange differences arising on foreign currency transactions are included in the profit and loss account.		
H. Retirement benefits:		
a) Short term benefits		
The gross amounts are recognized as expense and to the extent unpaid it is recognized as liability.		
Short term compensated absences are provided for based on internal assessment.		
Long term compensated absences are provided for based on actuarial valuation		
b) Post employment benefits		
Provident fund and other funds, being defined contribution schemes, the contributions are charged to the Profit and Loss Account of the year when the contributions, for the covered employees, to the respective government administered funds are due.		
Gratuity, being a defined benefit plan, the defined benefit obligations are provided for on the basis of an actuarial valuation made at the end of each financial year.		
c) Other long term benefits		
Deferred employee benefits/deferred compensation and termination benefits are recognized as an expense as and when incurred. Payments made under the Voluntary Retirement scheme are charged to the Profit and Loss account in the year incurred. Actuarial gains/losses are immediately taken to the Profit and Loss account and are not deferred.		
I. Valuation of inventories		
a) Inventories are valued at lower of cost or net realisable value, cost being ascertained on the following basis.		
i) Stores and spares, raw-materials on weighted average basis.		
ii) Stock-in-process, Finished goods cost includes applicable production overheads.		
iii) Traded goods - Cost at present location and condition.		
b) Obsolete / non-moving Inventories are provided for to the extent of requirement and are stated at net realisable value.		
J. Investment being long term are valued at Cost. Provision for permanent diminution in value is made, when considered necessary.		
K. Taxes on Income - Current Tax is determined on the basis of taxable income for the year. Deferred tax is recognised for all timing differences, subject to the consideration of prudence.		
L. Cash Flow Statement		
i) Cashflow are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future operating cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.		

Notes Forming Part of Accounts for the year ended 31st March 2009

(Rs. '000)

Particulars	As at 31.03.2009	As at 31.03.2008
M. Impairment of Fixed Assets :		
Consideration is given at each Balance Sheet date to determine whether there is any impairment of the carrying amount of the company's fixed assets. Impairment loss is recognised as and when required.		
N. Earnings per share :		
In determining earnings per share, the company considers the net profit after tax and includes the post tax effect on any extra ordinary items. The number of shares used in computing basic and diluted equity shares is the weighted average number of shares outstanding during the year.		
O. Provisions and contingent liabilities :		
The Company creates a provision when there is a present obligation as a result of an event that requires an outflow of resources and a reliable estimate can be made of the amount. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources.		
P. SEGMENT REPORTING :		
SEGMENT INFORMATION :		
a) The company has identified three reportable business segments as primary segments viz:yarn, cloth and garments.		
b) The secondary segment information are identified on the basis of geographical segments viz. Europe, Asia and Others.		
c) The Accounting policies adopted for segment reporting are in line with the accounting policy of the company with the following additional policies for segment reporting.		
i) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Expenses incurred on behalf of other segments and not directly identifiable to each reportable segment have been allocated to each segment on the basis of associated revenues of each segment.		
ii) Pricing for Inter segment transfers have been made, considering the normal internal business reporting system of the company at estimated realisable value.		
iii) Operating assets and liabilities represent assets / liabilities in respective segments.		
2. Estimated amount of Contracts remaining to be executed on Capital Accounts and not provided for	--	5,73,17
3. Contingent Liabilities :		
i) On Account of Bills discounted	30,06,57	40,85,12
ii) Counter Guarantee given to Banks	83,38	9,36
iii) Guarantee to a third party	--	32,98
iv) Claim against the Company not acknowledged as debts	23,22	27,13
v) Disputed Income tax demand not provided for-Appeals filed before Appellate Authorities are pending	2,42,00	2,42,00
vi) Disputed Sales tax demand not provided for	29,45	22,40
vii) Disputed Service tax not provided for	23,08	--
viii) On account of export obligation covered by letter of undertaking	35,11,49	45,18,92
4. The Company has already preferred a petition before the High Court of Mumbai through the Indian Exporters Grievances Forum challenging the validity of the retrospective amendment of the provisions of section 80HHC of the Income Tax Act. The company based on the information given by the legal counsel expects no tax liability and therefore has not made any provision for the sum of Rs. 449 Lakhs. The amount of liability if any arise, relates to earlier years and could be met out of the opening reserves of the Company. The Company has received notices from the Assessing Officer, Tuticorin for the Assessment year 2002-03 and 2003-04 calling for Returns of Income consequent to the amendment to section 80HHC of the Income Tax Act 1961. The Company has since filed Returns of Income and the assessments are pending.		

Notes Forming Part of Accounts for the year ended 31st March 2009

(Rs.'000)

Particulars	As at 31.03.2009	As at 31.03.2008
5. Confirmation of balances have not been received from certain parties.		
6. a) Managing Director's remuneration and perquisites included under the various heads in the profit and loss a/c		
1. Salaries	17,00	12,00
2. Contribution to provident fund - Defined contribution plan	2,04	1,44
3. Contribution to Super annuation fund - defined benefit plan	2,21	1,56
4. Perquisites and other allowances	6,03	4,99
5. Commission	--	14,00
	27,28	33,99
b) Whole Time Director's remuneration and perquisites included under various heads in the Profit and Loss Account.		
1. Salaries	1,45	--
2. Contribution to Provident fund - Defined contribution plan	15	--
3. Perquisites and other allowances	17	--
c) Computation of net profit as per Section 349 read with 309(5) and Section 198 of the companies Act.1956 for Commission payable to the Managing Director		
Net (Loss) / Profit as per profit and Loss Account (Before Tax)	(21,00,97)	7,74,50
In view of the loss incurred, no commission is payable to the Chairman and Managing Director.		
7. Previous Year's figures have been regrouped / reclassified wherever necessary and figures have been rounded off to the nearest thousand.		
8. a) Considering the remaining useful life of certain machinery, the rates of depreciation on straight line is adopted as follows :		
1) On compact conversion machinery of spinning division (upto 2005)	35.00%	35.00%
2) On the addition of Humidification Plant	35.00%	35.00%
3) On certain electrical installations of Building	25.00%	25.00%
4) On the dust collection attachment to Ring Frames added after 2002	95.00%	95.00%
5) On the spectrocolour matching machine	95.00%	95.00%
6) On Interior decorations of office buildings after 2007	35.00%	35.00%
7) On addition of card cans and simplex bobbins (2007 - 08)	33.33%	33.33%
8) Solar heater	95.00%	--
9) Air Receiver	95.00%	--
b) The Company has received a Capital subsidy for Machineries addition at its Processing unit of a sum of Rs. 45.55 Lakhs. There is no obligation attached to the subsidy.		
9. a) The Amount of capital commitments / contingencies incurred in respect of jointly controlled entities NIL		
b) No significant restriction is attached on the investments held outside India.		
c) The Cash and Cash equivalents in the cash flow statement include foreign currency balances, which does not include any amount, which is of restrictive realisability.		
10. In view of the loss incurred, no provision for Taxation is made for the year. Deferred tax liability mainly represent timing difference relating to depreciation of Rs. -9.41Crores (P.Y.Rs. 19.39 Crores) and Deferred asset mainly represent timing difference on account of carried forward depreciation permissible under Income Tax Act 1961 amounting to Rs. 11.76 Crores (P.Y. Rs. 15.30 Crores) The MAT credit available is Rs. 3.62 Crores.		
11. Disclosure regarding Derivative Instruments :		
a) The Company enters into forward contracts and either to hedge its foreign exchange exposure or to reduce costs and not for any speculative purposes. The Company has not entered into any derivative deals during the year and the company has no outstanding derivative exposure as on 31st March 2009.		

Notes Forming Part of Accounts for the year ended 31st March 2009

(Rs. '000)

Particulars	As at 31.03.2009	As at 31.03.2008
b) The net loss incurred by the Company on cancellation of Forward Contracts during the year is grouped under miscellaneous expenditure. As the Company has taken forward cover only for hedging purposes, the Company is not required to mark to market the forward contracts as on the Balance Sheet date.		
12. Earnings per share		
(a) Opening / Closing number of shares	47,04	47,04
(b) Loss / Profit after Tax	(14,13,17)	4,73,50
(c) Earnings per share (Rs.)	(30.04)	10.07
(d) Face value of shares (Rs.)	10.00	10.00
13. Based on the information available with the Company, the principal amount due to Micro and small enterprises on 31.03.2009 is Rs. NIL. There has been no overdue principal amount and therefore no interest is paid / payable.		
14. Employee Benefits:		
(a) The Company has adopted the Accounting Standard (AS) 15 (Revised) from the year 2007.		
(b) Post employment benefits		
Provident fund and other funds		
Being a defined contribution plan, the company makes fixed monthly contributions, in respect of covered employees, to the Government managed funds and the company has no legal obligation to pay any further sum beyond the contribution made towards the claims settled. The company has during the year recognised Rs. 148.71 lacs as expense towards contribution towards these plans.		
(c) Gratuity		
The Company provides for gratuity, a defined benefit plan, covering eligible employees. The provision for the accrued liability as at the balance sheet date is made as per actuarial valuation, using the Projected unit credit method. Based on the valuation the incremental liability is contributed to the gratuity trust. Trustees administer the contributions made, by investing the funds in approved securities. The company has an obligation to make good the short fall, if any, between the contributions and the settlements.		
	Gratuity (Funded Plan)	Gratuity (Funded Plan)
(d) Present Value of the Obligation as on 01.04.2008	3,16,55	2,54,67
Current Service Cost	31,99	24,73
Interest Cost	19,96	18,47
Benefits Paid	(19,22)	(17,15)
Actuarial Loss (gain)	41,38	35,83
Present Value of the Obligation as on 31.03.2009	3,90,66	3,16,55
(e) Reconciliation of changes in the fair value of plan Assets :		
Fair Value of Plan Asset as on 01.04.2008	2,54,25	2,09,63
Expected return / on plan assets	22,11	17,24
Contribution by the Company	62,29	45,04
Benefits Paid	(19,22)	(17,15)
Actuarial gain/(loss)	1,13	(50)
Fair Value of Plan Assets as on 31.03.2009	3,20,56	2,54,26
(f) The total expenses recognised in the profit and loss account is as follows :		
Current Service Cost	31,99	24,73
Interest Cost	19,96	18,47
Expected return on plan assets	(22,11)	(17,24)
Net Actuarial (gain) / loss recognised in the year	40,26	36,33
	70,10	62,29

Notes Forming Part of Accounts for the year ended 31st March 2009

(Rs. '000)

Particulars	As at 31.03.2009	As at 31.03.2008
(g) Reconciliation of Net Liability recognised in the balance sheet		
Net Liability as at the beginning of the year	62,29	45,04
Add : Expenses as (d) above	70,10	62,29
Less : Employers Contribution / Payment	62,29	45,04
	70,10	62,29
(h) Constitution of Plan Assets :		
In Government approved securities / deposits / Bonds	3,20,56	2,54,26
(i) Principal actuarial assumptions used as at the Balance Sheet date :		
Discount Rate	6.50%	7.50%
Salary Escalation Rate	8.00%	8.00%
Attrition Rate	5.00%	5.00%
Expected rate of return on plan assets	7.20%	7.00%
(j) The expected contribution to the defined benefit during the annual period		
Beginning or after the Balance Sheet date	Rs. 70.10 Lacs	Rs. 62.29 Lacs
A) Actual return on plan assets	Rs. 22.11 Lacs	Rs. 17.40 Lacs
(k) The estimates of future salary increases, considered in actuarial valuation, taken into account Inflation, seniority, promotion and other relevant factors such as demand and supply in the Employment market. The expected rate of return on assets are estimated as per the return on government of India bonds.		
(l) Percentage of each category of plan assets to total fair value of plan assets as at 31.3.2009		
a) Government Securities	40.00%	49.00%
b) Bank deposits (Special deposit scheme)	7.00%	9.00%
c) Others / approved securities	53.00%	42.00%

Notes Forming Part of Accounts for the year ended 31st March 2009

15. ADDITIONAL INFORMATION REQUIRED UNDER CLAUSE 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

(Rs. '000)

	Units	31.03.2009		31.03.2008	
		Qty. ('000)	Value Rs.	Qty. ('000)	Value Rs.
1. SALES					
A) Yarn	Kgs.	91,95	128,25,04	92,32	133,34,50
B) Cloth	Mtrs.	2,41,36	119,88,60	2,32,33	111,79,43
C) Hosiery Cloth	Kgs.	89,56	124,61,83	73,69	100,76,82
D) Garments	Nos.	24,99	47,43,03	20,90	43,32,51
E) Cotton waste	Kgs.	15,40	1,84,58	12,05	1,13,49
F) Miscellaneous sales			1,39,09		1,64,22
Total			423,42,17		392,00,97
2. RAW MATERIALS CONSUMED					
i) Cotton, Staple Fibre and cotton waste	Kgs.	1,93,96	133,13,92	1,94,11	122,60,34
ii) Yarn (including excise duty on yarn own consumption)	Kgs.	57,12	68,93,88	51,20	53,98,66
iii) Cloth	Mts.	3,00	1,80,07	2,68	1,79,64
iv) Hosiery cloth	Kgs.	----	71	----	17
v) Dyes (consumed in processing division)	Kgs.	35	2,10,00	40	1,56,59
vi) Reflective band (Consumed in Garments Division)	Mtrs.	7,33	1,47,47	7,42	1,64,57
Total			207,46,05		181,59,97
3. OPENING STOCK OF FINISHED GOODS					
i) Yarn	Kgs.	5,42	6,67,45	2,92	3,65,64
ii) Cloth	Mtrs.	16,30	7,23,92	16,72	8,72,12
iii) Hosiery Cloth	Kgs.	3,37	4,11,87	2,29	2,45,19
iv) Garments	Nos.	6,57	8,45,42	8,07	9,26,19
v) Waste Cotton	Kgs.	2,04	24,49	65	6,74
Total			26,73,15		24,15,88
4. PURCHASE OF ITEMS TRADED/PROCESSED					
i) Yarn	Kgs.	29,52	35,98,53	35,63	42,20,12
ii) Cloth	Mtrs.	2,62	2,73,09	----	----
iii) Hosiery cloth	Kgs.	2,16	2,60,50	----	----
iv) Garments	Nos.	----	----	----	----
Total			41,32,12		42,20,12

Notes Forming Part of Accounts for the year ended 31st March 2009

(Rs. '000)

	Units	31.03.2009		31.03.2008	
		Qty. ('000)	Value Rs.	Qty. ('000)	Value Rs.
5. CLOSING STOCK OF FINISHED GOODS					
i) Yarn	Kgs.	4,51	5,40,43	5,42	6,67,45
ii) Cloth	Mtrs.	20,09	8,11,76	16,30	7,23,92
iii) Hosiery cloth	Kgs.	3,64	4,11,56	3,37	4,11,87
iv) Garments	Nos.	8,22	11,77,29	6,57	8,45,42
v) Waste Cotton	Kgs.	1,66	30,47	2,04	24,49
Total			29,71,51		26,73,15

6. CAPACITY INSTALLED

(As certified by Managing Director)

i) Ring Spindles	Nos.	120,456	125,760
ii) Rotors	Nos.	1,680	1,680
iii) Automatic Looms	Nos.	256	230
iv) Cloth processing	Mtrs.	14,400,000	14,400,000
v) Hosiery Processing	Kgs.	5,400,000	5,400,000
vi) Sewing Machines	Nos.	537	445
vii) Knitting Machines	Nos.	95	71

Note :

Licensed capacity not stated in view of abolition of licensing requirements as per Notification No. 477(E) dt. 25.07.91 of Ministry of Industry, Government of India.

7. ACTUAL PRODUCTION

	Units	Qty. ('000)	Qty. ('000)
i) Yarn (2210316.27 Kgs manufactured by outsiders) (previous year 1368302.52 kgs) of which 19682.20 kgs were processed (previous year 16486 kgs)	Kgs.	1,80,20	1,78,33
ii) Cloth net of shrinkage (including 1759873.00 mtrs by outsiders) (previous year 1416026 mtrs)manufactured by others and NIL Mtrs Manufactured for others) of which 4393445.60 mtrs were processed (Previous year 5014797.52 mtrs)	Mtrs.	2,69,11	2,52,10
iii) Hosiery Cloth (including produced by others) of which 1261264.67 kgs were processed (Previous year 1193104.76 kgs.)	Kgs.	89,06	76,72

Notes Forming Part of Accounts for the year ended 31st March 2009

(Rs. '000)

	Units	31.03.2009		31.03.2008	
		Qty. ('000)	Value Rs.	Qty. ('000)	Value Rs.
iv) Cotton Waste (including loss on reprocessing waste)	Kgs.	48,36		50,66	
v) Garments (including produced by others 750218 Nos.) (previous year 1267111 Nos.) and 29428 Nos. Produced for others (Previous year NIL)	Nos.	26,74		19,41	
8. CIF VALUE OF IMPORTS					
i) Raw Materials (Staple Fibre, cotton, dyes, reflective band)			56,82,59		28,70,59
ii) Capital Goods			15,86,31		40,29,10
iii) Spare Parts			4,75,66		11,34,43
Total			77,44,56		80,34,12
9. EXPENDITURE IN FOREIGN CURRENCY (Equivalent Indian Rupees)					
i) On Account of Travel			10,40		12,93
ii) Commission on export sales			4,03,12		3,98,75
iii) Professional Charges			7,07		5,00
iv) Others			21		7,64
			Value Rs.	%	Value Rs.
10. CONSUMPTION OF RAW MATERIALS					
i) Indigenous		168,63,09	81.28	154,80,66	85.25
ii) Imported		38,82,96	18.72	26,79,31	14.75
Total		207,46,05	100.00	181,59,97	100.00
11. CONSUMPTION OF STORES AND SPARES					
i) Indigenous		17,99,92	69.89	19,56,24	70.47
ii) Imported		7,75,49	30.11	8,19,59	29.53
Total		25,75,41	100.00	27,75,83	100.00
12. Amount remitted in foreign currency on account of dividend					
			Nil		Nil
13. Earnings in foreign exchange					
a) on export of goods, including export through Merchant Exporters calculated on F.O.B. basis.			268,13,29		258,85,73
b) Dividends received			----		72.43

16. PRIMARY SEGMENT REVENUES, RESULTS AND OTHER INFORMATION

(Rs. '000)

	Yarn		Cloth		Garments		Total	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Revenue								
External Sales	134,21,32	140,77,58	255,39,15	221,40,89	50,94,37	46,52,68	440,54,84	408,71,15
Inter-segment transfer			36,62,00	29,61,83			36,62,00	29,61,83
	134,21,32	140,77,58	292,01,15	251,02,72	50,94,37	46,52,68	477,16,84	438,32,98
Results								
Segment Results	2,88,71	10,86,81	(1,94,94)	7,66,65	3,26,50	3,23,91	4,20,27	21,77,37
Less : Unallocated expenses less income							3,08,85	(1,21,43)
Profit from Operations							1,11,42	22,98,80
Interest Expenses							22,12,39	15,24,30
Profit before tax							(21,00,97)	7,74,50
Tax							19,70	1,05,00
Profit after tax							(21,20,67)	6,69,50
OTHER INFORMATION								
Segment Assets	138,46,68	152,32,44	328,84,47	338,29,54	40,48,93	36,08,87	507,80,08	526,70,85
Unallocable Assets							24,36,52	24,73,47
Total Assets							532,16,60	551,44,32
Segment Liabilities	14,20,27	24,20,97	17,32,45	21,00,71	144,10	87,83	32,96,82	46,09,51
Unallocable Liabilities							34,89	2,14,51
Total Liabilities							33,31,71	48,24,02
Segment Capital Expenditure	1,48,02	23,32,33	12,12,36	64,49,92	2,15,48	----	15,75,86	87,82,25
Unallocable Capital Expenditure							3,82,78	(1,90,65)
Total Capital Expenditure							19,58,64	85,91,60
Segment Depreciation	12,40,88	12,17,67	32,17,95	29,32,16	64,35	67,69	45,23,18	42,17,52
Unallocable Depreciation							8,69	8,43
Total Depreciation							45,31,87	42,25,95

17. Secondary Segment - Geographical (Rs.,000)

1. An analysis of the sales by geographical market is given below :

Region	Amount	Amount
	31.03.2009	31.03.2008
Europe	95,90,48	132,96,24
Asia	203,22,39	201,89,57
Others	124,29,30	57,15,16
	423,42,17	392,00,97

2. All fixed assets of the company are located in India
3. Carrying amount of segment assets

4. Carrying amount of segment liabilities

Region	Amount	Amount
	31.03.2009	31.03.2008
Europe	16,52,89	29,54,70
Asia	479,72,69	489,75,85
Others	11,54,50	7,40,30
	507,80,08	526,70,85

Region	Amount	Amount
	31.03.2009	31.03.2008
Europe	35,31	84,14
Asia	32,30,69	32,86,26
Others	30,82	12,39,11
	32,96,82	46,09,51

Notes Forming Part of Accounts
for the year ended 31st March 2009

Notes Forming Part of Accounts for the year ended 31st March 2009

18. RELATED PARTY DISCLOSURES FOR THE FINANCIAL YEAR ENDED 31.03.2009

NAME OF THE PARTY	RELATIONSHIP
1. Shri Teyem Processors Ltd., N. Venkateswarapuram	Substantial interest in Voting Power (48.86%)
2. Uniloyal Expotex Ltd., Chennai	Substantial interest in Voting Power (49%)
3. Loyal Textiles (UK) Ltd	Substantial interest in Voting Power (49%)
4. Gruppo P&P Loyal Spa, Italy	Joint Venture Company
5. Loyal Dimco Group A.E.B.E., Greece	Joint Venture Company
6. Mr. Manikam Ramaswami Chairman and Managing Director	Key Management Personnel
7. Mr. P. Manivannan	Key Management Personnel

(‘000)

i) The name of the transacting related party	Gruppo P&P Loyal Spa Italy	Loyal Textiles (UK) Ltd.
ii) Description of the relationship between the parties	Joint Venture	Substantial Interest in Voting Power
iii) Description of the nature of transactions	Sale of Garments Purchase of Raw Materials	Sale of Knitted Fabrics
iv) Volume of the transactions	Sale value - Rs. 35,57,56 Purchases - Rs. 2,88,28 Commission - Rs. 3.11	Sale value Rs. 8,12,11
v) Purchase of Fixed Assets & Leases	Nil	Nil
vi) Finance (including loans and equity contributions in cash or in kind)	During the year - 2009 Nil As on 31/3/09 - Rs. 1,49,30	During the year - Nil As on 31/03/09 - Rs. Nil
vii) Management contracts including for deputation of employees	Nil	Nil
viii) Any Other elements of the related party transaction necessary for an understanding of the financial statements	Nil	Nil
ix) The amounts or appropriate proportions of outstanding items Pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date	Rs. 13,51,65 Considered good	Rs. 4,10,84 Considered good Considered doubtful Rs. 23,53
X) Amount written back in the period of debts due from or to related parties	Nil	Nil
xi) Dividend Received	Nil	Nil
xii) Guarantee given	Nil	Nil

- Notes :**
1. Mr. Manikam Ramaswami, Chairman and Managing Director is the key management personnel of the enterprise and his remuneration particulars are disclosed in the notes on accounts.
 2. Mr. P. Manivannan Co-Opted as a director on 01/11/2008 is employed on a whole time basis and hence his name has been included. His remuneration particulars are disclosed in the notes on accounts.
 3. There is no transaction with Loyal Dimco Group, A.E.B.E. Greece. Uniloyal Expotex Limited, Chennai and Shri Teyem Processors Ltd., during the year. In respect of Shri Teyem Processors Ltd., the equity contribution is Rs. 2.48 Lakhs as on 31.03.2009 (Rs. 2.48 Lakhs - 31.03.2008). Provision for diminution in value is required for Investment with Loyal Dimco Group A.E.B.E., Greece and Loyal Textiles (UK) Ltd and accordingly Rs. 4.21 Lakhs and Rs. 1.90 lacs respectively is provided during the year.
 4. The information regarding applicable transactions as given in clause 24 of AS 18 is given above.

Balance Sheet Abstract and Company's General Business Profile

(Particulars required under Part IV of Schedule VI to Companies Act, 1956)

I. REGISTRATION DETAILS

Registration No.

0	1	3	6	1
---	---	---	---	---

 State Code No. :

1	8
---	---

Balance Sheet Date

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

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. '000)

Public Issue

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

 Rights Issue

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

Bonus Issue

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

 Private Placement

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. '000)

Total Liabilities

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

 Total Assets

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

SOURCES OF FUNDS

Paid up Capital

4	7	0	4	0
---	---	---	---	---

 Reserves & Surplus

1	0	1	6	7	3	2
---	---	---	---	---	---	---

Secured Loans

3	9	2	0	4	9	7
---	---	---	---	---	---	---

 Unsecured Loans

	4	2	1	9
--	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

3	0	5	5	3	9	1
---	---	---	---	---	---	---

 Investments

1	8	0	1	9
---	---	---	---	---

Net Current Assets

1	9	1	5	0	7	8
---	---	---	---	---	---	---

 Misc. Expenditure

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

Accumulated Losses

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

IV. PERFORMANCE OF COMPANY (Amount in Rs. '000)

Turnover

4	4	2	8	1	9	2
---	---	---	---	---	---	---

 Total Expenditure

4	6	3	8	2	8	9
---	---	---	---	---	---	---

Profit / (Loss) Before Tax

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

 Profit/ (Loss) After Tax

-	1	4	1	3	1	7
---	---	---	---	---	---	---

Earnings per share in Rs.

-	3	0
---	---	---

 Dividend Rate %

0	0
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V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY

(As per monetary terms)

ITEM CODE NO. (ITC CODE) : 5202, 5203, 5204, 5205, 5206, 5207, 5208, 5209, 5210, 5211, 5212, 5301, 5306, 5308, 5309, 5311, 5503, 5504, 5505, 5506, 5507, 5509, 5510, 5511, 5512, 5513, 5514, 6001, 6203, 6204

Major Product Description : Textiles falling within the above Code Nos.

MANIKAM RAMASWAMI
Chairman & Managing Director

K.J.M. SHETTY
S. VENKATARAMANI
R. POORNALINGAM
SHRIDHAR SUBRAHMANYAM
P. MANIVANNAN
Directors

V. PRASANNA
Company Secretary

Vide our Report of even date attached
For **SURI & CO.,**
R. KRISHNAMOORTHY
Partner
Chartered Accountants

Date : 20th May 2009
Place : Chennai.

Date : 20th May 2009
Place : Chennai.

Cash Flow Statement

(Rs. '000)

	31.03.2009	31.03.2008
OPERATING ACTIVITIES		
PROFIT BEFORE TAX	(21,00,97)	7,74,50
ADJUSTMENTS FOR :		
Depreciation	45,31,87	42,25,95
Interest paid	25,06,44	17,58,25
Interest Received	(2,94,05)	(2,33,95)
Dividend Received	--	(72,43)
Investments	1,89	(2,67)
Joint Venture Investment	4,21	8,96
(Profit)/Loss on disposal of Fixed Assets	(65,39)	(3,20,57)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	45,84,00	61,38,04
ADJUSTMENTS FOR CHANGES IN :		
Inventories	(9,06,26)	(13,30,66)
Debtors	(2,47,44)	(26,43,59)
Advances	(36,49)	(9,65,26)
Current Liabilities and Provisions	(5,23,14)	7,29,74
CASH FLOW FROM OPERATING ACTIVITIES	28,70,67	19,28,27
Dividend Receipts	0	0
Interest Receipts	2,74,62	2,32,09
Income tax (Paid)/Refund	(98,67)	(1,59,21)
NET CASH FLOW - (A)	30,46,62	20,01,15
INVESTING ACTIVITIES		
Payments for Assets acquisition	(27,90,45)	(72,35,33)
Proceeds on Sale of Fixed Assets	1,32,00	4,15,62
Dividend received from Joint venture	--	72,43
NET CASH FLOW - (B)	(26,58,45)	(67,47,28)
FINANCING ACTIVITIES		
Interest paid	(20,16,10)	(23,45,34)
Borrowings		
Raised	43,94,44	100,36,11
Repaid	(27,36,62)	(27,84,53)
Dividend paid	(1,83,45)	(1,83,45)
NET CASH FLOW - (C)	(5,41,73)	47,22,79
NET CASH INFLOW / (OUTFLOW)	(1,53,56)	(23,34)
OPENING CASH AND CASH EQUIVALENTS (D)	3,29,91	3,53,25
CLOSING CASH AND CASH EQUIVALENTS (E)	1,76,35	3,29,91
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,53,56)	(23,34)

MANIKAM RAMASWAMI
Chairman & Managing Director

K.J.M. SHETTY
S. VENKATARAMANI
R. POORNALINGAM
SHRIDHAR SUBRAHMANYAM
P. MANIVANNAN
Directors

V. PRASANNA
Company Secretary

Vide our Report of even date attached
For **SURI & CO.,**
R. KRISHNAMOORTHY
Partner
Chartered Accountants

Date : 20th May 2009
Place : Chennai.

Date : 20th May 2009
Place : Chennai.

LOYAL TEXTILE MILLS LIMITED

Registered Office :
21/4, Mill Street, Kovilpatti - 628 501.

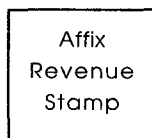
PROXY FORM

Ledger Folio No. / Client Id :

I/We of
in the district of being a member / members of
LOYAL TEXTILE MILLS LIMITED hereby appoint of
..... in the district of or failing him
of in the district of as my / our Proxy, to attend and vote
on my/our behalf at the Sixty Third Annual General Meeting of the Company to be held
at 9.45 a.m. on Wednesday, 2nd day of September 2009 and at any adjournment thereof.

Dated this day of 2009.

Signed by the said



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NOTE : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.
