



# NOFULLSTOPS

Shri Lakshmi Cotsyn Limited

22nd Annual Report 2009-10





## Forward Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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At Shri Lakshmi Cotsyn Limited (SLCL), our world is

# WIDENING

We are expanding capacities, diversifying into multiple business verticals, anticipating and fulfilling the needs of a growing list of national and international clientele.

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The result is that SLCL is today one of the fastest growing Indian conglomerates, a multi-product and multi-market player, harmonizing expertise, resources, opportunities and engineering excellence.

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From research-driven textile products to armoured vehicles and other defence solutions to exciting forays in retail and power sector we have witnessed ceaseless evolution and progression.

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And going forward, we would accelerate this momentum to create differentiated value for our stakeholders.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dr. M.P. Agarwal**, *Chairman cum Managing Director*  
**Mr. Pawan Kumar Agarwal**, *Joint Managing Director*  
**Mr. Devesh Gupta**, *Dy. Managing Director*  
**Mr. Dileep Bajaj**, *Executive Director*  
**Mrs. Sharda Agarwal**, *Executive Director*  
**Mr. R. K.Garg**, *Independent Director*  
**Dr. G.N. Mathur**, *Independent Director*  
**Dr. J.V.Rao**, *Independent Director*  
**Mr. S.K. Mangol**, *Independent Director*  
**Mr. K.D. Gupta**, *Independent Director*  
**Mr. Ram Sharan Srivastava**, *Independent Director*

## COMPANY SECRETARY & FINANCE CONTROLLER

**Mr. Rakesh Kumar Srivastava**,

## PRESIDENT WORKS

Mr. B.L.Garg

## STATUTORY AUDITORS

M/S Pradeep & Associates  
*Chartered Accountants*  
 27/78 A, Gagan Deep Complex,  
 Birhana Road, Kanpur-208001  
 Ph. No. (0512)- 2313665

## INTERNAL AUDITORS

M/S Ajai Shanker & Company  
*Chartered Accountants*  
 112 / 206-A, Swaroop Nagar,  
 Kanpur-208002  
 Mob. No. 09839211408

## COST AUDITOR

Mr. A.K.Srivastava  
 96 Harjender Nagar, Kanpur-208007  
 Mob. No. 09839116989

## SECRETARIAL AUDITOR

Mr. Sarvesh S. Srivastava  
 117/ Q / 454, 209, Indrapuri  
 Sharda Nagar, Kanpur-208025  
 Mob. No. 09839084865

## LEGAL ADVISOR

Mr. Naresh Kumar Srivastava  
*Advocates*  
 96/18, Sri Nivas Garden,  
 Colonelganj, Kanpur-208001  
 Mob. No. 09335503942

## P. R. ADVISOR

Adfactors Pr Pvt. Ltd.  
 Shalaka Maharshi Karve Marg,  
 Cooperage, Mumbai-400021  
 Ph. No. (022)- 22813565

## BANKERS

1. Syndicate Bank
2. Bank Of Baroda
3. Central Bank Of India
4. Union Bank Of India
5. Canara Bank
6. Punjab National Bank
7. State Bank Of Patiala
8. Allahabad Bank
9. Indian Bank
10. I D B I Bank Ltd.
11. Exim Bank
12. State Bank Of Patiala
13. State Bank Of Travancore
14. Saraswat Co-Operative Bank
15. State Bank Of Mysore

## OVERSEAS BANKERS

1. PNB International Ltd., London
2. Canara Bank, U.K.



**REGISTERED OFFICE**

19/X-1 Krishnapuram  
G.T Road, Kanpur, U.P.-208007  
Ph. No. (0512)-2401492, 2402893

**CORPORATE OFFICE**

C-40, Sector-57, Noida. U.P.  
(0120)-4544780

**SUBSIDIARY COMPANIES****1) SLCL Overseas (Fzc)**

Saif Zone P.O.8000, Sharjah, U.A.E.

**2) Shri Lakshmi Defence Solutions Ltd.**

Rahsoopur Gate No. 133, Tehsil Bindki,  
Industrial Area, G.T.Road, Distt. Fatehpur

**3) Shri Lakshmi Nano Technologies Ltd.**

19/X-1, Krishnapuram, G.T.Road, Kanpur

**REGISTRAR & TRANSFER AGENTS**

M/S Abhipra Capital Ltd.  
Gf-58-59 World Trade Centre,  
Barakhamba Lane, New Delhi  
Ph. No. (011)-23414629, 23413893

**UNITS****(A) Aung Unit**

P.O.Aung, Gt Road, Dist. Fatehpur, U.P.  
Ph. No. (05181)-251184 / 48

**(B) Malwan Unit**

Upsidc Industrial Area  
P.O. Malwan Dist. Fatehpur, U.P  
Ph. No. (05181)-248669

**(C) Abhaypur Unit**

PO Ashapur, Abhaypur, G. T. Road  
District- Fatehpur (U.P.)

**(D) Noida Unit**

C-40, Sector-57, Noida  
Ph. No. (0120)-4722700

**(E) Roorkee Unit**

Dev Bhoomi Industrial Estate,  
Village Banta Kheri, Tehsil Roorkee,  
District Haridwar, Uttaranchal  
Ph. No. (01332)-231961

**(F) Sonapat Unit**

Village-Libaspur, District- Sonapat, Haryana  
Ph. No. (0130)-2381579

**WEBSITE**

www.shrilakshmi.in

**E-MAIL ID**

shri@shrilakshmi.in

**CORPORATE IDENTITY NUMBER (CIN)**

L17122UP1988PLC009985

**DEMAT ISIN NSDL & CDSL.**

INE851B01016

**LISTING**

**Bombay Stock Exchange**, Floor 25, P.J. Towers,  
Dalal Street, Mumbai-400001  
Ph. No. (022) – 2272134

**National Stock Exchange**

5th Floor, Exchange Plaza,  
Bandra (E), Mumbai-400051  
Ph. No. (022)- 26598100

**U.P.Stock Exchange**

“Padam Tower”, Civil Lines, Kanpur-208002  
Ph. No. (0512)- 2338220

**Singapore Stock Exchange**

2, Shenton Way # 19-00,  
SGX Centre 1, Singapore-068804

**SCRIP CODE**

**BSE:** 526049


**NSE:** SHLAKSHMI

**BLOOMBERG CODE**

SLCL IN

**REUTERS CODE**

SHLK.BO



Our innovative textile products  
vindicate our futuristic

# VISION

We ushered in innovation, cutting-edge technical expertise and superior craftsmanship to create a rich product mix in a largely matured Indian textile market.

We manufacture home furnishing products, denim fabric, terry towels, bed linen, cotton fusible interlining, embroidered fabric, technical textile products and ballistic products.

As an approved vendor of India's defence establishments, we manufacture Nuclear bio-chemical textiles, high altitude fabric, bullet-proof jackets, bullet-proof helmets, camouflage fabrics, uniform fabric, MSCN fabric and carbon fabric for Indian defence establishments.



## Products developed in 2009-10

**1. Black-out fabric:** The fabric shall be widely used for curtains. It has layers of carbon that block the lights completely, resulting in lower energy consumption and room protection from sunlight.

**2. Flex fabric:** The fabric is widely used in all Out of home (OOH) advertisements. We have developed this fabric in such a way that it can be utilised to produce water tanks.

**3. Nuclear Bio-chemical (NBC) Fabric:** The fabric has been made for the defence sector to safeguard soldiers from nuclear or chemical warfare.

**4. Multi-Spectrum Camouflage Net (MSCN) fabric:** It is a specialised type of fabric that will make the soldiers and arms/ammunitions indistinguishable to naked eye, thermal, infra-red imaging and even to radar imaging.





Our protected armoured vehicles represent  
a major growth

# CATALYST







SLCL has forayed into the development of protected armoured vehicles, leveraging its competence in developing bullet-proof jackets and helmets. Shri Lakshmi Defence Solutions Limited (SLDSL), a wholly owned subsidiary of SLCL, has developed expertise in the design and manufacture of armoured vehicles and mine protected vehicles (MPV). These are unique vehicles with bulletproof and blast-proof capabilities. SLDSL has developed the vehicles after acquiring the basic engineering skills and armouring techniques through its 3 years of R&D. SLDSL imports chassis from the Ford Motor Company, General Motors and also from Ashok Leyland. The entire vehicle is fabricated with latest safety and communication systems by armouring.



SLCL has developed four vehicles: DHRUV – ATC (armored troop carrier), DRONA – MPV (blast and mine protection vehicle), VIPER (a fast moving attacking vehicle) and SHERPA MK7.

**DRONA:** A mine explosion protection vehicle creates the maximum distance and protection between the seat of a cabin and mine explosion. The front fenders and the hood are attached to the chassis to reduce the shock against blast, transmitted to the cabin. The front wheel base, located forward of the crew cabin and when selected a 'V' shape-armoring cell protects the rear wheels, so that if a mine detonates under the wheel, the burst of explosion is diverted outwards, minimizing damage to the crew cabin.

It has bagged orders for the supply of four specialized mine protection vehicle, totalling Rs.40 mn from the Nepal government under the UN mission. Going forward, we expect order for 100-300 vehicles over the next three years. This business, being margin-accretive, would significantly boost the Company's financial performance.

**VIPER:** A fast moving attacking armored vehicle with four side doors, a single rear luggage door, rotating turret and cross-country run flat tyre, a pick up van style for additional and heavy artillery payload. This vehicle carries a total crew complement of six, and is armoured to exceed the European B7+ armour.



**DHRUV:** A patrol vehicle for police forces to tackle problems in urban areas. It has comfortable seating arrangements for a fully equipped response team of 10 to 12 people and is based on the Ford F550 American chassis. The special air-conditioning vehicle with working space, rotating turrets and exceptionally viewing large armoured glass has been developed on Indian right hand drive chassis with a B4 protection level, which can be also upgraded to B7, with run flat tyres and an excess payload of four tons (post armouring), enjoying 95 kilometers per hour speed.





**SHERPA MK7:** The SHERPA MK7, SLDSL latest version of its APC is configured to carry a tactically equipped crew of up to 10 persons. The vehicle is fitted with four side doors and either a single rear door or 30-70% double rapid deployment doors. Mounted on the F550 chassis, repair and spare parts are available in Ford Motor Company globally. The SHERPA is armoured to the NATO STANAG 4569 level 3, which exceeds the CEN European B7 armour level. With its hollow cavity walls filled with special blast protective materials, the side armour provides excellent protection against side load IEDs. In addition to its frontal armour, the firewall provides a second armoured wall to protect the driver and front passenger from a frontal attack. The floor is also protected from blast and the payload, even after such superior armoured, is over 1,134 kg.

## Highlights 2009-10

Partnership with M/s. Glow Trade, Malaysia for the manufacture, assembly and supply of bomb and mobile jammers (expected market potential of around 100-200 crores)

Received order from Nepal Government to supply four specialized mine protection vehicles

Manufactured Extreme Cold Weather Equipment (placed at minus 40-50 degree centigrade) for Indian Armed Force in joint co-operation with ITC Austria

Agreement with M/s. Ukrainmash Company for supply of 104 APCs worth Rs. 500 crores to Indian Army

Production of the lightest bullet-proof jacket, in consultation with M/s. Raifel USA, especially meant for Naxalite area



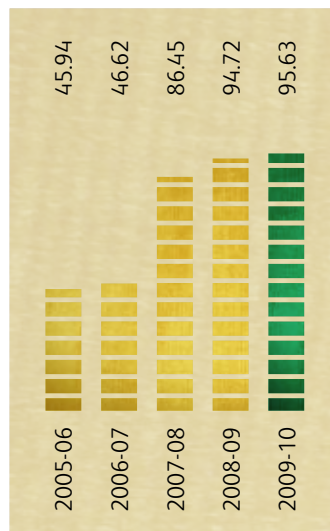
# OUR ROBUST FINANCIAL PERFORMANCE DEMONSTRATES THE RESILIENCE OF OUR BUSINESS MODEL

**Net sales** (Rs crores)



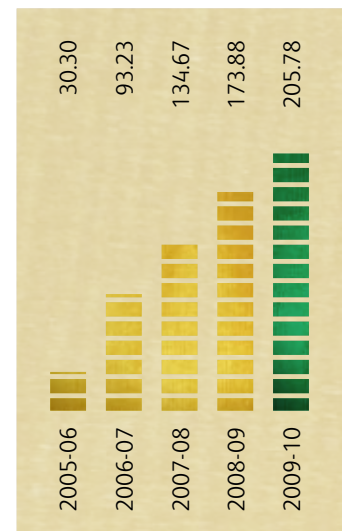
5 year CAGR **34%**

**Export sales** (Rs crores)



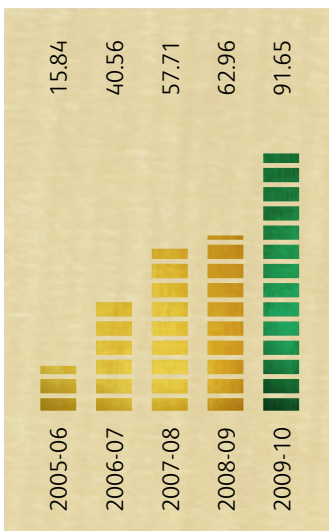
5 year CAGR **16%**

**EBIDTA** (Rs crores)



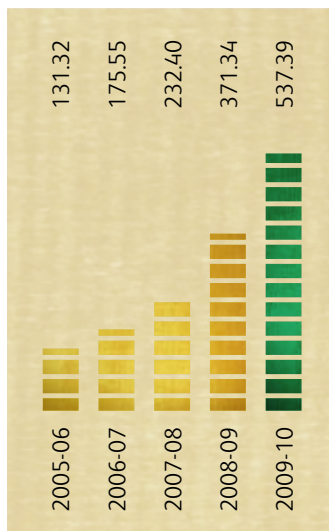
5 year CAGR **47%**

**PAT** (Rs crores)



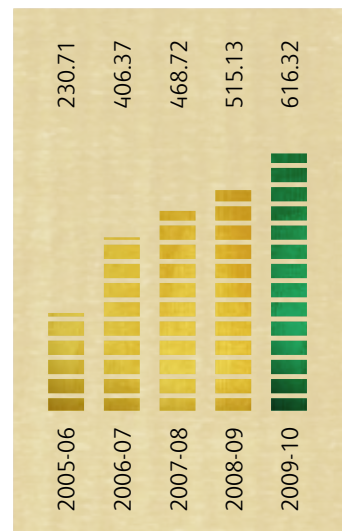
5 year CAGR **42%**

**Net worth** (Rs crores)



5 year CAGR **33%**

**Net fixed assets** (Rs crores)

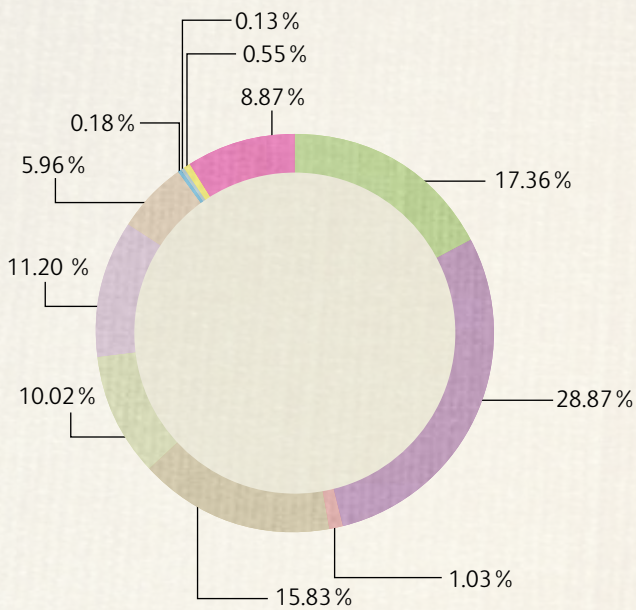


5 year CAGR **22%**

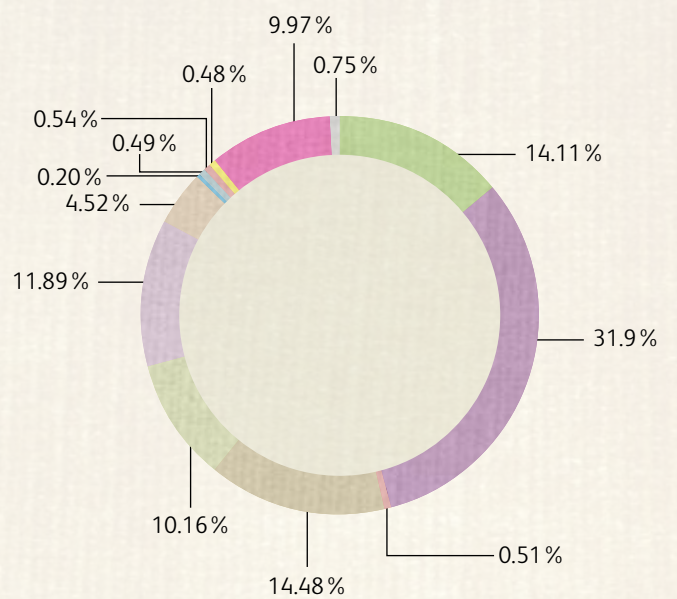




Divisional revenue share 2008-09



Divisional revenue share 2009-10







- Suiting/shirting
- Technical textile fabric
- Embroidery fabric
- Denim
- Terry towel
- Home furnishing
- Bottom weight
- Quilted fabrics
- Garments
- Comforters
- Misc Sales
- SLCL Overseas (subsidiary)
- SLDSL (subsidiary)

## Key highlights of 2009-10

Declared a dividend of 30% on equity shares

Increased paid-up capital to Rs. 19,96,34,050 following conversion of warrants of the promoters and non promoter group and FCCB conversion

Opened a marketing office in USA

Increased number of MBOs to 1050

Qualified for the technical bid floated by the Indian Army for supply of multi-spectrum camouflage net amounting to Rs. 200 crores under joint venture with Glow Trade, Malaysia

Launched 'Do You Fit In' (DYFI) brand for readymade garments

Increased production batch size for lower production cost, lower waste and higher realisation

Achieved 67 bps reduction in energy cost as a proportion of total manufacturing expenses

Set up a new in-plant R&D centre

# TO KNOW US BETTER IS TO UNDERSTAND OUR PERSPECTIVE AND IDENTIFY OUR PRIORITIES

Established in August 1993 by Dr M P Agarwal, a renowned cost accountant-turned-industrialist, SLCL commenced fabric production with a modest 6 mmpa capacity. The priority then was to achieve excellence through innovation in product manufacture. Over the years, our capabilities and market penetration have expanded, although the priority has remained the same.

Headquartered at Kanpur, SLCL now possesses six manufacturing facilities at Malwan, Aung, Abhaypur, Noida (Uttar Pradesh), Roorkee (Uttarakhand) and Sonapat (Haryana). We possess a strong retail presence through multi branded outlets (MBO). Our umbrella of brands includes Star Track, SVL, Alisha, Weaves and DYFI. We are listed on the BSE, NSE, SGX (Bonds) and the UP Stock Exchange.



89.95 mn meters  
annually

Our total installed manufacturing capacity for various fabrics

6.6 mn pcs. annually

Our total installed manufacturing capacity for garments

1050+

MBOs

Rs. 625 crores

Orders in hand

43.67%

Promoter's holdings

30%

Dividend per share on equity shares



# Existing capacities

1993-2009

<p>► <b>Suiting/shirting</b></p> <p>Since 1993 6 mn mtrs</p> <p>► <b>Quilted fabric</b></p> <p>Since 1995 0.4 mn mtrs</p> <p>► <b>Embroidery fabric</b></p> <p>Since 1998 0.8 mn mtrs</p> <p>► <b>Fusible interlining fabric</b></p> <p>Since 1999 10.0 mn mtrs</p> <p>► <b>Technical textile fabric</b></p> <p>Since 2006 6 mn mtrs</p> <p>► <b>IRR/MSCN fabric</b></p> <p>1.25 mn mtrs</p> <p>► <b>Denim</b></p> <p>20 mn mtrs</p> <p>► <b>Comforters</b></p> <p>3,00,000 pcs per annum at Noida</p>	<p>► <b>Home furnishing</b></p> <p>5 mn mtrs</p> <p>► <b>Bottom weight</b></p> <p>6 mn mtrs</p> <p>► <b>Terry towel</b></p> <p>3,000 tons</p> <p>► <b>Wider width fabric</b></p> <p>12 mn mtrs</p>	<p>► <b>Garment</b></p> <p>project 6.6 mn pcs at Rorkee</p> <p>► <b>Spinning unit</b></p> <p>35,000 spindles</p>
<p>► <b>Since 1999</b></p> <p>12 mn mtrs</p> <p>► <b>Since 2002</b></p> <p>18 mn mtrs</p> <p>► <b>Since 2005</b></p> <p>24 mn mtrs</p>		



## Future expansion / diversification projects capacity p.a.

<p>▶ <b>Terry towel</b> 15,000 tons to be commissioned by 30.11.2010</p>	<p>▶ <b>Denim</b> 40 mn mtrs expected commission date 30.09.2011</p>	<p>▶ <b>Wider width fabric</b> From 12 mn mtrs to 30 mn mtrs expected commission date 30.09.2011</p>	<p>▶ <b>Spinning unit</b> 150,000 spindles expected commission date 30.06.2012</p>	<p>▶ <b>Technical textile fabric</b> from 6 mn mtrs to 64.5 mn mtrs expected commission date 31.12.2011</p>
<p>▶ <b>Fusible interlining Fabric</b> 12.5 mn mtrs expected commission date 30.09.2011</p>	<p>▶ <b>Flex Fabric</b> 17 mn mtrs expected commission date 31.12.2011</p>	<p>▶ <b>NBC Fabric</b> 10 mn mtrs expected commission date 30.09.2011</p>	<p>▶ <b>Black-out Fabric</b> 20 mn mtrs expected commission date 30.09.2011</p>	<p>▶ <b>IRR/ MSCN Fabric</b> 5 mn mtrs expected commission date 31.12.2011</p>

# PRODUCTS MANUFACTURED ACROSS OUR SIX UNITS



## Products

Denim Fabric, Bottom Weight Fabric, Wider Width Fabric, PU Coated Nylon Fabric, Home Furnishing and Bed Linen.

## Unit

Malwan, Uttar Pradesh

## Products

Blended Suiting and Shirting, Cotton Fusible Interlining, Camouflage Uniform Fabric, Technical Textile Fabric which consists of PU Coated Nylon Fabric, Fire Retardant Fabric, Water Proof Fabric, NBC Fabric, Breathable Fabric, and Camouflage Printed Fabric.

## Unit

Aung, Uttar Pradesh

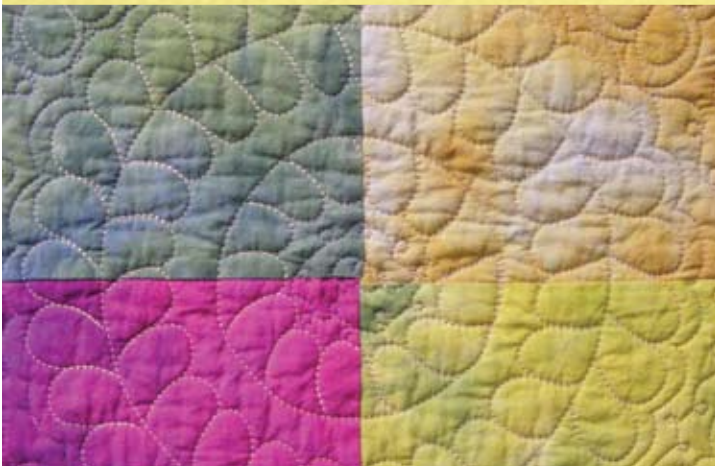


## Products

Embroidery and Lace Fabric, Quilted Fabric

## Unit

Sonepat, Haryana







**Products**

Comforters, Quilted Fabrics

**Unit**

Noida

**Products**

Denim Jeans, Cotton Casual Trousers, Men's Knitted Shirts and T-Shirts, Ladies Fashion Wear

**Unit**

Roorkee, Uttarakhand



**Products**

Terry Towels

**Unit**

Abhaypur, Uttar Pradesh



We also manufacture zippers. Our safety textiles comprise bullet proof jackets, coat combat, sleeping bags, IR camouflage nets, ballistic body armour, bullet proof helmets and web equipment.

# OUR STRENGTH IS EMBEDDED IN THE VALUE THAT WE CREATE



- We are integrated across all verticals from yarn manufacture, dyeing to garmenting and retail
- Among India's top ten textile manufacturers
- Market leader in the fusible interlining with 35% -plus market share in organized sector
- Largest product offering in the textile industry
- Innovative products like eco-friendly textiles for the health conscious, vitamin E enriched bed sheets, water repellent bed sheets, mosquito repellent bed sheets, bacteria repellent bed sheets and stain free bed sheets
- Large domestic and international client base
- Environment friendly and technologically efficient processing systems and machinery, in-house chemical auxiliary unit and 15.2 MW rice-husk based captive co-generation power plants, resulting in optimum resource utilisation





- Advanced TQM methodologies to deliver consistent and internationally benchmarked quality standards
- Strong R&D cell for advanced testing laboratories and managed by a 50-member strong team
- Exclusive copyrighted designs created by the design team reflecting the design excellence
- Reputed brands (Star Track, SVL, Weaves and DYFI) catering to multiple consumer segments
- Extensive marketing and distributor network to enhance reach
- Experienced management team, headed by Dr. M. P. Agarwal (M.Com, FICWA, Ph.D.)



# DIVERSE CLIENTELE, GLOBAL FOOTPRINT, ENDURING BRAND APPEAL



## India

Indian Navy, Indian Air Force, Ordnance factories, Ordnance parachute factories, Ordnance clothing factories, Central Paramilitary forces, State police forces, Indian Railways, Indian Army and 40 Distributors Pan India

## USA

Springs Global, Sunham, JC Penney, Cyprus, Shopco, Scent-Stations

## Canada

Walmart, Loblaws and HBC

## Sweden

Ikea, New Wave

## Hong Kong

Li & Fung

## South Africa

Edgers

## Italy

Frette

## Greece

Eterny

## Columbia

Sobelwesley

## Brazil

MRC

## U.K.

L Whitaker & Sons (1983) Limited, Lantex Manufacturing Co. Limited.

## Portugal

ACL Impex Lda

## Spain

El Corte Ingles, Hepa



# OUR MAJOR BRANDS



## Star Track

Launched in 1997 offering 40 varieties of fusible interlining (with zero shrinkage), used in collars, cuffs, shoes, dolls and in other clothing accessories.



## SVL

Launched in 2008, offering 180 shades of zippers for gents and ladies garments, bags and luggage



## Galaxy

Launched in 1997, offering wide range of clothing accessories.



## Weaves

Launched in 2008, offering home furnishing items like value-added bed sheets, bed covers to terry towels, pillows, cushions, comforters, table covers, accessories and innovative bed sheets, which are water repellent, vitamin-E enriched, bacteria-free and mosquito repellent.



## Alisha

Launched in 2000, offering multiple embroidery range.



## DYFI

Launched in 2010, offering garments that are stitched through technology driven machines.





## ENVISIONING TOMORROW

Dear friends,

At Shri Lakshmi, we often talk at length about our unsurpassed growth strategy and how we are sustaining that growth momentum. But we seldom ask ourselves one simple, but fundamental question: 'Is there any deeper purpose behind this strategy? Any definite plan, of which multi-sectoral growth is just the outward expression or affirmation?'

I would like to take this opportunity to answer this question unambiguously; so that you can understand our priorities better and see our road ahead clearer. From a very modest beginning, we have reached a stage in our corporate existence, when we cannot be just identified as a textile player. We have not restricted our vision in the domain of textile or value-added technical textile products for that matter. We have reinforced our footprint in defence solutions, and even foraying into the power sector. The purpose is not just enhanced visibility, but to understand global market forces better and to create products

and solutions that fulfil the needs of today and tomorrow in line with evolving socio-economic scenario. For example, rising trends of insurgency and terrorism in India have enhanced the demand for sophisticated defence solutions and SLDSL has risen to the challenge by producing cutting-edge defence solutions that have found overwhelming response from the police forces.

In a post-recessionary global economy our deep-rooted belief — that companies today must harmonise performance with social commitment — is resonating more than ever before. This has important implications for different stakeholders: for consumers and shareowners this translates into creating enhanced value, both economic and social, through trusted brands; for governments and the general public, it translates into responsibility. All businesses have a responsibility to the communities in which they operate, to the consumers they serve and to the planet whose resources they use. So the big story at





At SLCL, our order book has increased substantially over the years, thanks to our quality excellence and focus on continuous innovation.

SLCL is not just growth; but well-coordinated, focussed growth, keeping in mind what is relevant for today and for tomorrow.

#### FINANCIAL PERFORMANCE

The most visible sign of corporate success is revenue growth. At SLCL, we have registered an attractive growth in revenues. Apart from increasing revenues from the regular textiles business, our revenues from the value-added products in the technical textile segment also increased, comprising around 33% of the total revenues. Our topline increased 33%, post-tax profit grew 46% with strong operating margins of around 15%.

#### EXPANSIONS

At SLCL, our order book has increased substantially over the years, thanks to our quality excellence and focus on continuous innovation. The result is that, we have consistently been operating at near-peak capacities. To cater to this additional demand, we chalked out a further expansion plan of Rs. 992 crores for multiple verticals. Out of this, Rs. 510 crores shall be earmarked towards expanding the capacities of denim fabric from 20 mn mtrs to 40 mn mtrs and wider width fabric from 12 mn mtrs to 30 mn mtrs. The balance Rs. 482 crores shall be utilised towards the expansion of technical textiles from 6 mn mtrs to 64.50 mn mtrs. The Central Bank of India has underwritten the entire term loan of Rs. 693 crores out of the total Rs. 992 crores project. The balance shall be funded through the Promoters' fund and public funding (through private equity or FCCB issue). However, in view of early implementation of project, Central Bank of India is also arranging equity funding.

#### DIVERSIFICATIONS

As part of our diversification initiatives, through our group companies, we are coming up with a 300 MW thermal power plant near Raipur in the state of Chhattisgarh involving Rs. 1,800 crore investment. We have signed an MoU with the Government of Chhattisgarh. We have acquired a required land for the project and in process to arrange raw materials sources and obtain environmental clearances. Post commencement of the power plant, we plan to venture into cement manufacture by utilising the fly-ash generated from the power plant. We shall also look into the possibilities of sponge iron manufacture, as the power would be readily available. We have already applied for registration of 5 MW Solar Power Generation project in Rajasthan at an investment of Rs. 90 crores.

#### OPPORTUNITIES IN THE DEFENCE SECTOR

The Ministry of Defence has floated tenders worth Rs. 12,000 crores under the Defence Procurement Procedure (DPP) plan 2009-10 to acquire a wide range of defence products. The defence industry in the past was dominated by the government run public sector undertakings. This scenario has changed significantly with the Ministry of Defence (MOD) providing license to private enterprises to manufacture selective defence products. Leveraging this policy, we have tried to reinforce our presence in the manufacture of multiple defence solutions, such as air defence systems, armoured vehicles and bullet-proof products. We have tied up with leading defence Government undertaking, BEML, for armouring of 300-400 nos., of armored vehicles per annum.

## Environment protection and social responsibility are deeply ingrained in our corporate credo.

### KEY INDUSTRY CHALLENGE AND OUR RESPONSE

Cotton yarn represents the Company's key raw material to make fabric, which is further processed to make value-added products. Recently, the cotton prices suffered considerable volatility, owing to supply concerns and rising Asian demand. According to the International Cotton Advisory Committee, global cotton consumption is expected to increase in the coming years, with China and India, accounting for most of the demand. This will also result in spiralling price rise. In response, we backward integrated and set up a small plant consisting of 10,000 spindles at our existing set up at Malwan. Besides, we also acquired 25,000 spindles on job work at Fatehpur from U.P. State Cooperative Federation Limited. Going forward, we expect to set up 1.5 lacs spindles to meet our captive requirements of quality yarn.

### ENVIRONMENT AND SOCIAL RESPONSIBILITY

Environment protection and social responsibility are deeply ingrained in our corporate credo.

SLCL's concern for the environment is reflected in the following initiatives: in-campus greening; encouraging judicious use of natural resources; recycling; pollution control to ensure clean air and water; and reduction of landfill wastes. We have also developed 30 acres of land for organic product development.

We ensure healthy working environment and proper housing and medical facilities for our people. We adhere to strict labour compliance to all working conditions and benefits as directed under Indian Labour laws.

### PARTING THOUGHTS

I started my discussion by focusing on business growth with a purpose, and I will conclude the discussion on the same note. At SLCL, we believe what's right for society is right for business. It is a belief to which we are deeply committed. Businesses cannot create supreme value locally or globally without an underpinning of integrity and responsibility. We will continue to chart our future course of action based on this fundamental value system, seeking the encouragement and support of all stakeholders.

Finally, I would like to put on record my sincere appreciation towards all the stakeholders, be it bankers, shareholders, customers, suppliers and the employees for the continuing faith and confidence that they have reposed on us. We are confident that with their continued support, co-operation and guidance the Company will excel to achieve new landmarks in future.

Warm Regards

Dr. M.P. Agarwal

Chairman and Managing Director



# AT THE CUTTING-EDGE OF RESEARCH



- SLCL's R&D capabilities have successfully developed a plastic chip for the smart-vest to help general public at large to monitor their blood pressure, ECG, fatigue test etc. and also to monitor soldier movements in the battlefield. The smart vest would be wearable, washable and use integrated flexible sensors with RFID technology. The device would monitor not just physical movements, but also determine fatigue, stress, heart conditions and blood pressure. The Company's efforts are being supported by Dr. G.N. Mathur at Arkansas University, U.S.A.
- The RHA (Rice Husk Ash) is a burnt ash from boiler fuel. The R&D department is seeking ways to extract precipitated silica from the waste which is normally thrown out and used in land filling. The utilisation of RHA is also a step towards environment support.



# PROFILE OF THE BOARD OF DIRECTORS



## 1. Dr M P Agarwal, Chairman & Managing Director

The guiding force behind the stupendous rise in the company's turnover over a 17 years time frame. Experienced professional [Qualified Cost Accountant (FICWAI) and Doctorate in Textile costing (PhD)] turned entrepreneur with over three decades of experience.



## 2. Mr Pawan Agarwal, Joint Managing Director

Responsible for production, quality controls and marketing.



## 3. Mr Devesh Gupta, Deputy Managing Director

Chemical Engineer with 27 years experience, looking after technical part.



## 4. Mr Dileep Bajaj, Executive Director

Has more than 32 years of experience in Project & Financial Management especially in Textile Industry, looks after Corporate office at New Delhi.



## 5. Mrs Sharda Agarwal, Promoter Director

Actively involved in the business of the Company and plays important role in management policy of the Company.



## 6. Mr S K Mangol, Independent Director

A textile technologist with over 40 years experience in the textile industry.



## 7. Prof (Dr) G N Mathur, Independent Director

An eminent senior scientist and has been the Ex-Director, Defence Materials and Stores Research and Development Establishment (DMSRDE), Post Graduate in Chemical Engg. from Canada university and Doctorate in Engg. From University of Detroit, U.S.A. Presently associated with the University of Arkansas, U.S.A. and is working on Nano Technology and its application in Textiles to manufacture Smart Textiles.



## 8. Mr R K Garg, Independent Director

A Management graduate with over 30 years of experience. Has worked with DLF & DCM Shriram.



## 9. Dr J V Rao, Independent Director

Director in Northern India Textile Research Association (NITRA) Ghaziabad with 30 years of experience in Textile Technology. He is contributing in growth and development of Technical Textiles.



## 10. Mr. K D Gupta, Independent Director

A retired IRS Officer, Ex. Administrator U.P. Stock Exchange Association Limited, Worked in various capacities in Income Tax Deptt. in Gujarat, M.P. , New Delhi and Uttar Pradesh, Worked as Under Secretary in U.P.S.C., Ex-Director (Investigation) CBDT.



## 11. Mr Ram Sharan Srivastava, Independent Director

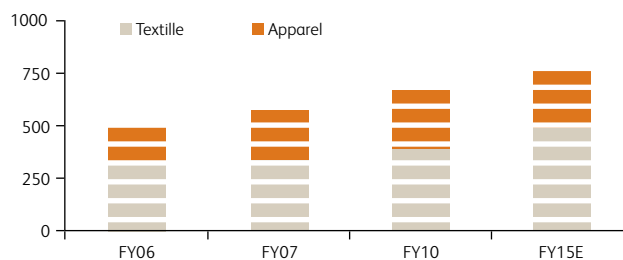
Retired IAS Officer.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL TEXTILE INDUSTRY REVIEW

The global textile industry has witnessed significant changes over the last decade that include elimination of quotas and shift of manufacturing base to low-cost Asian markets. The global textile trade has grown in this period primarily due to increasing shift of sourcing of textile and apparel from the developed countries to the Asian countries. While the US, Europe and Japan remain the biggest apparel consumers, emerging economies like China and India are rapidly emerging as significant consumption centres as well as production hubs. Another significant change in the pattern of trade is the emergence of Bangladesh, Vietnam and Cambodia as major apparel sourcing hubs, primarily due to its low-cost advantage. On the strength of the positive developments, the global textile industry is expected to grow from \$645 bn in 2010 to \$800 bn by 2015E.

### Global textile industry (\$ bn)



(Source: Ministry of textiles)



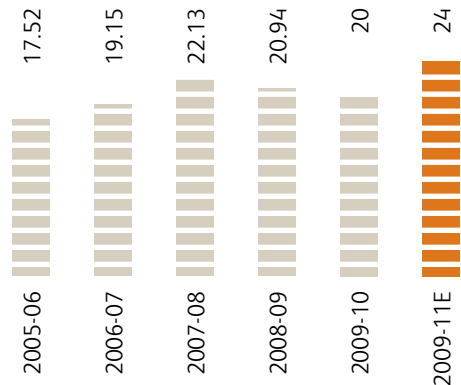


**INDIAN TEXTILE MARKET OVERVIEW**

India's textile industry is estimated at \$67 bn with 33% being exports market (Source: EXIM bank). The industry contributed 4% to India's GDP, around 2% to industrial production, 17% to export earning and directly employed over 35 million people in 2009-10 (Source: Ministry of Textiles).

With partial global economic revival, the cumulative cloth production increased by 8.3% during April'09-March'10, compared to that of the preceding fiscal. Total textile export is also recovering and is expected to touch US\$24 billion in 2010-11.

**Total export(US\$ billion)**



(Source: Ministry of Textiles)

**INVESTMENTS**

To promote a steady growth, the Government has come up with following investments:

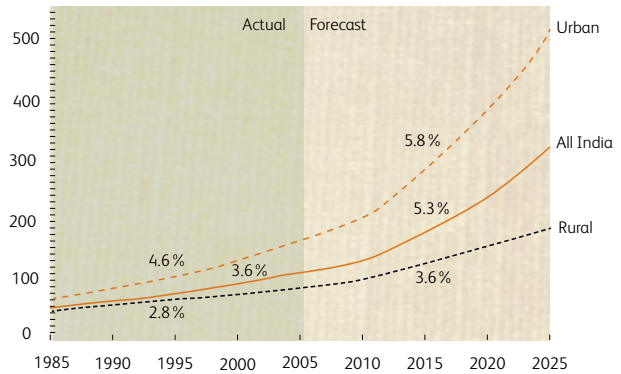
- Allocation of US\$ 18.9 billion under the Technology Upgradation Fund Schemes (TUFS)
- Allocation of US\$ 785.2 million for industry modernization
- Allocation of US\$ 220.7 million for the Scheme for Integrated Textile Park (SITP)

Moreover, during April 2000 to March 2010, the industry has attracted FDI worth US\$ 817.26 million and the Ministry of Textiles is expecting foreign direct investment of around US\$ 5.35 billion over the next five years.

**GROWTH DRIVERS**

- **Increasing income level:** Increased per capita income and disposable income (grew by 10.5% and 8.5% respectively in 2009-10, compared to the previous fiscal) has accelerated textile industry growth.

**Accelerating India's household income (in rupees thousand)**



Circled figures represent compound annual growth rates (Source: McKinsey Global Institute)

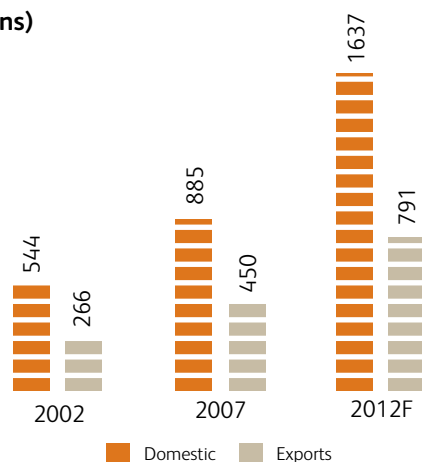
- **Growing middle class:** By 2025, the Indian middle class is estimated to touch 583 million, swelling over ten times of its current size (Source: McKinsey Global Institute).
- **Favourable demographics:** India's population is expected to touch 1.4 billion and the share of the age group 15-59 years will witness 83% growth by 2026. This is expected to act as a key growth factor for the textile market.
- **Growing female working population:** Growing female working population is increasing consumer spending considerably.
- **Availability of cheap finance:** Increased usage of plastic money (in May, 2010 2.1 crores Point of Transactions were done through credit cards compared to 1.98 crores transactions in April, 2010) and availability of funds at lucrative interest rate enhanced domestic demand (Source: Reserve Bank of India).
- **Increased apparel spending:** The apparel market for men and women are anticipated to grow at a CAGR 14.86% and 17.79%, respectively in 2010 (Source: CRISIL).
- **Growth of mall space:** Starting from around 2 million sq. ft. in 2001, India has around 400 malls (215 million sq. ft) in 2010 and it is expected to touch 715 operational malls with over 350 million sq. ft.
- **Sourcing destination:** Thanks to the abundance of superior fibres, established facilities, low cost skilled labours and design capabilities, India enjoys the sourcing destination of well-known global brands, which promotes further growth to India's textile industry.



### INDUSTRY OPPORTUNITY

**Readymade garments:** India's readymade garments market is estimated to grow at a CAGR of 13%, from Rs. 885 billion in 2007 to Rs. 1,637 billion in 2012, while the export will grow by 12%, from Rs. 450 billion in 2007 to Rs. 791 billion in 2012 (Source: CRISIL).

#### Readymade garments Market Size: Forecast (in billions)



(Source: CRISIL)

**Retailing and apparel market:** India's retail industry grew rapidly from Rs. 35,000 crores in 2004-05 to Rs. 109,000 crores in 2010 (Source: Planning Commission Report, April, 2010). The share of retail trade in India's GDP touched 22% in 2010 against 12% in 2009 [Source: 8th Annual Global Retail Development Index (GRDI) of AT Kearney].

The organized apparel retailing market stands approximately at Rs. 52,289 crores in 2010, registering 30% growth from that of 2008. India's fashion industry is estimated to grow at a CAGR of 22.67% by 2012. The tremendous potential of this market attracts huge investments from retail giants like Spencers, Provogue and Shoppers Stop (Source: CRISIL).

**Denim:** India's denim market enjoys a significant potential both domestically and internationally. India has exported 170-180 million metres of denim fabric in 2010, thanks to its quality excellence. On the other hand, the per capita consumption of jeans is only 0.3% in India, which projects the scope of growth in this particular market. Currently, 23 denim mills in India manufactures 600 million metres of fabric, of which 300 million metres is consumed domestically, and it is expected to touch 530 million metres by 2015, at a CAGR of 10% (Source: World Denim Market Report).

**Home textiles:** Almost 40% of the global home textile capacity is still located in developed countries. Going forward, a majority of these production capacities would migrate to low-cost developing countries. This represents a big opportunity for countries, such as India that have intrinsic strengths in home textiles like availability of raw material and skilled labour. Moreover, the housing sector boom, growth of India's institutional consumers, hospitality sector, healthcare sector and opening of specialty stores by large retail stores shall result in the domestic home textiles market to grow two-fold over the next five years.

**Technical textiles:** To promote the growth of technical textiles, Eleventh Five Year Plan has allotted US\$ 170 million and National Mission for Technical Textiles in 2007. The Plan also provides 10% capital subsidy for new projects and further 5% subsidy on interest of loans. With these supports, the technical textiles market size is expected to reach US\$ 12-15 billion by 2012 (Source: The Indian Textile Journal).

### SWOT ANALYSIS

#### Strengths

- Promoters possess rich textile industry experience, offering insight into demand pattern variations

- The Company enjoys significant competitive advantage in terms of its well diversified range of products, lower costs, and superior quality
- Its in-house captive textile auxiliary chemical plant results in low chemical costs and superior quality of finishing
- Low power cost per unit due to the use of rice husk.
- The Company has established a good market reputation as a reliable manufacturer of quality products
- The Company is financially and technically sound
- The Company possesses strong distribution network in the market for its various range of products
- The Company enjoys a geographical advantage since it has no significant competitors in North India. It is also the largest player in Uttar Pradesh
- The Company possesses in-house R&D facilities make it possible to develop new products and process for value added products and also results in cost reduction

#### Weakness

- The operations are sensitive to input cost variations, which might impact profitability of the Company

#### Opportunities

- Ever expanding domestic market
- Significant increase in global demand due to the end of quota system
- The Company is venturing into value-added products like bullet proof jackets, technical textile products, which include high altitude fabric, technical textile fabric, among others

#### Threats

- Increasing competition from sub-standard and cheaper products in the market
- The Company may face competition from imported fabrics from neighbouring countries, particularly from China

### ANALYSIS OF THE FINANCIAL STATEMENTS

#### Accounting policy


Accounts prepared on a historical cost basis, based on accrual method of accounting in accordance with applicable accounting standards issued by The Institute of Chartered Accountants of India.

### SOURCES OF FUNDS

#### Equity capital

### HIGHLIGHTS 2009-10

33%   
Net Sales

18%   
EBIDTA

46%   
PAT

45%   
Networth

Share capital of the Company, comprising 19,963,405 equity shares of Rs. 10 each, increased 28% to Rs. 1,996.34 crores in 2009-10 owing to conversion of warrants of the promoter and non-promoter group as well as conversion of FCCB aggregating to USD 0.5 Mn.

#### Reserve and surplus

The reserve and surplus increased 41% to Rs. 399.50 crores in 2009-10 owing to plough back of profits, increase in share premium and debenture redemption reserve.

#### Secured and unsecured loans

Secured loans, comprising 89% of total external funds, increased to 57% to Rs. 100.31 crores in 2009-10 on account of expansion and working capital requirement. The unsecured loans, on the other hand, significantly reduced (60%) in 2009-10 on account of repayment. Consequently, our interest coverage strengthened to 2.79.

#### FCCB

The Company had made FCCB bond issue to the tune of USD 10 Million in 2007-08 for the expansion projects. During the year, bonds worth Rs 2.04 crores were redeemed.

### APPLICATION OF FUNDS

#### Gross block

The Company's gross block (including capital work in progress) increased 21% to Rs 724.05 crores in 2009-10 because of the undergoing expansion projects. Return on gross block stands at 34% in 2009-10.

#### Depreciation

Depreciation increased 4.26% to Rs. 26.32 crores in 2009-10 following the acquisitions of new assets. Accumulated depreciation as a proportion of total gross block touched 19.48%,



indicating the robustness of the assets.

**Inventory**

Increase in production and peak-level capacity utilization enhanced inventory levels by 38% to Rs 380.82 crores in 2009-10. The Company's average inventory cycle was maintained at 77 days.

**Debtors**

Increase in business operations and sales, increased debtors by 19% to Rs. 400.22 crores on 2009-10. Despite the increase, the management continued to maintain the debtors cycle of 86 days.

**Cash and bank balance**

Company's cash and bank balance declined by 20% to Rs. 32.15 crores in 2009-10.

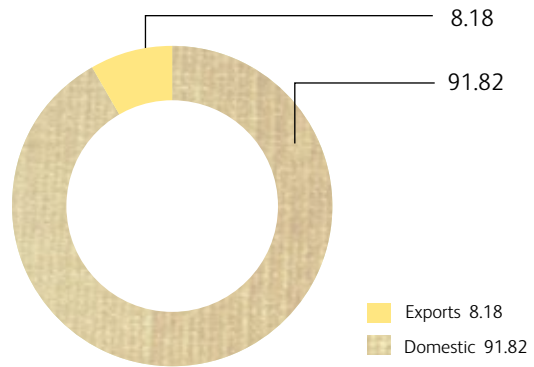
**Current liabilities and provisions**

Current liabilities and provisions increased by 30% to Rs. 83.13 crores in 2009-10 with the increase in creditors. The Company's credibility with the vendors enabled the Company to maintain a steady creditors' cycle.

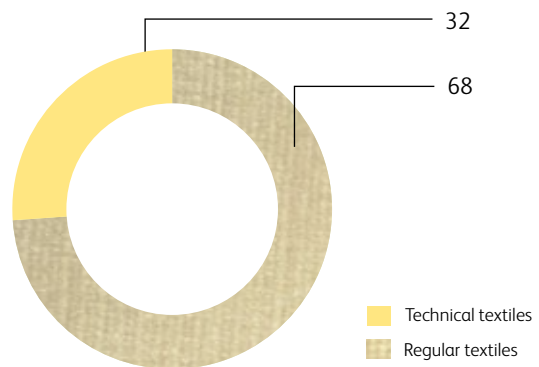
**REVENUE ANALYSIS**

Total revenues (including other income) increased 32% to Rs 1,546.82 crores in 2009-10 owing to enhanced production, deeper market penetration and increasing realisations of value-added products. Other incomes (comprising miscellaneous income, excise duty and income on duty entitlement pass-book licences) decreased marginally in 2009-10, reflecting increasing dependence on the Company's core business.

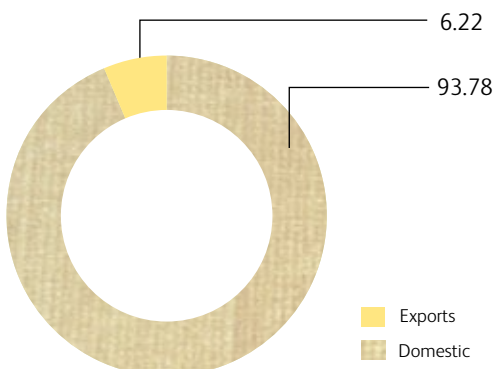
**REVENUE BY REGION (%) 2008-09**



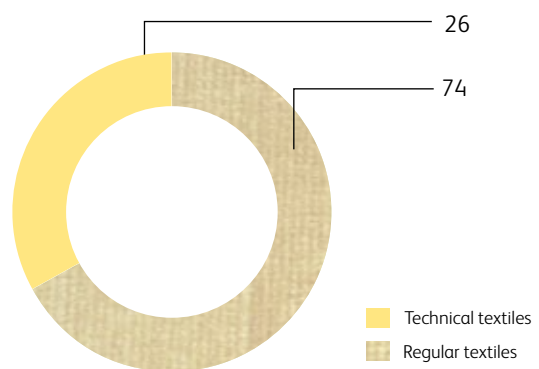
**REVENUE BY PRODUCTS IN DOMESTIC MARKET (%) 2009-10**



**REVENUE BY REGION (%) 2009-10**



**REVENUE BY PRODUCTS IN DOMESTIC MARKET (%) 2008-09**





### COST ANALYSIS

Enhanced scale of operations and diversification resulted in the increase in operating cost by 27% to Rs. 1,341.04 crores in 2009-10.

#### Break-up of key cost components

(as a % of operating cost)

Cost components	2009-10	2008-09
Raw materials	95.66	93.25
Power and fuel	2.74	3.37
Employee	2.87	2.59
Manufacturing expenses	1.19	1.40

#### Margins

Margins	2009-10	2008-09
Net profit margin( %)	5.93	5.38
EBIDTA margin( %)	13.30	14.87
Cash profit margin( %)	7.67	8.75

### QUALITY AND R&D

The Company's strong procurement team keeps a check on cost and quality of raw material. SLCL's in-house R&D initiatives have enabled it to maintain both cost and product leadership

### HUMAN RESOURCES & INDUSTRIAL RELATIONS

The Company has always valued its human resources and believes in unlimited potential of each employee. SLCL recognizes the importance and contribution of its human resources for its growth and development and is committed to the holistic development of its people. Over the years, the Company has built a pool of skilled, committed and hard working employees. Our industrial relations continued to be cordial and satisfactory during the year. It is pertinent to mention that the Company is in

IKEA approved list and the due diligence of IKEA is related with human resources and industrial relations.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an adequate system of internal controls, commensurate with its nature of business and scale of operations. Internal control systems are implemented:

- To safeguard the Company's assets from loss or damage
- To keep a constant check on the cost structure
- To prevent revenue leakages
- To provide adequate financial and accounting controls and implement accounting standards

SLCL's internal controls are constantly monitored by an extensive program of internal audits. Regular internal audits are conducted by a professional firm of chartered accountants viz. Ajai Shanker & Company. The report of the internal auditors is reviewed by the Audit Committee.

### RISK MANAGEMENT

Risk management represents a comprehensive process to identify the major risks facing the organizations and create consistent solutions for dealing with those risks. The Company's risks are managed through cross-functional involvement and intense communication across business verticals. The relevant risks and mitigation measures comprise the following:

- 1. Capacity expansion by peers in related product segment:** Peers in the industry are expanding their capacities in the same product segments. The Company has initiated major expansion plans and is committed to continuously enhance the capacity with upgraded technology to enable it to maintain its market share.
- 2. Rising domestic prices:** Any increase in raw material prices may be passed on to the customers.

### CORPORATE SOCIAL RESPONSIBILITY

At SLCL, our social commitment hinges on delivering enhanced value for all stakeholders.

**Value to customers:** We provide quality products at very competitive prices. Our products are priced 15-20% lower than our competitors. Despite low profit margins in the legacy business of suiting-shirting, SLCL is continuously increasing production capacity in this segment to cater to middle-class and low-earning population of our society.

**Value to community:** The Company has developed a township for its workers and staff at Malwan, Fatehpur and also installed an (RO) Plant. It can purify 2 lac litre of water per hour through recycling.

**Value to investors:** SLCL follows a consistent policy of rewarding shareowners with steady returns. Value for investors is being created by maintaining minimum equity dilution, adding more value-added products and focusing on new technologies and research.

**Value to the country:** Terrorism and Naxalite violence is trying to destabilise India's security and the armed forces need sophisticated weapons and defence equipment to counter this growing menace. Shri Lakshmi has risen to the challenge and has created mine-protected vehicles and B.P. jackets (successful for AK 47 and AK 56 for nine bullet firing as against traditional firing of six bullets). Our products have been well received by all state police forces.



*Dr. M.P. Agarwal giving speech at a Traffic Awareness programme*



*Dr. M.P. Agarwal with Hon'ble Coal Minister, Shri Shriprakash, providing mid day meal to school students*



*Mrs. Sharda Agarwal providing food to the victims of the flood affected areas*



*Dr. M.P. Agarwal with Hon'ble Coal Minister, Shri Shriprakash, providing mid day meal to school students*





# Statutory Reports and Financial Statements

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# NOTICE

NOTICE is hereby given that the Twenty-Second Annual General Meeting of the Members of SHRI LAKSHMI COTSYN LIMITED will be held on Saturday, the 27th November, 2010 at 11.00 A.M. at the Registered Office of the Company at 19/X-1, Krishnapuram, G.T. Road, Kanpur-208007 to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended June 30, 2010, Balance Sheet as at that date together with the Directors' Report and Auditor's Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri R K Garg, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. J V Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Ram Sharan Srivastava, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

## NOTES:

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

The instrument appointing proxy, in order to be effective, should be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the meeting.

- The Register of members and share transfer books of the Company will remain closed from Thursday, 25th November, 2010 to Saturday, 27th November, 2010 (both days inclusive) for the purpose of Annual General Meeting of the Company and declaration of Dividend.
- Dividend on equity shares, when approved at the ensuing Annual General Meeting, shall be paid to those shareholders whose name appear in the records of Company at the close of working hours on Wednesday, the 24th November, 2010.
- The members who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.
- All documents referred to in the accompanying Notice are available for inspection at the Registered Office of the Company during business hours on all working days up to the date of Annual General Meeting.



- Corporate Members are requested to send to the Company, a duly certified copy of the Board resolution/Power of Attorney, authorising their representatives to attend and vote at the Annual General Meeting.
- Members are requested to produce the attendance slip duly signed as per the specimen signature recorded with the Company for admission to the Meeting Hall.
- Shareholders, who have not dematerialised their shares as yet, are advised to have their shares dematerialised to avail the benefit of paperless trading.
- In all correspondence with the Company/RTA, members are requested to quote their folio numbers and in case their shares are held in the dematerialised form, they must quote their DP ID and Client ID number.
- Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to write to the Company at least seven days before the date of the meeting in order to enable the management to make the information available at the meeting, if the Chairman so permits.
- All correspondence relating to change of address, transfer/transmission of shares, bank mandate, dividend and all other matters relating to the shareholding in the Company may be made directly to the Registrar and Transfer Agent (RTA) of the Company M/s Abhipra Capital Limited. GF-58-59 World Trade Centre, Bara Khamba Lane, New Delhi.
- In terms of the Articles of Association of the Company, Shri R K Garg, Dr. J V Rao, Mr. Ram Sharan Srivastava, retire by rotation and being eligible, offer themselves for re-appointment. The relevant details in this respect pursuant to Clause 49 of the Listing Agreement are furnished hereunder:

#### I. Shri R K Garg

He is a Management Graduate with over 30 years of experience in Corporate world and has worked with DLF Universal Limited, DCM Shriram Industries Limited & Blue Star Limited at a senior position. He acts as an Independent Director of the Company

Shri R K Garg does not hold shares in the Company in his name and none of the share in the Company is held by him for any other person on a beneficial basis.

#### II. Dr. J V Rao

He is Textile Engineer and the director in Northern India Textile Research Association (NITRA) Ghaziabad with over 30 years of experience in Textile Technology.

Dr. J V Rao does not hold shares in the Company in his name and none of the share in the Company is held by him for any other person on a beneficial basis.

#### III. Mr. R S Srivastava

He is Retired IAS Officer with 40 years of administrative experience.

Mr. R S Srivastava does not hold shares in the Company in his name and none of the share in the Company is held by him for any other person on a beneficial basis.

#### Registered Office:

19/X-1, Krishnapuram,  
Kanpur- 208007

**Date: 28th September, 2010**

**By Order of the Board**

**(Rakesh Kumar Srivastava)**

*Company Secretary cum Finance Controller*



# DIRECTORS' REPORT

Your Directors are pleased to present the 22nd Annual Report along with the audited financial statements of the Company for the year ended 30th June, 2010.

## FINANCIAL RESULTS

Highlights of financial result for the year were as under:

Particulars	(Rs. in crores)		
	2009-10	2008-09	Growth (%)
Sales and other income	1,546.82	1,169.30	32.60
Operating profit before interest, depreciation and tax	205.78	173.88	29.12
<b>Less:</b>			
Interest and other financial charges	73.80	67.95	8.61
Depreciation	27.00	25.20	7.14
<b>Profit before tax</b>	<b>104.98</b>	<b>80.74</b>	<b>30.00</b>
<b>Less: Income Tax (including deferred tax and FBT)</b>	13.33	17.78	(25.03)
<b>Profit after tax</b>	<b>91.65</b>	<b>62.96</b>	<b>46.00</b>
Debenture redemption reserve	10.00	10.00	
Proposed dividend	5.99	3.12	
Dividend tax	1.02	0.53	
<b>Balance carried to balance sheet</b>	<b>74.64</b>	<b>49.31</b>	



## PERFORMANCE

Your Directors are pleased to inform you that besides terry towel, denim, suiting shirting, technical textile including nylon coated fabric, wider width fabric and home furnishing projects that performed stupendously during 2009-10, other products like dress material and garments have also marked their presence in the Company's overall performance.

During 2009-10, your Company recorded sales and operating income at Rs. 1,546.82 crores as compared with Rs. 1,169.30 crores in 2008-09, thus registered a growth of 33% over the last year. The profit after tax also grew by 46% being Rs. 91.65 crores during 2009-10 as against Rs. 62.96 crores in 2008-09. The improvement in the Company's performance was possible mainly on account of improved capacity utilisation, increase in sale and cost reduction measures adopted by the Company resulting in better operational efficiency and value added products.

## EXPORTS

During 2009-10, the Company recorded an export of Rs. 95.63 crores as against Rs. 94.72 crores in 2008-09.

## RECOGNITIONS

Your Directors feel immense pleasure in reporting some of the recognitions bestowed on your Company during the year:

- Received an award from Community of International Sewing Machine Industry, India (CISMI) organized by GARTEXMA. For valuable support in apparel and home textiles machine industry( 11th October, 2010)
- Ranked 319th among the top 500 companies of India (Source: The Economic Times and published in ET-500, October 2010 issue)
- Ranked 9th among the top 500 small-cap companies in the year 2009 (Source: Dalal Street Journal - Small cap 500 issue)
- Ranked 231 among the top 500 manufacturing companies in India (Source: Industry 2.0 - Technology Management for Decision Makers, September, 2009)
- Ranked One Star Export house from the office of the Joint Director General of Foreign Trade, Ministry of Commerce and Industry

## CERTIFICATIONS

Name of Certificate	Purpose
GOTS	Global Textile System
O.E. 100 & Blended	User Health & Safety
REACH	Chemical Management
OEKO-TEX 100	Skin Friendly Chemical
SA-8000	Social Accountability
ISO-9001 / 2008	Quality Management System
ISO-14001 / 2004	Environment Management System
OHSAS - 18001 / 2001	Occupational Health & Safety
FAIR TRADE CERTIFICATE	Ethic Trade Practices

## WHOLLY-OWNED SUBSIDIARY COMPANIES

### M/S SLCL Overseas FZC, Sharjah, U.A.E:

M/S SLCL Overseas FZC, Sharjah, U.A.E. a wholly-owned subsidiary recorded a turnover of Rs. 153.10 crores as compared with Rs. 102.70 crores in the last year, registering a growth of 49.03%.

### Shri Lakshmi Defence Solutions Limited. :

During 2009-10, Shri Lakshmi Defence Solutions Limited has made a remarkable performance with a turnover of Rs. 11.47 crores. Recently the Company has bagged the order for the supply of 4 specialised mine protection vehicles from Nepal Govt. for their troops deployed on United Nations missions and is expected for another order worth Rs.80 to 100 crores. The Company expects huge demand for Armoured Vehicles in India as well as abroad. The Company has entered into following agreements:

- With 'Ukrainmash' a state foreign trade and investment firm of Ukraine for the supply of 100 armoured vehicles to UN mission
- With Adcom Military Industries, Abu Dhabi for marketing of the Company's armoured vehicles in Middle East and Africa
- With GlowTrade (M) SDN. BHD of Malaysia for the development and production of MSCN for the supply to Indian Armed Forces Ministry of Defence, India.

### Shri Lakshmi Nano Technologies Limited:

Your Company is also developing smart vests by using NCT technology and smart sensors for health conscious people, hospitals and army and for that purpose the Company opened a branch at Arkansas University, USA, where the research work is being done. Smart vests would have features like Physiological monitoring, early warning system, power generator and cooling on demand. It is expected to be launched by June 2011.

### LAUNCHING OF RETAIL GARMENTS BRAND- "DYFI"

The Company is in the process of launching its own garments brand for retail sales in India called DYFI. It is expected to be launched by November 2010 and would be sold through franchisee retail outlets throughout India.

### EXPANSIONS

#### Expansion of Terry Towel Facilities from 3000 TPA to 15000 TPA

SLCL is currently expanding its terry towel manufacturing capacities from 3,000 MTPA to 15,000 MTPA. In view of the power shortages, SLCL is also setting up a 16 MW power plant for captive use. The total cost of both the projects is Rs. 3,778 Mn. The Company has raised Rs. 2,500 Mn as term loan and the balance Rs. 1,278 Mn has been raised through internal accruals. The project is expected to be commissioned by November 2010.

### PROPOSED EXPANSIONS/ FUTURE PLANS

#### Technical Textile Fabrics

SLCL manufactures various technical textiles which includes fusible interlining fabric, high altitude fabric, PU coated fabric etc. In view of the increasing demand, the Company has decided to enhance the capacity of fusible interlining fabric from 12.5 MMPA to 25.0 MMPA. It is also venturing into manufacturing of black out fabrics, flex fabrics', carbon fabrics etc. The estimated capital cost for the project will be Rs. ~4.82 Bn.

#### Denim and Wider width Fabric

SLCL has the capacity to manufacture 20 MMPA of denim p.a., which it is increasing to 40 MMPA. The Company is also increasing the manufacturing capacity of wider width fabric from 12 MMPA to 30 MMPA. The estimated capital cost for the project will be Rs. ~5.10 Bn.

The expected cost of expansion of the above projects is Rs. 992.00 crores (approx.) duly appraised by Central Bank of India. Out of the above project cost, the term loan amount of Rs. 693

crores has been underwritten by the Central Bank of India. The balance amount of Rs. 299 crores is to be raised through equity/ share warrants. To meet the equity requirement partly, the Company has already received application money for 70 lacs share warrants proposed to be allotted to promoters and non-promoters @ Rs. 156 per warrant.

### Spinning Mill

The Company is already running a small plant consisting of 10,000 spindles and has also recently acquired 25,000 spindles on job work at Fatehpur from U.P. State Co-operative Federation Limited. The Company is planning to set up a spinning unit with 1,50,000 spindles with project cost of approx. Rs. 600 Crores

### SETTING-UP OF 300 MW THERMAL POWER PROJECT AT CHATTISGARH AND 5 MW SPV SOLAR POWER PROJECT AT RAJASTHAN:

Shri Lakshmi Power Limited, a group company of Shri Lakshmi Cotsyn Limited, is setting up two power projects viz 300 MW Thermal power generation capacity in the State of Chhattisgarh for which MOU has already been signed with State Govt. Further, the Company has applied for registration of 5 MW Solar Power Generation Project in the State of Rajasthan. The Company expects to complete these power projects by the end of June, 2012.

After the overall expansions and diversifications programmes, starts contributing, the total revenue of the Company will cross USD 1 Bn down the line in next 3 years.

### DIRECTORS

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri R K Garg, Shri J.V. Rao and Mr. Ram Sharan Srivastava are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, have offered themselves for reappointment.

During the year 2009-10, Mr. J S Varshney was resigned from the Directorship of the Company due to health problem and Mr. K. D. Gupta was appointed at his place w.e.f. 25th January, 2010, on account of casual vacancy caused.

Shri Sunil Trikha, who was appointed as Nominee Director of Export Import Bank of India on the Company's Board of Directors, was ceased from the office of director due to the withdrawal of Nomination from EXIM Bank, New Delhi, w.e.f. 30th August, 2010.





## CAPITAL

During the year 2009-10, the Company has allotted the following nos. of equity shares:

- (i) 2,221,500 nos. of equity shares after conversion of equivalent nos. of preferential warrants to promoters group of Rs. 10 each at a premium of Rs. 90 per share.
- (ii) 1,975,000 nos. of equity shares after conversion of equivalent nos. of preferential warrants to non-promoters group of Rs. 10 each at a premium of Rs. 46 per share.
- (iii) 188,405 nos. of equity shares at a pre-determined price of Rs. 108.41 per share after conversion of FCCB aggregating to USD 500,000. Consequently, the paid up capital of the Company is increased to Rs. 199,634,050.
- (iv) The Board has approved the allotment of 5,000,000 Share Warrants to promoters and 2,000,000 Share Warrants to non-promoters/strategic investors, convertible into equity shares of Rs. 10 each at a premium of Rs. 146 per share, on preferential basis at SEBI Floor price of Rs. 156 per warrant, for its expansion project subject to the approval of regulatory authorities.

## DIVIDEND

Your Directors recommended a dividend of 30% (i.e., Rs. 3 per share) for the accounting year ended on 30th June, 2010 and therefore, seek your approval for the same.

## AUDITORS

M/s Pradeep & Associates, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. The observations of Auditors in their report read with notes to the accounts are self-explanatory and do not call for further explanation.

## COST AUDITOR

The Central Government's Cost Auditor order specifies an audit of cost accounting records of the textile Company every year. This is applicable to the products manufactured by the Company. The Board of Directors, subject to the approval of the Central Government, appointed A K Srivastava, Cost Accountants, Kanpur, to carry out this audit for the current year.

## INTERNAL AUDITOR

The Company appointed a firm of Chartered Accountants M/s Ajai Shanker and Company of Kanpur as internal auditors to review the internal control systems of the Company and report thereon. The Report of the Internal Auditors is reviewed by the Audit Committee.

## ENVIRONMENTAL SUSTAINABILITY

Your Company also continues to pursue its mission for environmental excellence and constantly explores opportunities to improve ecology and the environment.

With an increasing concern towards ecology and global warming, consumers are favouring organic and eco-friendly textile products. Therefore, the demand of organic cotton is accelerating with brands and retailers continuing to implement long-term commitment to increase their use of organic cotton. Your Company also got the certification to produce organic bed sheets, organic towels and other products.

## RESEARCH AND DEVELOPMENT

Your Company is presently manufacturing various technical textile fabrics which include high altitude fabric, PU-coated nylon fabric, nuclear bio-chemical fabrics and ballistic plates, among others. Now the Company has proposed to diversify to manufacture black out fabrics, flex fabrics, carbon fabrics and IRR fabrics with estimated total capital expenditure of Rs. 482 crores.

## INSURANCE

All the insurable interest of your Company including inventories, building, plant and machinery were adequately insured.

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2009-10

As required under Clause 49 of the Listing Agreement with Stock Exchanges, Management discussion and analysis for the year 2009-10 forms part of this Report and is annexed herewith.

## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-10

Corporate Governance Report for the year 2009-10 as required by Clause 49 of the Listing Agreement together with the Report of the Auditors of the Company in this regard is annexed herewith.

## STATUTORY INFORMATION

### (A) Particulars of employees

The industrial relations throughout the year under review remained cordial. As none of the employees of the Company was in receipt of remuneration in excess of the limits prescribed, Particulars of employees under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employee) Rules, 1975 as amended were not given.

### (B) Conservation of energy, technology absorption and foreign exchange earnings and outgo

Particulars with respect to conservation of energy, among others, as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure forming part of this Report.

### (C) Directors' responsibility statement

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards were followed and there are no material departures;
2. The Directors selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the Company for the period;

3. The Directors took proper and sufficient care to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors prepared the annual accounts on a going concern basis.

## STATUTORY DISCLOSURES

None of the Directors are disqualified under the provisions of Section 274(1) (g) of the Companies Act, 1956. The Directors have made the requisite disclosures, as required under the provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

## ACKNOWLEDGEMENTS

We have definitely scaled greater heights and defined the path for others to follow. In this regard, your Directors wish to place on record their appreciation of the timely support

provided by the Company's bankers, all the vendors and tie-up entities and the dedication and commitment of the employees at all levels. We are sure we will continue to dare and reach the pinnacle of our journey called success.

Your Directors convey their grateful thanks to all the Government authorities and shareholders for their continued and unstinted assistance, co-operation and patronage.

We also take this opportunity to thank all the valued customers who have appreciated our products and have patronised them.

Registered office:  
19/X-1, Krishna Puram,  
G.T. Road, Kanpur  
Date: September 28, 2010

For and on behalf of the Board  
Dr M P Agarwal  
Chairman and Managing Director



## ANNEXURE 'A'

### TO THE DIRECTORS' REPORT

Additional Information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988:

#### (A) CONSERVATION OF ENERGY

##### (a) Energy conservation measures taken:

Your Company proactively seeks measures to conserve energy through innovation in order to reduce wastage and optimise consumption. Employees are encouraged to give suggestions that will result in energy saving. Concurrent measures are adopted such as:

- Synchronisation of steam turbine power and DG plants to facilitate shifting of part / full electrical load against each other in case of any emergency thus avoiding power failure;
- Installation of cooling water recovery system where water from machines is collected and reused for process requirements;
- Use of energy saving lighting arrangement on shop floor and roads within factory premises;
- Optimum use of compressors during shut down during lean periods of operations;
- Monitoring of high energy consuming equipments closely for better control;
- Regular checking and monitoring of electrical load on all motors and repair of the defective ones;
- Installation of power factor controllers/capacitors to conserve energy;
- Inspection and immediate rectification of air leakages in weaving, knitting and preparatory;
- Installation of centralised cooling tower for saving of energy of C.T. fans and CT pumps;

##### (b) Additional investment and proposals being implemented for reduction of consumption of energy:

Your Company planned several measures, which are at various stages of implementation. Some of them are:

- 1) 8 MW bio-mass captive co-generation power plant being set up at Abhaypur for reliable captive supply and reducing cost;
- 2) 8 MW biomass CPP has already been commissioned and in operation at Malwan since September 2010, thus reducing the power cost.
- 3) Monitoring and increasing scale and scope of measures taken in the past.



### Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The above measures initiated / being initiated for energy conservation resulted in improving the energy efficiency at all plants and savings in consumption of power and the cost of production. Your Company will continue to implement planned measures for optimisation of energy conservation and efficiency.

### (B) TECHNOLOGY ABSORPTION

Though rapidly improving, a low proportion of Indian looms are shuttle-less and the majority of India's total cloth production and processing is in the un-organised sector.

Technology absorption on a pan-industry basis will be dependent upon the larger players being proactive in absorbing newer technologies and ramping up production efficiencies.

### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. In Lacs)	
<b>Foreign exchange earnings and outgo</b>	<b>2009-10</b>	<b>2008-09</b>
i) Total earnings of foreign exchange	8204.28	8,757.09
ii) Total outgo in foreign exchange	7334.11	7,865.43

#### Registered office:

19/X-1, Krishna Puram,  
G.T. Road, Kanpur

**Date: September 28, 2010**

**Devesh Gupta**

*(Deputy Managing Director)*

#### For and on behalf of the Board

**Dr M P Agarwal**

*Chairman and Managing Director*





Stone Wash Machine (for denim)



# CORPORATE GOVERNANCE REPORT



(Annexure to and forming integral part of Directors' Report of the Company)

## COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Shri Lakshmi Cotsyn Limited defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth-generating capacity along with an aim to achieve highest level of transparency, accountability and integrity so that the interest of the shareholders along with other stakeholders viz., customers, employees, investors, vendors, dealers, financiers, banks, state and central government and society at large is maximised.

## BOARD OF DIRECTORS

The Board has an optimum combination of Executive and Non-Executive Directors as per the Corporate Governance

requirements. The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management etc. As on 30th June, 2010 the Board comprised 12 Directors.

## NUMBER OF BOARD MEETINGS HELD AND THE DATES THEREOF

During the financial year 2009-10, 8 meetings of the Board of Directors were held. The meetings were held on 29th July, 2009, 29th October, 2009, 25th November, 2009, 25th January, 2010, 19th March, 2010, 9th April, 2010, 30th April, 2010 and 11th June, 2010. The maximum time gap between any two meetings was not more than four calendar months.





## ATTENDANCE OF DIRECTORS AT THE BOARD/COMMITTEE MEETINGS AND THE LAST ANNUAL GENERAL MEETING

Name and designation of the Director	Category of Directorship	Number of Board meetings attended	Attendance at the last AGM	Number of Directorship* in other companies	Committee position held**	
					Chairman	Member
Dr. Mata Prasad Agarwal (Chairman and Managing Director)	Promoter Executive Director	8	Yes	4	1	Nil
Shri Pawan Agarwal (Joint Managing Director)	Promoter Executive Director	8	Yes	5	Nil	1
Shri Devesh Gupta (Deputy Managing Director)	Promoter Executive Director	8	Yes	3	Nil	1
Shri Dileep Bajaj Executive Director	Executive Director	5	Yes	Nil	Nil	1
Smt. Sharda Agarwal (Director)	Promoter Executive Director	8	Yes	3	Nil	Nil
Shri R K Garg	Non-Executive Independent Director	3	-	Nil	2	Nil
Shri S K Mongol	Non-Executive Independent Director	3	-	Nil	Nil	2
Prof. G N Mathur	Non-Executive Independent Director	4	-	1	1	2
Shri J S Varshney*	Non-Executive Independent Director	1	-	4	Nil	1
Dr. J V Rao	Non-Executive Independent Director	3	-	Nil	Nil	1
Mr. R S Srivastava	Non-Executive Independent Director	6	Yes	Nil	Nil	Nil
Shri K.D. Gupta**	Non-Executive Independent Director	2	-	5	Nil	Nil
Shri Sunil Trikha***	Nominee Director	1	-	1	Nil	Nil

\* Resigned as Non-Executive Director with effect from 25th January, 2010.

\*\* Appointed as Non-Executive Director with effect from 25th January, 2010 in place of casual vacancy caused due to the resignation of Shri J. S. Varshney.

\*\*\*Ceased from Nominee Directorship due to withdrawal of nomination from EXIM Bank with effect from 30th August, 2010.

### Notes:

- \*Other Directorships of only Indian Public Limited Companies were considered pursuant to Clause 49 of Listing Agreement.
- \*\*Committee positions of only four committees namely Audit Committee, Investors' Grievance Committee, Remuneration Committee and Finance Committee have been mentioned.

## BOARD PROCEDURE

The Board meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each of the Director. All the items on the Agenda are accompanied by notes giving comprehensive information on the related subjects. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman. The Board's role, functions, responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments, details of Joint Ventures, sale of business unit/division, compliance with statutory/regulatory requirements, major accounting provisions and write offs are considered by the Board.

## INFORMATION PLACED BEFORE THE BOARD

Information placed before the Board of Directors broadly covers the items specified in Clause 49 of the Listing Agreement and such other items which are necessary to

facilitate meaningful and focused deliberation and issues concerning the Company and taking decision in an informed and efficient manner. Besides, the Board of Directors has

complete access to all information of the Company, as and when necessary.

## COMMITTEES OF THE BOARD

### Audit Committee

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures

- Efficiency and effectiveness of operations, both domestic and overseas;
- Safeguarding of assets and adequacy of provisions for all liabilities;
- Reliability of financial and other management information and adequacy of disclosures;
- Compliance with all relevant statutes.

The Audit Committee is empowered, pursuant to its terms of reference, inter alia, to:

- Investigate any activity within its terms of reference and to seek any information it requires from any employee;
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The role of the Committee includes the following:

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- (b) Recommending the appointment and removal of external auditors, fixation of audit fee and approval of payment of fees for any other services rendered by the auditors;
- (c) Reviewing with the management the financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices
  - The going concern assumption
  - Major accounting entries based on exercise of judgement by management
  - Significant adjustments arising out of audit
  - Compliance with Accounting Standards
  - Compliance with Stock Exchange and legal requirements concerning financial statements
  - Related party transactions
  - Qualifications in draft audit report
  - Report of the Directors & Management Discussion and Analysis;
- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems and the Company's statement on the same prior to endorsement by the Board;
- (e) Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- (f) Reviewing reports of internal audit, including that of wholly owned subsidiaries, and discussion with internal auditors on any significant findings and follow-up thereon;

## COMPOSITION

The Company has an Audit Committee comprising three Directors, all being Non-Executive-Independent named Shri R K Garg, D.r G N Mathur and Shri S K Mangol. The Audit Committee is chaired by Shri R K Garg. The Company Secretary acts as the Secretary to the Audit Committee. Mr. Pradeep Gupta, M/s Pradeep & Associates, Statutory Auditors, was invited to be present at all the Audit Committee meetings.

The terms of reference of the Audit Committee are in conformity



with the requirements specified in Clause 49 of the Listing Agreement with the Stock Exchanges and also comply with the requirements of Section 292A of the Companies Act, 1956. The Audit Committee while reviewing the Annual Financial statements also reviews the applicability of various Accounting Standards (AS) issued by the Institute of Chartered Accountants of India. Compliance of the Accounting Standard as applicable to the Company was ensured in the financial statements for the year ended

30th June, 2010. During the accounting year four Audit Committee Meetings were held on 25th July, 2009, 27th October, 2009, 23rd January, 2010 and 27th April, 2010.

#### Details of the attendance at the meetings are as follows

Serial Number	Name	Attendance
1	Shri R K Garg	4
2	Dr. G N Mathur	1
3	Shri S K Mangol	3
4	Shri Pradeep Gupta	4
5	Shri R K Srivastava	4

#### Internal Auditors

The Company appointed a firm of Chartered Accountants M/s Ajai Shanker & Company of Kanpur as Internal Auditors to review the internal control systems of the Company and report thereon. The report of Internal Auditors is reviewed by the Audit Committee.

#### Cost Auditor

The Company appointed Mr. A K Srivastava of Kanpur as Cost Auditor of the Company who submits his report to the Audit Committee for consideration.

#### REMUNERATION COMMITTEE

The Remuneration Committee was constituted by the Board to recommend/review the Remuneration package of the Managing/Wholtime Directors. The recommendations of the Remuneration Committee are considered and approved by the Board subject to shareholders' approval.

The Remuneration Committee comprises three Non-Executive Directors, all of them being Independent, including the Chairman of the Committee.

During 2009-10, the meeting of the Remuneration Committee was held on 23rd November, 2009. Details of the attendance at the meeting are as follows:

Serial number	Name	Attendance
1	Dr. G N Mathur - Chairman	1
2	Dr. J V Rao	1
3	Shri R S Srivastava	1

#### DETAILS OF REMUNERATION PAID TO ALL THE DIRECTORS FOR THE YEAR ENDED ON 30TH JUNE, 2010

##### a) Executive Directors (Managing/Wholtime Directors)

Details of remuneration paid for the year ended 30th June, 2010 to Managing/Wholtime Directors are as follows

Name	Designation	All elements of remuneration package i.e. salary, perks, benefits, bonuses and pension, among others (Rs. in lacs/ p.a.)	Performance linked incentives along with the performance criteria (in Rs.)	Total (Rs. in lacs/ p.a.) (2008-09)	Stock, option with details, if any, and whether issued at discount as well as the period over which accrued and over which exercisable
Dr. M.P Agarwal	Managing Director	30.00	NIL	18.00	Presently the Company does not have any stock option scheme
Mr. Pawan Kumar Agarwal	Joint Managing Director	18.00	NIL	12.00	
Mr. Devesh Narain Gupta	Dy. Managing Director	15.00	NIL	9.00	
Smt. Sharda Agarwal	Executive Director	9.00	NIL	3.60	
Mr. Dileep Bajaj	Executive Director	15.00	NIL	7.92	



### b) Non-Executive Directors

During 2009-10, the Company did not pay any remuneration to Non-Executive Directors except sitting fees to each Non-Executive Director for attending meetings of the Board of Directors and Committees thereof. The criterion for payment of sitting fees to Non-Executive Directors is based on the provisions of the Companies Act, 1956 and is well within the statutory ceiling fixed in this regard.

### FINANCE COMMITTEE

The Committee comprises four Executive Directors chaired by Dr. M P Agarwal. The Finance Committee met 18 times during the year. The Committee is primarily looking after the day-to-day business activity of the Company within Board approved directions/framework. Details of the attendance at the meeting are as follows:

Serial number	Name	Attendance
1	Dr. M P Agarwal	18
2	Shri Pawan Kumar Agarwal	16
3	Shri Devesh Narain Gupta	15
4	Shri Dileep Bajaj	13

### SHAREHOLDERS/ INVESTOR'S GRIEVANCE COMMITTEE

The terms of reference of a Shareholders /Investors' Grievance Committee are as under

- Approval of requests received for transfer/transmission of shares including dematerialisation/ rematerialisation of securities.
- Approval of requests received for issue of duplicate certificates.
- Rejection of requests for share transfers, wherever applicable.
- Redressal of serious complaints received from shareholders/ investors on non-receipt of shares after transfer in the

physical form, complaints on non-receipt of balance sheet and dividend, among others.

- Redressal of complaints received from shareholders/ investors on non-receipt of dividend warrants or receipt of dividend warrants in a torned or defaced or mutilated condition, among others.

The Shareholders' / Investors' Grievance Committee comprised Mr. R K Garg, Mr. S K Mangol and Dr. G N Mathur and is chaired by Mr. R K Garg. The Company Secretary acts as a Secretary of the Committee and the meetings of the Committee are held on fortnightly basis to redress investors' grievances.

### COMPLIANCE OFFICER

The Board designated Mr. Rakesh Kumar Srivastava, Company Secretary-cum-Finance Controller to act as Compliance Officer of the Company.

### RISK MANAGEMENT

The Company manages risks as an integral part of its decision making process. The Company has adequate system of internal control commensurate with its size and business operation at all units and the corporate head-quarter to safeguard and protect its assets against losses. The Board of Directors and the Audit Committee continuously have a close eye on the risks by adopting the following procedure

- Identification of risks
- Assessment of risk
- Risk control and mitigation

The risk control and mitigation is being done, keeping in view the risk appetite of the Company.

Audit Committee provides quarterly updates to the Board of Directors. The head of departments are responsible for identifying, reviewing and escalating risks as well as preparing and executing action plans within their areas of responsibility.



## GENERAL BODY MEETINGS

Details regarding the Annual General Meetings of the Company held during the last three years were as follows:

Year ended	Date	Time	Day	Place	Number of special resolutions passed
30th June, 2007	31st December, 2007	11.00 am	Monday	19/X-1, Krishnapuram, G.T. Road, Kanpur	NIL
30th June, 2008	31st December, 2008	11.00 am	Wednesday	19/X-1, Krishnapuram, G.T. Road, Kanpur	1
30th June, 2009	31st December, 2009	11.00 am	Thursday	19/X-1, Krishnapuram, G.T. Road, Kanpur	5

## EXTRA-ORDINARY GENERAL MEETINGS

Details regarding the Extra Ordinary General Meetings of the Company held during the last year are as follows:

Year ended	Time	Day	Place	Number of special resolutions passed
20th July, 2009	11.00 am	Monday	19/X-1, Krishnapuram, G.T. Road, Kanpur	1
25th February, 2010	11.00 am	Thursday	19/X-1, Krishnapuram, G.T. Road, Kanpur	2

## POSTAL BALLOT

No special resolution requiring a postal ballot was proposed last year. At the ensuing Annual General Meeting there is no resolution proposed to be passed by way of Postal ballot.

## DISCLOSURES

- There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management and their subsidiaries or relatives, among others, that may have potential conflict with the interests of the Company at large. The related party transactions are duly disclosed in the "Notes to the Annual Accounts" of the Company.
- There were no cases of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during last three years.
- The Company did not adopt any whistle blower policy. However, the Company did not deny access to any personnel to approach the management or the Audit Committee on any issue.
- The Company complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

## MEANS OF COMMUNICATION

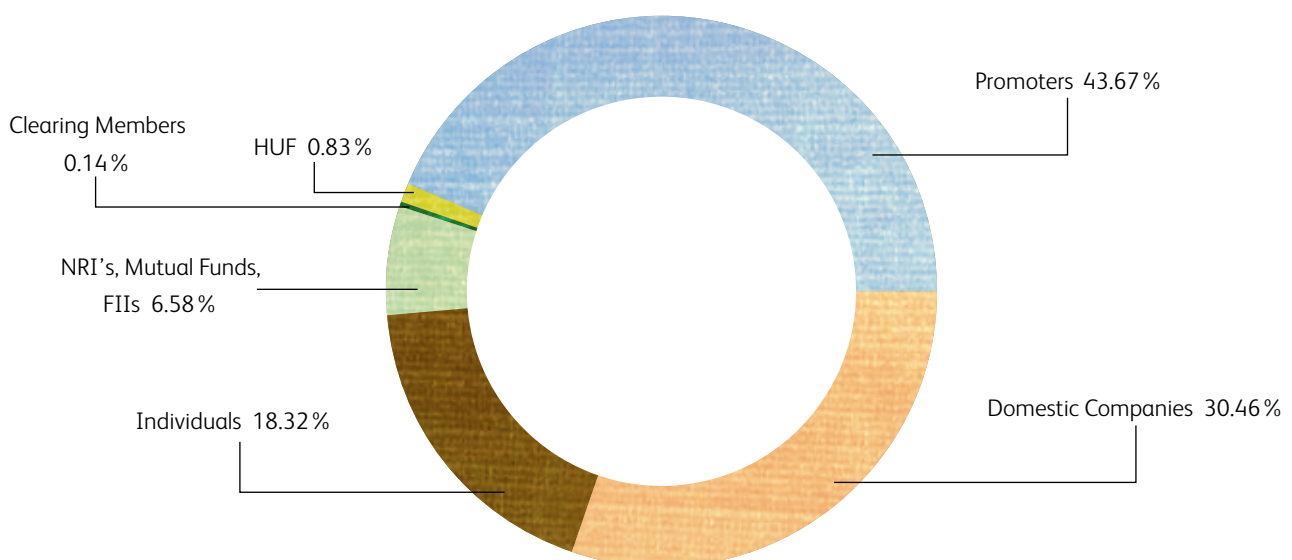
The quarterly, half-yearly and annual results are submitted to the listed stock exchanges and are published in leading newspapers viz. Economic Times, Business Standard (English and Hindi) and The Pioneer, in terms of the requirements of Clause 41 of the Listing Agreement. The Company also displays the presentations made by it to Institutional investors and to analysts on its website along with the official news releases.

The management discussion and analysis Report is given separately forming part of the Annual Report.

### SHARE HOLDING PATTERN FOR THE QUARTER ENDED 30TH JUNE, 2010:

Category	Number of shares held	Percentage of share holding
(A) Promoters' holding		
-India promoters	8,717,831	43.67
-Foreign promoters	-	-
<b>Sub-Total (A)</b>	<b>8,717,831</b>	<b>43.67</b>
(B) Non-promoters' holding		
(1) Institutional investors		
-Mutual funds and UTI	845,092	4.23
-Banks, financial institutions	20,000	0.10
-Central Govt./State Govt.	10	0.00
-Insurance companies	-	-
-Foreign institutional investors	368,021	1.84
<b>Sub-total (B)(1)</b>	<b>1,233,123</b>	<b>6.18</b>
(2) Others		
-Domestic companies	6,081,154	30.46
-Individuals	3,657,209	18.32
-HUF	166,640	0.83
-NRI's	79,431	0.40
-Clearing members	27,517	0.14
- Trust	500	-
<b>Sub-total (B) (2)</b>	<b>11,245,574</b>	<b>56.33</b>
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>11,245,574</b>	<b>56.33</b>
<b>Grand total (A)+(B)</b>	<b>19,963,405</b>	<b>100.00</b>

### THE DIAGRAMMATIC REPRESENTATION OF THE SHAREHOLDING PATTERN AS ON 30TH JUNE, 2010:





### DISTRIBUTION OF SHARE HOLDING AS ON 30TH JUNE, 2010:

Shareholding of nominal value of		Shareholders		Shares amount	
Rs.	Rs.	Number	% to Total	Rs.	% to Total
(1)		(2)	(3)	(4)	(5)
Up to -	5,000	7,346	85.91	10,584,680	5.30
5,001 -	10,000	558	6.53	4,672,160	2.34
10,001 -	20,000	266	3.11	4,139,270	2.07
20,001 -	30,000	98	1.15	2,526,640	1.27
30,001 -	40,000	49	0.57	1,754,040	.88
40,001 -	50,000	42	0.49	2,008,620	1.01
50,001 -	100,000	69	0.81	5,140,420	2.58
100,001 and above		123	1.44	168,808,220	84.56
<b>Total</b>		<b>8,851</b>	<b>100</b>	<b>199,634,050</b>	<b>100</b>

### STOCK MARKET PRICE DATA FOR THE YEAR 2009-2010 AT BSE SENSEX

Scrip Code: 526049 Company: SHRILAKSHMI For the period: July 2009 to June 2010:

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.)	
								H-L	C-O
Jul 09	55.90	59.75	41.05	58.05	3,48,472	4,739	17,776,869	18.70	2.15
Aug 09	57.90	79.45	54.30	75.65	1,173,373	11,188	78,269,065	25.15	17.75
Sep 09	77.00	101.00	74.05	97.60	1,138,649	11,007	98,747,209	26.95	20.60
Oct 09	97.00	101.90	90.00	91.65	1,326,280	7,740	126,593,819	11.90	-5.35
Nov 09	92.20	107.70	85.10	98.05	1,032,208	9,003	99,812,079	22.60	5.85
Dec 09	101.40	112.95	98.10	105.85	1,227,347	9,058	127,548,932	14.85	4.45
Jan 10	107.00	139.95	104.55	119.95	1,287,038	15,628	157,532,514	35.40	12.95
Feb 10	123.85	142.00	118.95	133.80	1,504,487	23,731	204,017,508	23.05	9.95
Mar 10	134.90	178.00	134.00	175.70	1,993,656	19,266	303,955,707	44.00	40.80
Apr 10	176.70	179.90	158.00	168.20	945,539	12,052	159,112,250	21.90	-8.50
May 10	172.50	173.90	125.00	137.20	356,888	7,915	55,865,341	48.90	-35.30
Jun 10	134.15	150.40	127.15	141.40	496,884	8,872	68,995,908	23.25	7.25
Jul 10	142.00	154.00	138.25	150.35	299,247	6,395	43,327,356	15.75	8.35
Aug 10	152.00	163.60	144.00	153.35	816,033	12,400	125,695,259	19.60	1.35
Sep 10	155.40	158.00	152.05	154.45	25,458	543	3,970,003	5.95	-0.95

\*Spread

H-L: High-Low

C-O: Close-Open

## GENERAL SHARE HOLDER INFORMATION

<b>22nd Annual General Meeting (AGM for year ended 30th June, 2010)</b>	<p><b>Day:</b> Saturday</p> <p><b>Date:</b> 27th November, 2010</p> <p><b>Time:</b> 11:00 am</p> <p><b>Venue:</b> 19/X-1, Krishnapuram, G.T. Road, Kanpur</p>
<b>Accounting calendar years</b>	<p>For the accounting year 2009-10, the interim and final results were announced on:</p> <p>a. 1st quarter results - Fourth week of October 2009</p> <p>b. 2nd quarter results- Fourth week of January 2010</p> <p>c. 3rd quarter results- Fourth week of April 2010</p> <p>d. 4th quarter &amp; Annual results(Audited)- Fourth week of August 2010</p>
<b>Date of book closure</b>	Thursday, 25th November, 2010 to Saturday, 27th November, 2010 (both days inclusive).
<b>Listing on stock exchange</b>	<p>a) National Stock Exchange</p> <p>b) The Mumbai Stock Exchange Limited</p> <p>c) U. P. Stock Exchange Limited</p> <p>d) Singapore Stock Exchange</p>
<b>Registrar and Transfer Agents</b>	<p>M/s Abhira Capital Limited.</p> <p>GF-58-59 World Trade Centre, Barakhamba Lane, New Delhi-110033</p> <p>Ph. no.:+91 11-42390909, Fax:+91 11-27215530</p> <p>Email: jeewatrai@abhipra.com</p>
<b>Address for correspondence</b>	<p>19/X-1, Krishnapuram, G.T. Road, Kanpur</p> <p>Ph. no.:+91 512-2401492, 2402733, 2404181</p> <p>Fax no.: +91 512-2402339</p> <p>E-mail: shri@shrilakshmi.in</p> <p>Website: www.shrilakshmi.in</p>
<b>Share transfer system</b>	Applications for transfer of shares in physical form are received by the Company's Registrar and Transfer Agent, Abhipra Capital Limited, who in consultation and approval of the Company executes the requests of transfer/transmission of shares.
<b>Nomination facility</b>	Shareholders holding shares in physical and desirous of making a nomination in respect of their share holding in the Company as permitted U/S 109A of Companies Act, 1956 may submit their request to the Company in form 2B of the Companies (Central Government's) General Rules and Forms, 1959, prescribed for the purpose.
<b>Code of conduct</b>	The Company's Board laid down a Code of Conduct for all Board members and senior management of the Company. All Board members and designated senior management personnel have affirmed compliance with this Code of Conduct. A declaration to this effect, signed by Dr M P Agarwal, Chairman-cum-Managing Director, is enclosed at the end of this Report.
<b>Dematerialisation of shares and liquidity</b>	<p><b>ISIN Code - equity shares: INE 851 B01016</b></p> <p>As on 30th June, 2010, 60.63% of the total equity shares of the Company were dematerialised. Trading in equity shares of the Company is permitted only in dematerialised form, as per the notification issued by the Securities and Exchange Board of India (SEBI).</p>

## DECLARATION

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, I, Dr. M P Agarwal, Chairman and Managing Director of Shri Lakshmi Cotsyn Limited, declare that all Board members and Senior Executives of the Company have affirmed their compliance with the Code of Conduct for the accounting year 2009-10.

Date: 28th September, 2010

(Dr. M P Agarwal)

Place: Kanpur

Chairman and Managing Director



**Pradeep & Associates***Chartered Accountants*

27/78 'A' 'Gagan Deep'  
Ground Floor, Birhana Road  
Kanpur – 208001  
Phone: Offi. : 2313665  
Resi. : 2540609

## CERTIFICATE

TO

THE MEMBERS,

M/S SHRI LAKSHMI COTSYN LIMITED

19/X-1, Krishna Puram, G.T. Road, Kanpur

We have examined the compliance of conditions of Corporate Governance by M/S SHRI LAKSHMI COTSYN LIMITED for the year ended 30th June, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

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 Statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that Company has complied in material respects 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.

For **Pradeep & Associates***Chartered Accountants*

(Pradeep Kumar Gupta)

Proprietor

Membership No. 70492

Date: 28th September, 2010

Place: Kanpur



## CEO/CFO CERTIFICATION

We, Dr. M P Agarwal, Chairman & Managing Director and Rakesh Kumar Srivastava, Company Secretary cum Finance Controller of Shri Lakshmi Cotsyn Limited, hereby certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the year ending 30th June, 2010 and that to the best of our knowledge and belief:
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable Laws and Regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by Shri Lakshmi Cotsyn Limited during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We are responsible for establishing and maintaining internal controls for financial reporting in Shri Lakshmi Cotsyn Limited and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee
  - (i) Significant changes in internal control over financial reporting during the year;
  - (ii) Significant changes in Accounting Policies during the year and the same have been disclosed in the notes to the financial statements; and
- (e) We certify that there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or any employee having significant role in the Company's internal control systems.
- (f) We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct).

**Rakesh Kumar Srivastava**

*Co. Secy. cum Finance Controller*

Place: Kanpur

Dated: 28th September, 2010

**Dr. M P Agarwal**

*Chairman & Managing Director*



# CONSOLIDATED AUDITORS' REPORT

The Members of

## Shri Lakshmi Cotsyn Limited

19/X-1, Krishnapuram, G.T. Road,

Kanpur

1. We have audited the attached Balance Sheet of **Shri Lakshmi Cotsyn Limited** as at 30th June, 2010 and the Profit and Loss Account for the period ended on that date and the Cash Flow Statement for the period ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement; an audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, by the Central Government of India in terms of Sub-Section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:-
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as appears from our examination of those.
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statements dealt with by this report, comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
  - (e) On the basis of written representation received from the Directors of the Company as on 30th June, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th June, 2010 from being appointed as Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the Accounting Principles generally accepted in India
    - (i) In so far as it relates to the Balance Sheet, of the State of Affairs of the Company as at 30th June, 2010 and
    - (ii) In so far as it relates to the Profit & Loss Account of the Profit for the period ended on that date; and
    - (iii) In so far as it relates to the Cash Flow Statement of the Cash flow of the Company for the period ended on that date.

For **Pradeep & Associates**

Chartered Accountants

**(P. K. GUPTA)**

Proprietor

Membership No.70492

Place: Kanpur

Dated: 28th September, 2010

## ANNEXURE REFERRED IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (ii) As explained to us, the fixed assets have been physically verified by the management during the period under regular programme of verification which in our opinion is reasonable having regard to the size of the Company & nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (iii) There was no substantial disposal of fixed assets during the period.
2. (i) As explained to us, inventory has been physically verified by the management at reasonable intervals during the period.
- (ii) In our opinion and according to the information and explanations given to us, the procedures at physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (iii) On the basis of our examination of inventory records, we are of the opinion that the Company is maintaining proper records of inventory. As explained to us, there was no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. (i) The Company has neither granted nor taken any loan Secured/Unsecured to /from Companies, firms, or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
- (ii) Since Company has not taken any loan from Companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956 this clause is not applicable.
- (iii) Since the Company has not taken any loan from parties covered u/s 301 of the Companies act 1956 comments on this para is not applicable.
4. 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 with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control in respect of these areas.
5. (i) According to the information and explanations given to us , we are of the opinion that the transactions that need to be entered in to the Register maintained under Section 301 of the Companies act 1956 have been so entered.
- (ii) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts, of arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lacs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted Public deposit u/s 58A and 58AA of the Companies Act, 1956 and rules framed thereunder.
7. In our opinion, the Company has an internal Audit System commensurate with the size and nature of its business.
8. The Central Government has prescribed maintenance of Cost Records under Section 209(1) (d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that prima facie, the prescribed accounts and records have been made & maintained.
9. (i) Undisputed statutory duties in respect of Provident Fund and Income Tax Deducted at source under Income Tax Act, 1961 have been deposited regularly by the Company on prescribed due dates with the appropriate authorities. Further other undisputed





statutory dues including Investor , Education and Protection Fund , Income Tax, Wealth tax , Sales Tax, Custom duty , Excise duty and Cess have been deposited subsequently.

- (ii) According to the information and explanations given to us, there is no arrear of undisputed statutory dues outstanding as on 30th June, 2010 for a period of more than six months from the date they became payable and these dues have been deposited subsequently.
- (iii) Since there no arrears of undisputed statutory dues outstanding comment on this clause not applicable.
10. The Company has no accumulated losses at the end of the financial period ended on 30th June, 2010 and it has not incurred any cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial Institutions.
12. In our opinion and according to the information and explanations given to us the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a Chit Fund or nidhi / mutual benefit fund/society.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information & explanations given to us, the Company has not given any

guarantee for loans taken by others from Bank or financial Institutions.

16. Based on the information and explanations given to us by the management. The Term Loans taken during financial year were applied for the purpose for which the loans were obtained.
17. According to information and explanation given to us and on an overall examination of the Balance Sheet of the Company we are of the opinion that Company has not utilized any short term borrowing for repayment of long term borrowing and acquisition of fixed assets.
18. During the period covered by our audit report Non-Convertible Debentures of Rs. 50 crores were issued by the Company and the Company has also provided Rs. 10 crores (aggregating to Rs.20 crores) as Debenture Redemption Reserve.
19. The Company has not raised any money by way of public issue during the period.
20. Based upon the audit procedures performed by the purpose of reporting true and fair view of the financial statements and according to the information and explanations given to us by the management , in our opinion , no fraud on or buy the Company has been noticed or reported during the course of our audit.

For **Pradeep & Associates**

*Chartered Accountants*

**(P. K. GUPTA)**

*Proprietor*

Place: Kanpur

Dated: 28th September, 2010

Membership No.70492

# CONSOLIDATED BALANCE SHEET

as on 30th June, 2010

(Rs. In Lacs)

Particulars	Schedule	As at 30-06-2010	As at 30-06-2009
<b>SOURCES OF FUNDS</b>			
<b>ShareHolders' Funds</b>			
Share Capital	1	1,996.34	1,557.85
Share Warrant	2		223.15
Share Warrant Application Money		4,858.79	
Reserve & Surplus	3	39,949.70	28,391.82
		<b>46,804.83</b>	<b>30,172.82</b>
<b>Loan Funds</b>			
Debentures		5,000.00	5,000.00
Long Term Loan		36,694.21	30,623.15
Short Term Loan		17375.42	
Working Capital Loan		44718.8	27738.91
Other Secured Loan		1518.34	5603.22
FCCB Bond		3,740.75	3,945.00
Unsecured Loans	4	3,837.61	9,477.77
		<b>112,885.13</b>	<b>82,388.05</b>
Defferred Tax - Net		3,193.76	3,015.76
<b>Total</b>		<b>162,883.72</b>	<b>115,576.63</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	55,318.51	51,669.10
<b>Less: Depreciation</b>		10,773.35	8,073.70
Net Block		<b>44,545.16</b>	<b>43,595.40</b>
Capital Work in progress		17,086.48	7,962.98
		<b>61,631.64</b>	<b>51,558.38</b>
<b>Investments</b>			
<b>Current Assets, Loans &amp; Advances</b>	7	<b>5,876.33</b>	<b>1,012.99</b>
Inventories	7 (i)	38,082.11	27,567.39
Sundry Debtors	7 (ii)	40,022.36	33,660.14
Cash & Bank Balances	7 (iii)	3,215.52	4,038.10
Other Current Assets	7 (iv)	918.67	519.58
Loans and Advances	7 (v)	21,449.88	3,612.04
		<b>103,688.54</b>	<b>69,397.25</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
(i) Liabilities	8 (i)	7,252.12	5,580.38
(ii) Provisions	8 (ii)	1,060.67	811.61
		<b>8,312.79</b>	<b>6,391.99</b>
<b>Net Current Assets</b>		<b>95,375.75</b>	<b>63,005.26</b>
<b>Total</b>		<b>162,883.72</b>	<b>115,576.63</b>

**Note :** Figures as at 30th June, 2010 includes Existing/Expansion, SLDSL and SLCL Overseas, UAE operations.

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492  
Place: Kanpur  
Date: 28th September, 2010

**Devesh Gupta**  
(Deputy Managing Director)

**Rakesh Srivastava**  
(Company Secretary cum Finance Controller)



## CONSOLIDATED PROFIT & LOSS ACCOUNT for the period ended 30th June, 2010

(Rs. In Lacs)

Particulars	Schedule	As at 30-06-2010	As at 30-06-2009
<b>INCOME</b>			
<b>Total Sales</b>	9	153,548.03	115,795.01
Other Income	10	1,133.72	1,135.45
		<b>154,681.75</b>	<b>116,930.46</b>
<b>EXPENDITURE</b>			
Purchase & Manufacturing Exp.	11	126,362.06	93,948.78
Personnel Expenses	12	3,849.55	2,574.47
Administrative Expenses	13	3,892.23	3,018.94
Financial Charges	14	7,380.33	6,794.93
Depreciation		2,699.65	2,519.86
		<b>144,183.82</b>	<b>108,856.98</b>
Profit Before Tax		<b>10,497.93</b>	<b>8,073.48</b>
Income Tax (including Deferred Tax)		1,332.63	1,777.62
<b>Profit After Tax</b>		<b>9,165.30</b>	<b>6,295.86</b>
Debenture Redemption Reserve		1,000.00	1,000.00
Proposed Dividend		598.90	311.57
Income Tax on Dividend		101.78	52.95
<b>Balance Carried to Balance Sheet</b>		<b>7,464.62</b>	<b>4,931.34</b>

**Note :** Figures as at 30th June, 2010 includes Existing/Expansion, SLDSL and SLCL Overseas operations.

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492

**Devesh Gupta**  
(Deputy Managing Director)

**Rakesh Srivastava**  
(Company Secretary cum Finance Controller)

Place: Kanpur

Date: 28th September, 2010

# SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS

as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 1</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Authorised Share Capital</b>		
50,000,000 Equity Shares of Rs.10/- each		
<b>Issued, Subscribed and Paid-Up Share Capital</b>	<b>1,996.34</b>	<b>1,557.85</b>
19,963,405 (15,578,500) Equity Shares of Rs.10/-each		
	<b>1,996.34</b>	<b>1,557.85</b>

<b>SCHEDULE - 2</b>		
Share Warrants Application Money	-	<b>223.15</b>

<b>SCHEDULE - 3</b>		
<b>Reserves &amp; Surplus</b>		
Share Premium	9,505.91	6,412.65
State Capital Subsidy	12.19	12.19
Debenture Redemption Reserve	3,000.00	2,000.00
Profit as per last Balance Sheet	19,966.98	15,035.61
<b>Add: Profit for the period</b>	<b>7,464.62</b>	<b>4,931.37</b>
	<b>39,949.70</b>	<b>28,391.82</b>

<b>SCHEDULE - 4</b>		
<b>Unsecured Loan</b>	<b>3837.61</b>	<b>9,477.77</b>
Unsecured Loan	<b>3837.61</b>	<b>9,477.77</b>

PARTICULARS	(Rs. In Lacs)							
	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.07.09	Addition	As on 30.06.10	Upto 01.07.09	For the year	Upto 30.06.10	As on 30.06.09	As on 30.06.10
<b>Fixed Assets</b>								
Land	912.67	1.34	914.01	-	-	-	912.67	914.01
Building	8,472.80	300.74	8,773.54	717.50	292.46	1,009.96	7,755.30	7,763.58
Plant & Machinery	42,343.61	2,068.29	44,411.90	7,131.58	2308.19	9,439.77	35,212.03	34,972.13
Furniture & Fixture	321.86	35.50	357.36	26.58	21.48	48.06	295.28	309.30
Office Equipment	354.52	75.10	429.62	68.70	42.05	110.75	285.82	318.87
Vehicles	318.17	113.92	432.09	129.34	35.47	164.81	188.83	267.28
<b>Total</b>	<b>52,723.63</b>	<b>2,594.89</b>	<b>55,318.52</b>	<b>8,073.70</b>	<b>2,699.65</b>	<b>10,773.35</b>	<b>44,649.93</b>	<b>44,545.16</b>
<b>Previous Year</b>	<b>47,429.14</b>	<b>4,239.96</b>	<b>51,669.10</b>	<b>5,553.84</b>	<b>2,519.86</b>	<b>8,073.70</b>	<b>41,875.30</b>	<b>43,595.40</b>
Capital Work in progress (including advances paid to supplier)	-	17,086.48	17,086.48	-	-	-	-	-





## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 6</b>		
<b>Investments</b>		
Quoted / Unquoted Shares	5,876.33	1,012.99
<b>SCHEDULE - 7</b>		
<b>i) Inventories</b>		
(As Certified by Management)		
Store, Spares & Consumables	1,536.34	1,157.83
Raw Materials	12,578.40	8,810.83
Semi-Finished Goods	14,217.53	7,394.79
Finished Goods	9,542.30	9,173.69
Coal & Husk	207.54	1,030.25
	<b>38,082.11</b>	<b>27,567.39</b>
<b>ii) Sundry Debtors</b>		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six month	873.43	655.98
Others	39,148.93	33,004.16
	<b>40,022.36</b>	<b>33,660.14</b>
<b>iii) Cash &amp; Bank Balance</b>		
Cash in Hand	45.59	47.03
Balance with Bank	3,169.93	3,991.07
	<b>3,215.52</b>	<b>4,038.10</b>
<b>iv) Loans &amp; Advances</b>		
(Unsecured, Considered good, Advance Recoverable in cash or kind)		
Security Deposit	1,186.20	1,294.25
Advances to Suppliers for Capital Goods	19,980.81	2,157.84
Advances to Suppliers for Others	105.59	88.21
Advance to Suppliers for Raw Materials	177.28	71.74
	<b>21,449.88</b>	<b>3,612.04</b>
<b>v) Other Current Assets</b>		
Advances against Others	210.26	201.95
Salary Advance	14.27	22.06
Advances against Travelling Expenses	13.41	12.75
Advance Income Tax	368.23	113.30
Accrued Duty Draw back	268.84	79.71
Accrued DEPB	14.37	58.63
Prepaid Expenses	29.29	31.18
	<b>918.67</b>	<b>519.58</b>

## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 8</b>		
<b>Current Liabilities</b>		
I) LIABILITIES		
Dividend Payable	10.21	9.94
Proposed Dividend	598.90	311.57
Sundry Creditors	6,643.01	5,258.87
	<b>7,252.12</b>	<b>5,580.38</b>
II) PROVISIONS		
Provision for Tax	650.00	373.46
Provision for FBT	-	15.78
Provision for Tax on Proposed Dividend	101.78	52.95
Provision for Expenses	308.89	369.42
	<b>1,060.67</b>	<b>811.61</b>
<b>SCHEDULE - 9</b>		
<b>Total Sales</b>		
Suiting & Shirting	21,155.41	16,090.49
Technical Textile	48,837.14	33,437.79
Quilting & Embroidery	1,096.75	1,389.24
Denim	21,886.68	17,648.84
Terry Towel	11,815.39	7,729.20
Home Furnishing	15,773.79	12,821.12
Bottom Weight	6,913.69	6,884.65
Garments	83.81	51.39
Misc. Sales / Dress Material	15,401.02	10,270.32
Vehicles & Misc. Sales	1,021.64	
	<b>143,985.32</b>	<b>106,323.04</b>
Export Sales	9,562.71	9,471.97
	<b>153,548.03</b>	<b>115,795.01</b>
<b>SCHEDULE - 10</b>		
<b>Other Income</b>		
Miscellaneous Income	736.42	732.91
Excise Duty (TED)	7.02	50.41
Income on Sale of DEPB License	390.28	352.13
	<b>1,133.72</b>	<b>1,135.45</b>



## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 11</b>		
<b>Purchase &amp; Manufacturing Expenses</b>		
Raw Material Consumed	128,286.44	92,823.72
Packing Materials	1,088.74	783.35
Decrease / Increase Semi Finished Goods	(6,822.74)	(525.37)
Decrease / Increase Finished Goods	(368.61)	(3,098.84)
Power & Fuel	3,674.28	3,356.29
Others	503.95	609.63
	<b>126,362.06</b>	<b>93,948.78</b>
<b>SCHEDULE - 12</b>		
<b>Personnel Expenses</b>		
Wages	1,609.54	1,096.62
Salaries	2,077.90	1,362.20
Staff Welfare Expenses	90.56	65.85
Directors' Remuneration	71.55	49.80
	<b>3,849.55</b>	<b>2,574.47</b>
<b>SCHEDULE - 13</b>		
<b>Administrative Expenses</b>		
Rent, Rate & Taxes	121.10	206.36
Insurance	31.14	23.41
Repair & Maintenance	220.03	181.92
Printing & Stationery	49.49	42.70
Postage & Telegram	124.33	45.89
Travelling & Conveyance	363.45	240.05
Meeting Expenses	4.87	5.82
Cost & Stock Audit Fee	1.83	1.70
Audit Fees	11.20	7.45
Selling & Distribution Expenses	448.77	664.77
Legal Expenses	12.04	8.85
Advertisement	102.15	38.21
Freight Outward	686.44	544.99
Stores & Spares	890.48	402.49
Professional Charges	239.99	182.81
Misc. Expenses	584.92	421.52
	<b>3,892.23</b>	<b>3,018.94</b>

## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

Particulars	(Rs. In Lacs)	
	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 14</b>		
<b>Financial Charges</b>		
Interest on Borrowings	6,802.99	6,321.43
Bank Charges	577.34	473.50
	<b>7,380.33</b>	<b>6,794.93</b>

**Note :** Figures as at 30th June, 2010 includes Existing/Expansion, SLDSL and SLCL Overseas UAE operations.

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492  
Place: Kanpur  
Date: 28th September, 2010

**Devesh Gupta**  
(Deputy Managing Director)

**Rakesh Srivastava**  
(Company Secretary cum Finance Controller)





## NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE - 16

Annexure to and forming part of the Balance Sheet as at 30th June, 2010 and Profit & Loss Account for the year ended on that date:

#### Accounting Policies and Notes to Accounts

##### PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements relate to Shri Lakshmi Cotsyn Limited (the Company) and its subsidiary companies viz. SLCL Overseas (FZC) and Shri Lakshmi Defence Solutions Limited. The Consolidated Financial Statements have been prepared on the following basis:

- a) The Financial Statements of the Company and its subsidiary companies have been combined on a line-by-line basis adding together the book values of like items of assets, liabilities, income and expenses as per AS-21. The Consolidated Financial Statements as notified under the companies Accounting Standards Rules, 2006.
- b) The Financial Statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Company i.e., 30th June, 2010.
- c) The Consolidated Financial Statements have been prepared in accordance with AS-21. Accounting for Investments in Associate in Consolidated Financial Statements as per AS-23 as notified under the companies Accounting Standards Rules, 2006.

##### SIGNIFICANT ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and in accordance with the applicable accounting standards as notified under the Companies (Accounting Standards) Rules, 2006, issued by The Institute of Chartered Accountants of India. The significant accounting policies are as follows:

- 1) **FIXED ASSETS**  
Fixed assets are valued at cost.
- 2) **DEPRECIATION**  
Depreciation has been provided on straight line method on all the fixed assets as per Schedule XIV of the Companies

Act, 1956. Further, depreciation on an asset, whose actual cost does not exceed Rs. 5000/- has been provided at the rate of 100%.

##### 3) VALUATION OF INVENTORIES

Inventory of Raw Material, Stores, Spares and Consumables are valued at cost. Cost is arrived at weighted Average method. Finished Goods and Semi Finished Goods are valued at cost of Raw Material at the respective units and conversion of these includes the cost incurred in the normal course of the business, in bringing the goods upto the present condition or net realizable value which is lower.

##### 4) REVENUE RECOGNITION

In accordance with the provision of Section 209(3) of the Companies Act, 1956 and in accordance with AS-9, the Company follows accrual basis of accounting except in respect of interest on security deposit which is accounted for on receipt basis, Sales are invoiced on dispatch of goods to the customer.

##### 5) FOREIGN EXCHANGE FLUCTUATION

As per AS-11, current assets and current liabilities relating to foreign currency transactions are recorded at the exchange rate prevailing at the time of transaction. Foreign currency contracts, outstanding at the close of the year has been accounted for at the exchange rate prevailing at the time of contract.

##### 6) EMPLOYEES RETIREMENT BENEFIT

Company's contribution to Employees Provident Fund is charged to Profit & Loss account. Provision for leave Encashment & Gratuity has been provided for in accounts in Compliance with AS-15.

##### 7) CONTINGENT LIABILITIES

Contingent liabilities as shown in the notes to the accounts, may affect the future profitability to the extent they materialize for payment.

##### 8) INVESTMENTS

All investments are valued at cost prices.

# NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

## SCHEDULE - 16 (CONTD.)

### NOTES TO ACCOUNTS

#### 1. Remuneration Paid To Directors

(Rs. in Lacs)

	As on 30.06.2010	As on 30.06.2009
Gross Salary paid to Managing Director and other Directors (Includes all allowances & perquisites)	71.55	49.80

2. During the accounting year ended 30th June, 2010 the Company has converted 2,221,500 Warrants of Rs.100/- each into 2,221,500 Equity Shares of Rs. 10/- each at a premium of Rs. 90/- per Equity Share, 1,975,000 Warrants of Rs. 56/- each into 19,75,000 Equity Shares of Rs. 10/- each at a premium of Rs. 46/- per Equity Share. The proceeds thereof have been utilized for meeting the long-term capital expenditure. Also, out of 10.00 Million FCCB, the Company has converted FCCB for an amount
- of USD 0.5 Million and issued 188,405 nos., of equity shares at a predetermined price of Rs. 108.41 per share as mentioned in the term sheet and offering circular of Foreign Currency Convertible Bonds (FCCBs).
3. The Company has provided Rs. 10 crores (in aggregate Rs. 20 crores) as Debenture Redemption Reserve.
4. Calculation of earning per share (EPS) in accordance with AS-20 issued by Institute of Chartered Accountants of India”.

Sl. No.	Particulars	2009-10	2008-09
1.	No. of equity shares	19,963,405	15,578,500
2.	Nominal value of equity shares (in Rs.)	10	10
3.	Profit before tax (Rs. in lacs)	10,497.93	8,073.51
4.	Profit after tax (Rs. in lacs)	9,165.30	6,295.89
5.	Basic EPS (in Rs.)	45.91	40.41

5. **RELATED PARTY DISCLOSURE** : The related party disclosure in accordance with AS-18 issued by the institute of Chartered Accountants of India is given below:-

#### I) Name of Related Parties & Description of Relationship

##### (A) KEY MANAGERIAL PERSONNEL

- (i) Dr. M.P. Agarwal CMD  
(ii) Mr. Pawan Kumar Agarwal Jt. M.D.  
(iii) Mr. Devesh Gupta Dy. M.D.

##### (B) RELATIVES OF KEY MANAGERIAL PERSONNEL:-

- (i) Mrs. Sharda Agarwal Director(Wife of Dr. M.P. Agarwal)  
(ii) Mr. Alok Agarwal President (Works) (Son of Dr. M.P Agarwal)  
(ii) Mr.Vikas Agarwal President(Marketing) (Son of Dr. M.P.Agarwal)

##### (C) COMPANIES & CONCERNS CONTROLLED BY KEY MANAGERIAL PERSONNEL/ RELATIVES

- (i) Galaxy Capital Finance Limited  
(ii) Shri Lakshmi Infrastructure Limited  
(iii) Shri Lakshmi Power Limited  
(iv) Shri Lakshmi Nano Technologies Limited  
(v) Shri Lakshmi Defence Solutions Limited (formerly known as Armet Armored Vehicles (India) Limited)  
(v) SLCL Overseas (FZC) at Sharjah, UAE



## NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE - 16 (CONTD.)

#### II) Details Of Transaction

(Rs. in Lacs)		
Nature	Associate Companies	Key Management Personnel & their relatives
Remuneration	-	-
Rent Paid	750,000	1,320,000*

\* Dr. M P Agarwal (Rs. 300,000), Mr. Pawan Kumar Agarwal (Rs. 300,000), Mr. Alok Agarwal (Rs. 360,000), Mr. Vikas Agarwal (Rs. 360,000).

6. The Company is engaged in manufacturing of textiles which in the context of AS-17 as notified under the companies Accounting Standards Rules, 2006, is considered as the only business segment.
7. As per provisions of As-22 (Accounting for taxation of income) issued by Institute of Chartered Accountants of India, total deferred tax liability have been calculated to be Rs. 3,193.76 Lacs.
8. No operations have been discontinued during the year.

9. Personal accounts are subject to confirmation, reconciliation and consequential adjustments (if any).

#### 10. CONTINGENT LIABILITIES

- (i) Guarantees given by the Company NIL
- (ii) Claim against the Company not acknowledges Debt Rs. NIL
- (iii) Letter of Credit outstanding Rs. 6,100 Lacs  
Estimated average contract remaining to be executed on Capital account & provided for (Net of Advances payment) Rs. NIL (Previous year NIL).
- (iv) Provision for Tax amounting to Rs. 650 Lacs has been made in the accounts.

11. Additional information where applicable pursuant to the provisions of Schedule VI of the Companies Act, 1956 is as under:-

**A) Licensed Capacity:** The Company is not required to obtain any licensed under the Industrial Development & Regulation Act, therefore the details of license capacity is not applicable.

#### B) Installed Capacity Per Annum

	Unit	As at 30.06.2010	As at 30.06.2009
(i) Shirting Suiting & Sheeting	Mtrs	300 Lacs	300 Lacs
(ii) Fusible Interlining	Mtrs.	125 Lacs	125 Lacs
(iii) Quilt Fabrics	Mtrs.	4 Lacs	4 Lacs
(iv) Embroidery Fabrics	Mtrs.	8 Lacs	8 Lacs
(v) Bottom Weight	Mtrs.	60 Lacs	60Lacs
(vi) Towel	Tons	3000 Tons	3000 Tons
(vii) Sheeting	Mtrs.	120 Lacs	120 Lacs
(viii) Denim	Mtrs.	200 Lacs	200 Lacs
(ix) Nylon	Mtrs.	12.5 Lacs	12.5 Lacs
(x) Garments	Nos	66 Lacs	66 Lacs
(xi) Quilts/Comforters	Nos	3 Lacs	3 Lacs

## NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE - 16 (CONTD.)

#### C) Actual Production

	Unit	As on 30.06.2010	As on 30.06.2009
(i) Shirting Suiting & Sheeting	Mtrs.	37,823,526	30,793,173
(ii) Fusible Interlining	Mtrs.	19,494,411	15,291,067
(iii) Quilt Fabrics	Mtrs.	710,537	128,020
(iv) Embroidery Fabrics	Mtrs.	1,119,298	771,779
(v) Bottom Weight	Mtrs.	7,153,383	6,632,686
(vi) Towel	Tons	5,151,966	4,350,158
(vii) Sheeting	Mtrs.	12,816,011	9,603,446
(viii) Denim	Mtrs.	19,384,847	16,589,986
(ix) Nylon	Mtrs.	1,970,674	1,836,987
(x) Garments	Nos	501,325	126,419
(xi) Quilts/Comforters	Nos	128,856	10,085

#### D) Sales & Closing Stocks

	Unit	Opening	Closing	Sales
(i) Shirting Suiting & Sheeting	Mtrs.	3,539,218	3,521,783	37,840,961
(ii) Fusible Interlining	Mtrs.	10,442	1,125,131	18,379,722
(iii) Quilt Fabrics	Mtrs.	46,864	45,263	712,138
(iv) Embroidery Fabrics	Mtrs.	96,531	30,539	1,185,290
(v) Bottom Weight	Mtrs.	516,842	338,199	7,332,026
(vi) Towel	Tons	121,070	130,106	5,142,930
(vii) Sheeting	Mtrs.	405,424	1,236,446	11,984,989
(viii) Denim	Mtrs.	364,778	367,084	19,382,551
(ix) Nylon	Mtrs.	3,284	6,325	1,967,633
(x) Garments	Nos	12,481	19,237	494,569
(xi) Quilts/Comforters	Nos	10,085	9,143	129,798

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492  
Place: Kanpur  
Date: 28th September, 2010

**Devesh Gupta**  
(Deputy Managing Director)





# CONSOLIDATED CASH FLOW STATEMENT

for the period ended 30th June 2010

(Rs. In Lacs)

Particulars	30.06.2010	30.06.2009
<b>CASH FLOW FROM OPERATION ACTIVITIES</b>		
Net Profit before tax and extra ordinary items	10,497.93	8,073.51
- Depreciation	2,699.65	2,519.86
	<b>13,197.58</b>	<b>10,593.37</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
- Trade and Other Receivable	(6,362.22)	(11,737.27)
- Inventories	(10,381.36)	(7,371.78)
- Trade Payables	1,813.53	1,856.84
- Loans & Advances	(18,097.41)	(1,113.77)
- Increase in Bank Borrowing	16,979.89	8,437.66
- Secured/Unsecured Loans	(5,643.56)	2,884.92
- Income Tax	(1,332.63)	(361.90)
	<b>(23,023.76)</b>	<b>(7,405.30)</b>
Cash Generated from operations	(9,826.18)	3,188.08
Net cash from operating activities	(9,826.18)	3,188.08
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
- Net cash from operating activities	(9,826.18)	3,188.08
- Fixed Assets acquired	(11,631.10)	(7,206.15)
- Purchase of Investment	(5,013.21)	(650.31)
	<b>(26,470.49)</b>	<b>(4,668.38)</b>
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>		
- Proceeds from issue of Share Capital	3,781.75	1,001.65
- Proceeds from issue of Share Warrant Application Money	4,635.64	-
- Proceeds from issue of Debentures	-	52.40
- Proceeds from issue of FCCB	(204.25)	-
- Proceeds from Loan Term Borrowings	18,958.02	7,982.06
- Dividends paid (Including Dividend Tax)	(700.68)	(364.52)
- Net Cash used in financing activities	<b>26,470.48</b>	<b>8,566.79</b>
- Net increase in cash and cash equivalents	(0.01)	3,898.41
Cash and Cash equivalents as at 1st July 2009	4,038.11	139.70
Cash and Cash equivalents as at 30 June 2010	<b>4,038.10</b>	<b>4,038.11</b>

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492  
Place: Kanpur  
Date: 28th September, 2010

**Devesh Gupta**  
(Deputy Managing Director)

# STANDALONE BALANCE SHEET

As on 30th June, 2010

(Rs. In Lacs)

Particulars	Schedule	As at 30.06.2010	As at 30.06.09
<b>SOURCES OF FUNDS</b>			
<b>ShareHolders' Funds</b>			
Share Capital	1	1,996.34	1,557.85
Share Warrant	2		223.15
Share Warrant Application Money		4,858.79	
Reserve & Surplus	3	34,595.76	25,756.51
		<b>41,450.89</b>	<b>27,537.51</b>
<b>Loan Funds</b>			
Debentures		5,000.00	5,000.00
Long Term Loan		36,232.68	30,623.15
Short Term Loan(Project)		17,375.42	-
Working Capital Loan		44,475.82	27,738.91
Other Secured Loan		1,518.34	5,603.22
FCCB Bond		3,740.75	3,945.00
Unsecured Loans	4	3,490.84	9,469.70
		<b>111,833.85</b>	<b>82,379.98</b>
Defferred Tax - Net		3,193.76	3,015.76
<b>Total</b>		<b>156,478.50</b>	<b>112,933.25</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	53,905.76	51,669.10
<b>Less: Depreciation</b>		10,705.74	8,073.70
Net Block		<b>43,200.02</b>	<b>43,595.40</b>
Capital Work in progress		17,086.48	7,962.98
		<b>60,286.50</b>	<b>51,558.38</b>
<b>Investments</b>			
	6	1,844.58	1,032.99
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7 (i)	37,633.93	26,554.75
Sundry Debtors	7 (ii)	39,276.84	31,737.53
Cash & Bank Balances	7 (iii)	3,178.84	4,028.29
Other Current Assets	7 (iv)	910.71	519.58
Loans and Advances	7 (v)	21,363.90	3,612.04
		<b>102,364.22</b>	<b>66,452.19</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
(i) Liabilities	8 (i)	6992.39	5,303.39
(ii) Provisions	8 (ii)	1024.41	806.92
		8,016.80	6,110.31
<b>Net Current Assets</b>		<b>94,347.42</b>	<b>60,341.88</b>
<b>Total</b>		<b>156,478.50</b>	<b>112,933.25</b>

**Note :** The above figures are un-consolidated figures.

As per our report of even date attached.

For **Pradeep & Associates**

Chartered Accountants

**Dr. M. P. Agarwal**

(Chairman & Managing Director)

**P. K. Gupta**

Proprietor

Membership No.70492

Place: Kanpur

Date: 28th September, 2010

**Devesh Gupta**

(Deputy Managing Director)

**Rakesh Srivastava**

(Company Secretary cum Finance Controller)



## STANDALONE PROFIT & LOSS ACCOUNT

For the period ended 30th June, 2010

Particulars	Schedule	(Rs. In Lacs)	
		As at 30-06-2010	As at 30-06-2009
<b>INCOME</b>			
<b>Total Sales</b>	9	137,094.82	105,524.72
Other Income	10	1,131.80	1,135.45
		<b>138,226.62</b>	<b>106,660.17</b>
<b>EXPENDITURE</b>			
Purchase & Manufacturing Expenses	11	113,344.63	85,140.98
Personnel Expenses	12	3,684.77	2,466.26
Administrative Expenses	13	3,497.44	2,761.83
Financial Charges	14	7,288.44	6,794.93
Depreciation		2,632.04	2,519.86
		<b>130,447.32</b>	<b>99,683.86</b>
<b>Profit Before Tax</b>		7,779.30	6,976.31
Income Tax (including FBT)		1,332.63	361.90
Deferred Tax		-	1,415.72
<b>Profit After Tax</b>		<b>6,446.67</b>	<b>5,198.69</b>
Debenture Redemption Reserve		1,000.00	1,000.00
Proposed Dividend		598.90	311.57
Income Tax on dividend		101.78	52.95
<b>Balance Carried to Balance Sheet</b>		<b>4,745.99</b>	<b>3,834.17</b>

**Note :** The above figures are un-consolidated figures.

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492  
Place: Kanpur  
Date: 28th September, 2010

**Devesh Gupta**  
(Deputy Managing Director)

**Rakesh Srivastava**  
(Company Secretary cum Finance Controller)

# SCHEDULE FORMING PART OF THE ACCOUNTS

As on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 1</b>		
<b>Authorised Share Capital</b>		
5,00,00,000 Equity Shares of Rs.10/- each	5,000.00	5,000.00
<b>Issued, Subscribed and Paid-Up Share Capital</b>		
1,99,63,405 (1,55,78,500) Equity Shares of Rs.10/-each	1,996.34	1,557.85
	<b>1,996.34</b>	<b>1,557.85</b>

<b>SCHEDULE - 2</b>		
Share Warrants	-	223.15

<b>SCHEDULE - 3</b>		
<b>Reserves &amp; Surplus</b>		
Share Premium	9,505.91	6,412.65
State Capital Subsidy	12.19	12.19
Debenture Redemption Reserve	3,000.00	2,000.00
Profit as per last balance sheet	17,331.67	13,497.37
<b>Add: Profit for the period</b>	<b>4,745.99</b>	<b>3,834.30</b>
	<b>34,595.76</b>	<b>25,756.51</b>

<b>SCHEDULE - 4</b>		
<b>Unsecured Loan</b>		
Unsecured Loan	3,490.84	9,469.70
	<b>3,490.84</b>	<b>9,469.70</b>

PARTICULARS	GR OSS BLOCK		DEPRECIATION			NET BLOCK		
	As on 01.07.09	Addition	As on 30.06.10	Upto 01.07.09	For the year	Upto 30.06.10	As on 30.06.09	As on 30.06.10
<b>Fixed Assets</b>								
Land	912.67	1.34	914.01	-	-	-	912.67	914.01
Building	7,921.52	233.41	8,154.93	717.50	266.93	984.43	7,204.02	7,170.50
Plant & Machinery	41,856.61	1,796.25	43,652.86	7,131.58	2,269.06	9,400.64	34,725.03	34,252.22
Furniture & Fixture	315.95	35.28	351.23	26.58	20.96	47.54	289.37	303.69
Office Equipment	344.18	73.80	417.98	68.70	41.27	109.97	275.48	308.01
Vehicles	318.17	96.59	414.76	129.34	33.82	163.16	188.83	251.60
<b>Total</b>	<b>51,669.10</b>	<b>2,236.67</b>	<b>53,905.77</b>	<b>8,073.70</b>	<b>2,632.04</b>	<b>10,705.74</b>	<b>43,595.40</b>	<b>43,200.03</b>
<b>Previous Year</b>	<b>47,429.14</b>	<b>4,239.96</b>	<b>51,669.10</b>	<b>5,553.84</b>	<b>2,519.86</b>	<b>8,073.70</b>	<b>41,875.30</b>	<b>43,595.40</b>
Capital Work in progress (including advances paid to supplier)	-	17,086.48	17,086.48	-	-	-	-	-





## SCHEDULE FORMING PART OF THE ACCOUNTS

As on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 6</b>		
<b>Investments</b>		
Quoted / Unquoted Shares	1,844.58	1,012.99
<b>SCHEDULE - 7</b>		
<b>i) Inventories</b>		
(As Certified by Management)		
Store, Spares & Consumables	1,532.71	1,157.83
Raw Materials	12,376.20	8,810.83
Semi-Finished Goods	14,084.17	7,394.79
Finished Goods	9,433.31	8,161.05
Coal & Husk	207.54	1,030.25
	<b>37,633.93</b>	<b>26,554.75</b>
<b>ii) Sundry Debtors</b>		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six month	840.69	469.74
Others	38,436.15	31,267.79
	<b>39,276.84</b>	<b>31,737.53</b>
<b>iii) Cash &amp; Bank Balance</b>		
Cash in Hand	42.69	38.71
Balance with Bank	3,136.15	3,989.58
	<b>3,178.84</b>	<b>4,028.29</b>
<b>iv) Loans &amp; Advances</b>		
(Unsecured, Considered good, Advance Recoverable in cash or kind)		
Security Deposit	1,185.62	1,294.25
Advances to Suppliers for Capital Goods	19,980.03	2,157.84
Advances to Suppliers for Others	105.36	88.21
Advance to Suppliers for Raw Materials	92.89	71.74
	<b>21,363.90</b>	<b>3,612.04</b>
<b>v) Other Current Assets</b>		
Advances against Others	207.77	201.95
Salary Advance	10.74	22.06
Advances against Travelling Expenses	12.09	12.75
Advance Income Tax	368.23	113.30
Accrued Duty Draw back	268.84	79.71
Accrued DEPB	14.37	58.63
Prepaid Expenses	28.67	31.18
	<b>910.71</b>	<b>519.58</b>

## SCHEDULE FORMING PART OF THE ACCOUNTS

As on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 8</b>		
<b>Current Liabilities</b>		
<b>I) LIABILITIES</b>		
Dividend Payable	10.21	9.94
Proposed Dividend	598.90	311.57
Sundry Creditors	6,383.28	4,981.88
	<b>6,992.39</b>	<b>5,303.39</b>
<b>II) PROVISIONS</b>		
Provision for Tax	650.00	373.46
Provison for FBT		15.78
Provison for Tax on Proposed Dividend	101.78	52.95
Provision for Expenses	272.63	364.73
	<b>1,024.41</b>	<b>806.92</b>
<b>SCHEDULE - 9</b>		
<b>Total Sales</b>		
Suitng & Shirting	21,155.41	16,090.49
Technical textile / Fusible Interlining	48,837.14	33,437.79
Quilting & Embroidery	1,096.75	1,389.27
Denim	21,886.68	17,648.84
Terry Towel	11,815.39	7,729.20
Home Furnishing	15,773.79	12,821.12
Bottom Weight	6,913.69	6,884.65
Garments	83.81	51.39
	<b>127,657.34</b>	<b>96,052.75</b>
Export Sales	9,437.48	9,471.97
<b>Total Sales</b>	<b>137,094.82</b>	<b>105,524.72</b>
<b>SCHEDULE - 10</b>		
<b>Other Income</b>		
Miscellaneous Income	734.50	732.91
Excise Duty (TED)	7.02	50.41
Income on Sale of DEPB License	390.28	352.13
	<b>1,131.80</b>	<b>1,135.45</b>



## SCHEDULE FORMING PART OF THE ACCOUNTS

As on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 11</b>		
<b>Purchase &amp; Manufacturing Expenses</b>		
Raw Material Consumed	116,174.79	83,162.46
Packing Materials	1,014.34	720.96
Decrease / Increase Semi Finished Goods	(6,689.38)	(525.37)
Decrease / Increase Finished Goods	(1,272.26)	(2,182.99)
Power & Fuel	3,655.08	3,356.29
Others	462.06	609.63
	<b>113,344.63</b>	<b>85,140.98</b>
<b>SCHEDULE - 12</b>		
<b>Personnel Expenses</b>		
Wages	1,592.03	1,096.62
Salaries	1,945.20	1,256.31
Staff welfare Expenses	79.14	63.53
Directors' Remuneration	68.40	49.80
	<b>3,684.77</b>	<b>2,466.26</b>
<b>SCHEDULE - 13</b>		
<b>Administrative Expenses</b>		
Rent, Rate & Taxes	99.45	182.36
Insurance	29.91	23.41
Repair & Maintenance	218.80	181.92
Printing & Stationery	37.87	30.38
Postage & Telegram	122.22	45.89
Travelling & Conveyance	278.86	191.36
Meeting Expenses	4.87	5.82
Cost & Stock Audit Fee	1.83	1.70
Audit Fees	11.03	7.45
Selling & Distribution Expenses	263.95	541.03
Legal Expenses	6.45	8.85
Advertisement	101.12	38.21
Freight Outward	666.51	528.36
Stores & Spares	877.34	402.49
Professional Charges	233.93	182.81
Misc. Expenses	543.30	389.79
	<b>3,497.44</b>	<b>2,761.83</b>

## SCHEDULE FORMING PART OF THE ACCOUNTS As on 30th June, 2010

### SCHEDULE - 14

#### Financial Charges

Interest on Borrowings	6,718.39	6,321.43
Bank Charges	570.05	473.50
	<b>7,288.44</b>	<b>6,794.93</b>

**Note :** The above figures are un-consolidated figures.

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492  
Place: Kanpur  
Date: 28th September, 2010

**Devesh Gupta**  
(Deputy Managing Director)

**Rakesh Srivastava**  
(Company Secretary cum Finance Controller)





# CASH FLOW STATEMENT

For the period ended 30th June 2010

	(Rs. In Lacs)	
Particulars	30.06.2010	30.06.2009
<b>CASH FLOW FROM OPERATION ACTIVITIES</b>		
Net Profit before tax and extra ordinary items	7,779.30	6,976.44
- Depreciation	2,632.04	2,519.86
	<b>10,411.34</b>	<b>9,496.30</b>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
- Trade and Other Receivable	(7,539.31)	(11,342.96)
- Inventories	(11,079.18)	(6,455.93)
- Trade Payables	1,906.49	1,645.44
- Loans & Advances	(18,142.99)	(1,113.77)
- Increase in Bank Borrowing	16,736.91	8,437.66
- Secured/Unsecured Loans	(5,978.86)	2,876.85
- Income Tax	(1,322.85)	(361.90)
	<b>(25,419.79)</b>	<b>(6,314.61)</b>
Cash Generated from operations	(15,008.45)	3,181.69
Net cash from operating activities	(15,008.45)	3,181.69
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
- Net cash from operating activities	(15,008.45)	3,181.69
- Fixed Assets acquired	(11,360.16)	(7,206.15)
- Purchase of Investment	(811.59)	(648.03)
	<b>(27,180.20)</b>	<b>(4,672.49)</b>
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>		
- Proceeds from issue of Share Capital	3,531.75	1,001.65
- Proceeds from issue of Share Warrant Application Money	4,635.64	-
- Proceeds from issue of Debentures	-	(52.40)
- Proceeds from issue of FCCB	(204.25)	-
- Proceeds from loan term borrowings	18,900.07	7,982.06
- Dividends paid (Including Dividend Tax)	(700.68)	(364.52)
- Net Cash used in financing activities	<b>26,162.53</b>	<b>8,566.79</b>
- Net increase in cash and cash equivalents	(1,017.67)	3,894.30
Cash and Cash equivalents as at 1st July 2009	4,196.51	302.21
Cash and Cash equivalents as at 30 June 2010	<b>3,178.84</b>	<b>4,196.51</b>

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**Dr. M. P. Agarwal**  
(Chairman & Managing Director)

**P. K. Gupta**  
Proprietor  
Membership No.70492  
Place: Kanpur  
Date: 28th September, 2010

**Devesh Gupta**  
(Deputy Managing Director)

**Rakesh Srivastava**  
(Company Secretary cum Finance Controller)



## AUDITOR'S REPORT

To the Shareholders of  
**SLCL OVERSEAS FZC**

We have audited the attached Balance sheet of M/s **SLCL OVERSEAS FZC, SHARJAH, UNITED ARAB EMIRATES** as at June 30th, 2010, and the related income statement for the year ended on that date. This financial statement are the responsibility of the management of the Company. Our responsibility is to opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present a true and fair view, in all material aspects, of the financial position

of M/s SLCL OVERSEAS FZC, SHARJAH, UNITED ARAB EMIRATES the result of its operations and fund flows for the year ended on that date, in accordance with International Financial Reporting Standards. Also in our opinion, proper books of account have been maintained by the company, a verification of inventory was duly carried out and the contents of the report of the manager relating to these financial statements are in agreement with the books of account .To the best of our knowledge and belief, no violations of the UAE Commercial Companies Law have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

**AL SAIF AUDITING & ACCOUNTANTS**

*CHARTERED ACCOUNTANTS*

SHARJAH, U.A.E.

23rd August, 2010

## BALANCE SHEET

As on 30th June, 2010

Particulars	2010 AED	2009 AED
Investment	40,499,000.00	-
<b>Current Assets</b>		
Cash & Bank	276,320.00	74,699.00
Inventory	900,960.00	7,693,385.00
Account Receivable	1,282,960.00	14,606,365.00
	<b>2,460,240.00</b>	<b>22,374,449.00</b>
<b>Current Liabilities</b>		
Accounts Payable	(1,677,840.00)	(2,140,068.00)
Unsecured Loans	(64,560.00)	(61,450.00)
	<b>(1,742,400.00)</b>	<b>(2,201,518.00)</b>
<b>Net Current Assets</b>	717,840.00	20,172,931.00
	<b>41,216,840.00</b>	<b>20,172,931.00</b>
<b>Shareholders Funds</b>		
Share Capital	150,000.00	150,000.00
Statutory Reserve	85,000.00	75,000.00
Retained Earnings	40,981,840.00	19,947,931.00
	<b>41,216,840.00</b>	<b>20,172,931.00</b>

For &amp; on behalf of the Board

**Al Saif Auditing & Accountants**

Chartered Accountants

Sharjah, U.A.E.

23rd August, 2010

**Dr. M.P. Agarwal**

(Director)





## PROFIT & LOSS ACCOUNT

For the period ended 30th June, 2010

Particulars	2010 AED	2009 AED
Turnover	122,450,720.00	78,024,489.00
Cost Of Turnover	98,431,211.00	68,353,060.00
<b>Gross Profit</b>	<b>24,019,509.00</b>	<b>9,671,429.00</b>
Operating Expenses	1,894,400.00	1,500,405.00
Selling & Distribution Costs	1,063,680.00	1,274,820.00
Finance Charges	37,520.00	1,632.00
<b>Net Profit</b>	<b>21,023,909.00</b>	<b>6,894,572.00</b>
Retained earning B/f	19,947,931.00	13,053,359.00
Transfer to statutory reserve	10,000.00	-
<b>Retained earnings</b>	<b>40,981,840.00</b>	<b>19,947,931.00</b>

For & on behalf of the Board

**Al Saif Auditing & Accountants**

*Chartered Accountants*

Sharjah, U.A.E.

23rd August, 2010

**Dr. M.P. Agarwal**

*(Director)*

## ANNEXURES

Particulars	2010 AED	2009 AED
<b>CASH &amp; BANK</b>		
Cash in hand	21,040.00	63,461.00
Cash at Bank	255,280.00	11,238.00
	<b>276,320.00</b>	<b>74,699.00</b>
<b>ACCOUNTS RECEIVABLE</b>		
Accounts Receivable	1,282,960.00	14,606,365.00
	<b>1,282,960.00</b>	<b>14,606,365.00</b>
<b>COST OF SALES</b>		
Opening Stock	7,693,385.00	826,269.00
Purchase & Direct Cost	91,638,786.00	75,220,176.00
	<b>99,332,171.00</b>	<b>76,046,445.00</b>
<b>Less : Closing Stock</b>	900,960.00	7,693,385.00
	<b>98,431,211.00</b>	<b>68,353,060.00</b>
<b>OPERATING EXPENSES</b>		
Salaries & Allowances	759,360.00	822,360.00
Rent & Licencing Cost	132,240.00	181,500.00
Travelling Expenses	508,320.00	370,395.00
Legal & Professional Fees	42,560.00	32,500.00
Office Expenses	84,880.00	93,650.00
Misc. Expenses	367,040.00	-
	<b>1,894,400.00</b>	<b>1,500,405.00</b>

For & on behalf of the Board

**Al Saif Auditing & Accountants**

Chartered Accountants

Sharjah, U.A.E.

23rd August, 2010

**Dr. M.P. Agarwal**

(Director)



## NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of **Shri Lakshmi Defence Solutions Limited** (formerly known as *M/s. Armet Armored Vehicles (India) Limited*) will be held on Wednesday, the 24th November, 2010 at 3.30 P.M. at the Registered Office of the Company at 19/X-1, Krishnapuram, G.T. Road, Kanpur to transact the following business:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 30th June, 2010, Balance Sheet as at that date together with the Reports of Directors' and Auditor's thereon.
2. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
3. To appoint a Director in place of Shri Devesh Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Pawan Kumar Agarwal, who retires by rotation and being eligible offers himself for re-appointment.

### REGISTERED OFFICE:

19/X-1, Krishnapuram  
G.T. Road, Kanpur  
Date: 27th August 2010

By order of the Board

**Divya Agarwal**  
(Director)

### NOTE :

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company.
- Proxy in order to be effective must be deposited at the registered Office of the Company not less than 48 Hours before the commencement of the Meeting.

## DIRECTORS' REPORT

To,

The Members of

### Shri Lakshmi Defence Solutions Limited

Your Directors have pleasure in presenting herewith the Annual Report and the Audited Statement of Accounts of the Company for the year ended 30th June, 2010.

#### FINANCIAL & OPERATIONAL RESULTS

During the year under review, your Company recorded sales total sales of Rs. 11.49 crores and Profit (before tax) of Rs. 2.32 crores.

#### DIVIDEND

In view of the Company's initial stage of commercial production and to meet the Company's normal business requirements, your Directors considered it prudent not to recommend any dividend during the year.

#### PROGRESS

Your Company is an approved supplier to multiple government defense establishments including Indian Army, Navy and Air Force, Paramilitary and state police force.

During 2009-10, Shri Lakshmi Defence Solutions Limited has made a remarkable performance with a turnover of Rs. 11.47 crores. Recently the Company has bagged the order for the supply of 4 specialized mine protection vehicles from Nepal Govt. for their troops deployed on United Nations missions and is expected for another order worth Rs.80 to 100 crores. The Company expects huge demand for Armored Vehicles in India as well as abroad. The company has entered into following agreements:

- With 'Ukrainmash' a state foreign trade and investment firm of Ukraine for the supply of 100 armoured vehicles to UN mission.
- With Adcom Military Industries, Abu Dhabi for marketing of the Company's armoured vehicles in Middle East and Africa.
- With GlowTrade (M) SDN. BHD of Malaysia for the development and production of MSCN for the supply to Indian Armed Forces Ministry of Defence, India.

#### CHANGE OF FINANCIAL YEAR OF THE COMPANY

During the year under review, the Financial Year of the Company is changed from 31st March to 30th June, each year for the sake

of convenience in consolidating the accounts of the Company with that of its holding company, M/s Shri Lakshmi Cotsyn Limited.

#### CAPITAL

During the year 2009-10, the Company has allotted 2,500,000 nos. of equity shares @ Rs. 10 per share, thus equity share capital of the Company has been increased to Rs. 100,000,000 (10,000,000 Equity Shares @ Rs. 10/- each).

#### AUDITOR'S APPOINTMENT

The term of present Auditors of the Company, M/s Pradeep & Associates, Chartered Accountants, Kanpur expires at the conclusion of the ensuing Annual General Meeting and being eligible they have confirmed their willingness to accept office, if re-appointed. The Board recommends the appointment. The Auditors' observations read with notes to the Accounts are self-explanatory and do not call for any further explanation.

#### STATUTORY INFORMATION

##### A. Particulars Of Employees:

As none of the employees of the Company was in receipt of remuneration in excess of the limits prescribed, information as per section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, are not required to be given.

##### B. Conservation Of Energy, Technology Absorption And Foreign Exchange Earnings And Outgo:

The Company has undertaken various measures to improve energy usage efficiency and conservation of energy. Energy consumption as well as energy costs were constantly tracked to reduce the electricity and fuel consumption cost. The company also avails the advantage of cheap power due to in-house generation through rise/wheat husk which is available in abundance and is very cheap.

The Company has a technology centric approach to operations. The Company has adopted various Research and Development measures relating to new technology and also engaged experienced personnel for R & D related work.





(Rs. In Lacs)

**C. Foreign exchange earnings and outgo:**

<b>FOREIGN EXCHANGE EARNINGS AND OUTGO</b>	<b>2009-10</b>	<b>2008-09</b>
i) Total earnings of foreign exchange	125.23	Nil
ii) Total outgo in foreign exchange	101.18	124.84

**DEPOSITS**

The Company has not accepted any Public Deposits within the meaning of Section 58A of the Companies Act, 1956 during the year under review.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors of the Company state in respect of the year ended 30th June, 2010 that :-

- in preparation of Annual Accounts, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures.
- they have selected such Accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the Financial year and of the Profit or Loss of the Company for that year.

- they 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.
- they have prepared Annual Accounts on a going concern basis.

**ACKNOWLEDGEMENTS**

Your Directors take this opportunity to place on record their appreciation of the continued cooperation and support extended by the Bankers, Business Constituents, employees and the shareholders of the Company.

**REGISTERED OFFICE:**

19/X-1, Krishnapuram  
G.T. Road, Kanpur  
Date: 27th August 2010

By order of the Board

**Devesh Gupta**  
(Director)

**Divya Agarwal**  
(Director)

# BALANCE SHEET

as on 30th June, 2010

(Rs. In Lacs)

Particulars	Schedule	As at 30-06-2010	As at 30-06-09
<b>SOURCES OF FUNDS</b>			
<b>ShareHolders' Funds</b>			
Share Capital	1	1,000.00	750.00
Reserve & Surplus	2	232.46	-
		<b>1232.46</b>	<b>750.00</b>
<b>Loan Funds</b>			
Long Term Loan		461.53	403.58
Working Capital Loan		242.98	-
Unsecured Loans	3	338.70	170.15
		<b>1,043.21</b>	<b>573.73</b>
<b>Total</b>		<b>2275.67</b>	<b>1323.73</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	1412.75	1054.53
<b>Less:</b> Depreciation		67.61	-
Net Block		1345.14	1054.53
Capital Work in progress			87.28
		<b>1,345.14</b>	<b>1141.81</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	5	335.56	133.36
Sundry Debtors	5(i)	585.15	-
Cash & Bank Balances	5(iii)	2.14	16.31
Other Current Assets	5(iv)	7.96	16.77
Loans and Advances	5(v)	85.98	122.75
	5(vi)	<b>1016.79</b>	<b>289.19</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
(i) Liabilities	6	78.63	102.82
(ii) Provisions	6(i)	7.63	4.45
	6(ii)	<b>86.26</b>	<b>107.27</b>
<b>Net Current Assets</b>		<b>930.53</b>	<b>181.92</b>
<b>Total</b>		<b>2275.67</b>	<b>1323.73</b>

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants**Devesh Gupta**  
(Director)**P. K. Gupta**  
Proprietor  
Membership No.70492**Divya Agarwal**  
(Director)

Date: 27th August, 2010



## PROFIT & LOSS ACCOUNT

for the period ended 30th June, 2010

(Rs. In Lacs)

Particulars	Schedule	As at 30-6-2010	As at 30-6-09
<b>INCOME</b>			
<b>Total Sales</b>	<b>7</b>	<b>1,146.87</b>	-
Other Income	8	1.92	-
		<b>1,148.79</b>	-
<b>EXPENDITURE</b>			
Purchase & Manufacturing Expenses	9	571.71	-
Personnel Expenses	10	69.86	-
Administrative Expenses	11	119.95	-
Financial Charges	12	87.20	-
Depreciation		67.61	-
		<b>916.33</b>	-
<b>Profit Before Tax</b>		232.46	-
Income Tax (including FBT)		-	-
<b>Profit After Tax</b>		<b>232.46</b>	-
Debenture Redemption Reserve		-	-
Proposed Dividend		-	-
Income Tax on Dividend		-	-
<b>Balance Carried to Balance Sheet</b>		<b>232.46</b>	-

As per our report of even date attached.

For **Pradeep & Associates**  
Chartered Accountants

**P. K. Gupta**  
Proprietor  
Membership No.70492

Date: 27th August, 2010

**Devesh Gupta**  
(Director)

**Divya Agarwal**  
(Director)

## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 1</b>		
<b>Authorised Share Capital</b>		
10,000,000 Equity Shares of Rs.10/- each	1,000.00	1,000.00
<b>Issued, Subscribed and Paid-Up Share Capital</b>		
10,000,000 (7,500,000) Equity Shares of Rs.10/- each	1,000.00	750.00
	<b>1,000.00</b>	<b>750.00</b>
<b>SCHEDULE - 2</b>		
<b>Reserves &amp; Surplus</b>		
Profit as per Balance Sheet	232.46	-
<b>Add: Profit for the period</b>	<b>232.46</b>	<b>-</b>
<b>SCHEDULE - 3</b>		
<b>Unsecured Loan</b>		
Unsecured loan	338.70	170.15
	<b>338.70</b>	<b>170.15</b>

**SCHEDULE - 4**

(Rs. In Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.07.09	Addition	As on 30.06.10	Upto 01.07.09	For the year	Upto 30.06.10	As on 30.06.09	As on 30.06.10
<b>Fixed Assets</b>								
Building	551.28	67.33	618.61	-	25.53	25.53	618.61	593.08
Plant & Machinery	487.00	272.04	759.04	-	39.13	39.13	759.04	719.91
Furniture & Fixture	5.91	0.22	6.13	-	0.52	0.52	6.13	5.61
Office Equipment	10.34	1.30	11.64	-	0.78	0.78	11.64	10.86
Vehicles	-	17.33	17.33	-	1.65	1.65	17.33	15.68
<b>Total</b>	<b>1,054.53</b>	<b>358.22</b>	<b>1,412.75</b>	<b>-</b>	<b>67.61</b>	<b>67.61</b>	<b>1,412.75</b>	<b>1,345.14</b>





## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 5</b>		
<b>i) Inventories</b>		
(As Certified by Management)		
Store, Spares & Consumables		12.63
Raw Materials	202.20	120.73
Semi-Finished Goods	133.36	-
Finished Goods	-	-
	<b>335.56</b>	<b>133.36</b>
<b>ii) Sundry Debtors</b>		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six month		
Others	585.15	-
	<b>585.15</b>	<b>-</b>
<b>iii) Cash &amp; Bank Balance</b>		
Cash in Hand	0.27	5.28
Balance with Bank	1.87	11.03
	<b>2.14</b>	<b>16.31</b>
<b>iv) Loans &amp; Advances</b>		
(Unsecured, Considered good, Advance Recoverable in cash or kind)		
Security Deposit	0.58	48.99
Advances to Suppliers for Capital Goods	0.78	12.63
Advances to Suppliers for Others	0.23	4.63
Advances to Suppliers for Raw Materials	84.39	56.50
	<b>85.98</b>	<b>122.75</b>
<b>v) Other Current Assets</b>		
Advances against Others	2.49	7.21
Salary advance	3.53	2.06
Advances against Travelling Expenses	1.32	-
Prepaid Expenses	0.62	7.50
	<b>7.96</b>	<b>16.77</b>

## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 6</b>		
<b>Current Liabilities</b>		
<b>I) LIABILITIES</b>		
Sundry Creditors	78.63	102.82
	<b>78.63</b>	<b>102.82</b>
<b>II) PROVISIONS</b>		
Provision for Expenses	7.63	4.45
	<b>7.63</b>	<b>4.45</b>
<b>SCHEDULE - 7</b>		
<b>Total Sales</b>		
Vehicles & Misc. Sales	1,021.64	-
	<b>1,021.64</b>	-
Export Sales	125.23	-
	<b>1,146.87</b>	-
<b>SCHEDULE - 8</b>		
<b>OTHER INCOME</b>		
Miscellaneous Income	1.92	-
	<b>1.92</b>	-
<b>SCHEDULE - 9</b>		
<b>PURCHASE &amp; MANUFACTURING EXPENSES</b>		
Raw Material Consumed	675.14	-
Packing Materials	1.62	-
Decrease / Increase Semi Finished Goods	(133.36)	-
Decrease / Increase Finished Goods	-	-
Power & Fuel	19.20	-
Others	9.11	-
	<b>571.71</b>	-
<b>SCHEDULE - 10</b>		
<b>Purchase &amp; Manufacturing Expenses</b>		
Raw Material Consumed	675.14	92823.72
Packing Materials	1.62	783.35
Decrease / Increase Semi Finished Goods	(133.36)	(525.37)
Decrease / Increase Finished Goods	-	(3,098.84)
Power & Fuel	19.20	3356.29
Others	9.11	609.63
	<b>571.71</b>	<b>93,948.78</b>



## SCHEDULE FORMING PART OF THE CONSOLIDATED ACCOUNTS as on 30th June, 2010

(Rs. In Lacs)

Particulars	As at 30-06-2010	As at 30-06-2009
<b>SCHEDULE - 11</b>		
<b>Administrative Expenses</b>		
Rent, Rate & Taxes	5.12	-
Insurance	1.23	-
Repair & Maintenance	1.23	-
Printing & Stationery	1.01	-
Postage & Telegram	2.11	-
Travelling & Conveyance	21.05	-
Audit Fees	0.17	-
Selling & Distribution Expenses	51.86	-
Legal Expenses	0.27	-
Advertisement	1.03	-
Freight Outward	5.48	-
Stores & Spares	13.14	-
Professional Charges	6.06	-
Misc. Expenses	10.19	-
	<b>119.95</b>	-
<b>SCHEDULE - 12</b>		
<b>Financial Charges</b>		
Interest on Borrowings	84.6	-
Bank Charges	2.6	-
	<b>87.20</b>	-

**Note :** The above figures are un-consolidated figures.

As per our report of even date attached.

For **Pradeep & Associates**

Chartered Accountants

**Devesh Gupta**

(Director)

**P. K. Gupta**

Proprietor

Membership No.70492

**Divya Agarwal**

(Director)

Date: 27th August, 2010

## SECTION 212 - STATEMENT REGARDING SUBSIDIARY COMPANIES

(Rs. In Lacs)

Name of the Subsidiary Companies	Issued & Subscribed Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation
Shri Lakshmi Defence Solutions Limited	1,000	232.46	2,275.67	2,275.67	-	1,148.79	232.46	-	232.46
SLCL Overseas, FZC, U.A.E.	20	5,121.48	5,149.55	5,149.55	5,051.75	15,306.34	2,486.17	-	2,486.17

# SOME OF OUR PRESS ADVERTISEMENTS



we care for  
**YOUR HEALTH**

*Bacteria Free Bed Linen*

This advertisement features a bedroom with a bed dressed in white and orange linens. A magnifying glass is positioned over the bedsheet, highlighting the 'Bacteria Free' claim. The background wall is a vibrant orange.



weaves®  
live instyle

Shri Lakshmi Cottons Limited

Printed Jacquard Bedcover  
Size: 229 x 254 cm

Sapphire Collection

This advertisement shows a bed with a colorful floral jacquard bedcover in shades of purple, pink, and yellow. The background is a light blue gradient. The Weaves logo and company name are in the top left and right corners.



weaves®  
live instyle

Shri Lakshmi Cottons Limited

WF-6020

**Fuschia Collection**  
Printed Double Bed Sheet Set

MRP Rs. 1699/- (inclusive of all taxes)

This advertisement displays a double bed with a purple and black printed sheet set. The background is a soft purple gradient. The Weaves logo and company name are in the top left and right corners. The product code 'WF-6020' is visible in the bottom right of the image area.



we care for  
**YOUR SKIN**

Bedspread Rich in  
Vitamin E

This advertisement features a close-up of a woman's face on the left side. On the right, there is an inset image of a bed with a dark red and black bedspread. A small circular icon with a leaf is positioned below the inset image. The background is a bright yellow gradient.





Shri Lakshmi Cotsyn Limited

(An ISO 9001:2008 certified company)  
[www.shrilakshmi.in](http://www.shrilakshmi.in)