



XIIth
ANNUAL REPORT
2004 - 2005

8-2-277/10, Road No. 3, Banjara Hills
Hyderabad - 500 034.

BOARD OF DIRECTORS

Mr. S. MAN MOHAN RAO

Chairman & Managing Director

Mr. G. SURENDER REDDY

Executive Director

Mr. SADASHIV SAWRIKAR

Director

Mr. S. SRIDHAR

Director

Mr. VENKATESWAR JAYANTHY

Director – IDBI Nominee.

Registered Office:

H.No.8 – 2 – 277 / 10,

Road No.3, Banjara Hills,

HYDERABAD – 500 034.

Tele: 040 – 23551044, 23542871.

E – mail: info@lnpolyesters.com

Works:

Survey Nos.:576, 590 & 593,

Ghanpur Village,

Patancheru Mandal,

Medak District,

Andhra Pradesh,

Tele: (08455) 244071, 244097.

Company Secretary:

R.Shankaraiah

Auditors:

M/s.KUMAR & GIRI,

Chartered Accountants,

506, Saptagiri Towers, Begumpet,

HYDERABAD – 500 016.

Bankers:

State Bank of Hyderabad,

Overseas Branch,

Somajiguda,

HYDERABAD – 500 082.

NOTICE

Notice is hereby given that the 12th Annual General Meeting of LN Polyesters Limited will be held on the 25th Day of August '2005, at 4.00 P.M at Hotel New Ashoka, 6-1-70, Lakdi-ka-pul, Hyderabad 500 004, to transact the following business:

A) As Ordinary Business:

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March ' 2005, the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors
2. To appoint a Director in the place of Mr.S.Sridhar who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Mr.Sadashiv Sawrikar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Kumar & Giri, Chartered Accountants, Hyderabad, as Auditors of the Company from the conclusion of 12th Annual General Meeting until the conclusion of the 13th Annual General Meeting on a remuneration to be fixed by the Board of the Company.

for and behalf of the Board

Sd/-

S.MAN MOHAN RAO.
Chairman & Managing Director.

Place: Hyderabad.
Date: 27th June ' 2005..

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him self and the proxy need not be a member of the Company. The proxy, in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
2. All documents referred to in the accompanying notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Saturday and Holidays, between 11.00 A.M. to 1.00 P.M. up to the date of the Annual General Meeting.
3. Members / Proxies should fill in the Attendance Slip for attending the Meeting.
4. Shareholders are requested to bring their copy of Annual Report to the Meeting.
5. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
6. The Register of members and transfer books of the Company will be closed from the 19th August ' 2005 to 25th August ' 2005, (both the days inclusive).

for and behalf of the Board

Sd/-

S.MAN MOHAN RAO.
Chairman & Managing Director.

Place: Hyderabad.
Date: 27th June ' 2005.

DIRECTORS REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the 12th Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March ' 2005.

FINANCIAL RESULTS : (Rs, in Lakhs)

	Year Ended 31st March	
	2005	2004
Net Income from Operations	4604.37	4039.71
Gross Profit	380.24	381.16
(before Finance Charges Depreciation & Taxation)		
Less: Finance Charges	337.43	551.40
Depreciation	231.74	227.66
Profit / (Loss)	(188.93)	(397.90)

OPERATIONS :

Your Directors are happy to inform you that the Company has performed well during the year ended 31st March ' 2005. The turnover increased by 14% and has earned cash profit during the year. Government has effected major changes in the excise regulations applicable to the Company during the year, once in July '2004 and another in February '2005. Both the changes had a positive impact on the Company. The Policy has recognized the need of the industry and it is felt that because of these excise duty measure there will be healthy outlook in the industry as a whole and your Company in particulars as it enjoys a good market reputation for its quality, pricing of its finished products. The Company during the year has taken various cost reduction measures which has resulted in reducing the manufacturing and selling cost. There has been reduction in the finance cost of the Company due to the restructuring package approved by the Financial Institutions. However the increase in the prices of the basic raw material of the Company .i.e Partially Oriented Yarn (POY) due to the increase in the international prices of petro products had impact on the material cost for the Company, though the losses are reduced significantly compared to the earlier periods.

MARKETING :

"LN DYED YARN", the brand name of the products of the Company is very well established in the market and commands a premium compared to the other market players. As part of the diversification of the product portfolio, Company has introduced successfully a new variety of Dyed Yarn 110 Denier in the market. The Company is diversifying into new market areas by spreading the dealer network.

OUTLOOK :

The ushering of Quota free regime for textiles in terms of the WTO with effect from 1st January '2005 gives the Company a great opportunity to expand its product profile to overseas markets also. There has been a spurt in the demand for dyed yarn in the domestic market also. The Company with its wide spread network of dealer base and high quality products is poised to capitalize the opportunities fully.

FIXED DEPOSITS :

The Company has not accepted any Fixed Deposit within the meaning of Section 58A of the Companies Act, 1956, and Rules made there under.

DIRECTORS :

There is no change in the composition of the Board of Directors of the Company.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors confirms:

- (i) that in the preparation of the Annual Account for the Financial Year Ended 31st March ' 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year under review.
- (iii) that the Directors had 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.
- (iv) That the Directors had prepared the accounts for the Financial Year ended 31st March ' 2005, on a "going concern basis".

AUDITORS:

M/s.Kumar & Giri, auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s. Kumar & Giri to the effect that their appointment as Auditors if made would be within the limits under Section 224 (1-B) of the Companies Act, 1956.

PERSONNEL:

There are no employees in the Company whose particulars are required to be given pursuant to section 217 (2A) of the Companies Act, 1956.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE :

Information in accordance with the provisions of Section 217 (e) of the Companies (Disclosure of Particulars in the Report of Board Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure forming part of this report.

COMPLIANCE CERTIFICATE :

The Company has complied with the provision of Corporate Governance under listing agreement, excepting with regard to Board composition.

The Company is in the process of broad basing the Board to make it in consonance with clause 49 of the listing agreement.

A Certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing agreement is attached to this report.

ACKNOWLEDGEMENT:

Your Directors place on record their appreciation for the continuous support, assistance extended by all the Government Authorities, Financial Institutions Viz., Industrial Development Bank of India, Industrial Investment Bank Of India, Company Banker's State Bank of Hyderabad, Consultants, Shareholders and the dedicated and sincere services rendered by the employees of the Company.

on behalf of the Board of Directors.

Place: Hyderabad.
Date: 27th June ' 2005.

Sd/-
S. MAN MOHAN RAO
Chairman & Managing Director.

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

A) CONSERVATION OF ENERGY :

a) Energy Conservation measures taken:

- Installation of Load Capacitors at junctions in curtailing High Power Load.
- Usage of sodium vapour lamps.
- Installation of reduced horsepower motors in line with the load requirement.
- Close supervision on Coal, Electricity and HSD Consumption.

b) Additional investment and proposals, if any, being implemented for reduction of Consumption of energy:

- Installation of "Air Washers" for reducing consumption of Power.
- c) Impact of measures at (a) and (B) above for reduction of Energy consumption and consequent impact on the cost of Production of goods.

Installation of "Air Washers" has resulted in reduction of Consumption of power.

d) Total energy consumption and energy consumption per unit of production as per Form-A.

	2004 - 2005	2003 - 2004
1. Electricity		
a) Purchased		
Units	59,29,394	34,93,135
Total Amount	Rs.2,20,32,152	Rs.1,37,07,271
Rate Per Unit	Rs. 3.72	Rs. 3.92
b) Own Generation		
i) Through Diesel Generator		
Units	3,92,669	29,86,805
Units Per Ltr.of Diesel	Rs. 3.40	Rs. 3.45
Rate Per Unit	Rs. 7.23	Rs. 5.48
ii) Through Steam turbine / Generator		
Units		
Units Per Ltr. Of Fuel Oil / Gas	Nil	Nil
Rate Per Unit		
2. Coal for Boiler		
Quantity (Tons)	3,010.825	2,609.249
Total Cost	Rs. 76,02,965	Rs. 57,40,166
Average Rate Per Ton	Rs. 2,525	Rs. 2,200
3. Furnace Oil		
Quantity (K.Ltrs.)	NIL	NIL
Total Cost		
Average Rate		

4. Others / internal generation (please give details)		
Quantity ()	NIL	NIL
Total Cost		
Rate Per Unit		

B) Consumption per unit of production:

Particulars	2004 - 2005	2003 - 2004
Products (with details) Units		
Dyed Yarn Production (MT)	2,909.139	3,027.960
Electricity (Purchased) / MT	Rs. 7,573 /-	Rs. 4,527/-
Coal / MT	Rs. 2,613/-	Rs. 1,896/-

II. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form – B

a) Research & Development (R & D)

Specific Areas:

The Company has taken significant steps to strengthen R & D activities in order to increase value and satisfaction to the Consumer by way of development of new range of products.

Benefits Derived:

The Products have been well accepted by the Consumers. The new products are successfully positioned in the market.

Plan of Action:

Higher Focus on Research and Development to improve productivity and higher range of product mix.

b) Technology Absorption, Adoption and Innovation :

The Company has continuous interaction with the Manufactures / Suppliers of Machinery and is seeking and upgrading its equipment as and when required.

III. Foreign Exchange Earnings and Outgo:

There is no foreign exchange earnings during the year. The outgo on account of traveling expenditure is Rs.3.56 Lacs.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Board of Directors of LN Polyesters Limited,

We have reviewed the implementation of Corporate Governance procedures by LN Polyesters Limited during the year ended 31st March ' 2005, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreements with the stock exchanges have been complied with in all material respect by the Company excepting the composition of the Board with regard to numbers of independent directors and that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

for KUMAR & GIRI
Chartered Accountants

Sd/-

J.Bhadra Kumar
Proprietor

Date: 27th June ' 2005

MANAGEMENT DISCUSSION AND ANALYSIS :

INDUSTRY STRUCTURE AND DEVELOPMENTS :

The Company is engaged in the manufacture of Texturized Twisted Polyester Dyed Yarn. The category of the industry the Company is classified is "Textiles". The Company is one of the few integrated plants in India having all the facilities under one roof from Texturizing of the Yarn to the Dyeing.

The Finished products of the Company are used in the manufacturing of Dress Materials, Sarees, Shirting, Suiting and Furnishing Fabrics.

Recognizing the need of the Industry the Government of India has changed the Excise Policy in the interest of Industry and Consumer.

REVIEW OF OPERATIONS :

LN POLYESTERS LIMITED (LNPL) processed 2909 MT of Texturized Twisted Polyesters Dyed Yarn during the year achieving an average capacity utilization of 84% on the increased installed capacities of production.

Keeping in view the changing trends in the market the Company has expanded its product mix to include new and higher value added Deniers including micro filaments Yarns of Texturized Twisted Polyester Dyed Yarn.

FINANCIAL REVIEW :

The Company has achieved a Gross turnover of Rs.4852.94 Lakhs.

The Gross Profit (Earnings before Interest, Deprecation & Taxes) was Rs.380.24 Lakhs.

The Operating Loss excluding Interest Income was Rs.204.18 Lakhs.

Interest and other Finance Expenses were Rs. 337.43 Lakhs.

The total capital expenditure during the year was Rs.25.46 Lakhs.

LNPL paid up Equity Share capital as at 31st March ' 2005 stood at Rs.1040.09 Lakhs.

The Preference Share Capital as at 31st March ' 2005 stood at Rs.334.43 Lakhs

Earning per share for the year was Rs. (1.82).

The Company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs.248.57 Lakhs.

OPPORTUNITIES :

Effective from 1.1.2005 the trade barriers such as export quotas are dismantled world over. This provides a great opportunity to the Indian Textiles Industry to export its products to the developed countries with out restrictions. Further the Government of India has announced various initiatives like establishment of Apparel parks, weaving parks and processing parks in various textile hubs all over the country. These measures would have an impact of increase in the demand for the products manufactured by the Company.

The outlook and the demand for the products manufactured by the Company is very encouraging. As the products of the Company are used basically for clothing requirements of general public and also with the increase in the prices of alternate products such as cotton, which has become expensive, the demand for Polyester Dyed Yarn is increasing year after year.

LNPL with its high quality and diverse range products catering to wide segment of market of Dyed Yarn is well poised to capitalize on the growing market for the products.

CHALLENGES :

LNPL encounters normal market competition from other similar Companies. However, Company is gearing up for the same by introducing new and innovative products and expanding the market bases and adopting appropriate combination of strategies it is keeping itself ahead in the competition.

OUTLOOK :

Presently the Company's total revenues are derived from the sale of Textured Twisted Polyester Dyed Yarn in the domestic market. With the established quality standards the Company would be venturing in to International markets and also expand the operations in the domestic markets in the ensuing year.

RISKS AND CONCERNS :

The domestic and regional macro economic environment directly influences the spending habits of the population. Any perceived economic slow down could have an impact on the demand and supply and supply dynamics.

One of the area of concern for the Company the fluctuations in the prices of the basic raw material used in the production i.e Partially Oriented Yarn (POY) whose cost is directly proportional to the fluctuations in the international prices petroleum products. Since the major component of the cost of manufacture for the Company is Consumption of POY.

ADEQUACY OF INTERNAL CONTROLS :

LNPL has a proper and adequate system of internal controls to ensure that all the assets are safe guarded and protected against loss or misuse or disposition and the transaction are authorized, recorded and reported correctly.

Majority of the production operations are automated providing systems based check and control at every critical point.

The internal control systems are supplemented by an independent internal audit function. The Audit Committee of the Board reviews the findings and recommendations of the Internal Auditors.

The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements, other data on timely basis and also in maintaining accountability of assets.

QUALITY :

"Consistency in the Quality of the product and high level of after sale follow up" are the hallmarks of the Company Products.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS :

LNPL employs 72 people, on full time employment basis.

LNPL recognizes the contribution of its people in creating a Company, which is ranked as one of the best amongst the Dyed Yarn producing facilities in India.

LNPL provides continuous learning and personal development programs by conducting training and evaluation.

Industrial relations have been generally cordial during the year.

CORPORATE GOVERNANCE DISCLOSURE:**1. COMPANY PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:**

The basis philosophy of Corporate Governance in the Company is to attain excellence in the operation keeping in view the interest of the shareholders, employees, government and lenders.

Company is committed to achieving the high standards of Corporate Governance.

Company believes that all its operations and acts should serve the underlying goal of enhancing overall stakeholders' value, sustained over a period to time.

2. BOARD OF DIRECTORS :

The Board of Directors of the Company consists of 5 directors, Viz., Chairman & Managing Director, Executive Director and 3 Non – Executive Directors. One of the Non-Executive Director of the Company is Nominee of Industrial Development Bank of India, one of the term lenders to the Company.

During the year 2004 - 2005 the Board has met 8 times (as against the minimum requirement of 4 meetings) on the following date namely 22nd May ' 2004, 29th June ' 2004, 30th July ' 2004, 13th August ' 2004, 30th October ' 2004, 19th November ' 2004 18th January ' 2005 & 26th January ' 2005.

The maximum time gap between any two meetings was not more than three calendar months.

The following table gives details of Directors, attendance of Directors at the Board Meetings and at the last Annual General Meeting number of memberships held by Directors in the Board / Committee of various Companies.

Name	Category	Attendance particulars		Number of directorships and committee member / Chairmanship		
		Borard Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chaimanships
Sri. S. Man Mohan Rao	CMD	7	Yes	1	1	1
Sri. G. Surender Reddy	ED	6	Yes	1	1	0
Sri. Sadashiv Sawrikar	NED	8	Yes	2	1	2
Sri. S. Sridhar	NED	1	Yes	0	0	0
Sri. Venkateswar Jayanthy	NED	6	No	0	1	0

@ Through Alternate Director Sri Rajan Dass

3. AUDIT COMMITTEE:

The Audit Committee constituted by the Board of Directors consists of Three Directors, Shri. Venkateswar Jayanthy, Shri. Sadashiv Sawrikar and Shri. S. Sridhar. Chairman of the Audit Committee is Shri. Sadashiv Sawrikar.

The Audit Committee reviews the adequacy of Internal Control Systems and the Internal Audit Reports, and their compliance thereof as well as the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible. The Committee recommends the appointment of External Auditors and fixation of their audit fee and approves the payment for any other services rendered by them. The Committee also monitors and reports on the status of implementation of agreed internal and statutory audit recommendations. The Statutory and Internal Auditors attend as invitees to the meetings of the Audit Committee.

Three meetings were held during the year. The dates on which the meetings were held are 22nd May ' 2004, 13th August ' 2004 and 19th November ' 2004. The attendance of each member of the Committee is given below:

Sr.No.	Name of the Director	No. of Meetings Attended
1	Shri.Sadashiv Sawrikar	3
2	Shri Venkateswar Jayanthi	3
3	Shri S Sridhar	-

4. REMUNERATION COMMITTEE:

The Remuneration committee of the Company comprises of Three Directors. The Chairman of the committee being Independent Non - Executive Director, Sri.Sadashiv Sawrikar. The other members of the committee being Sri. G.Surender Reddy and Sri. S.Sridhar

The Company has not paid any sitting fees to the Director during the year.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

The Committee comprises of Shri. S.Man Mohan Rao, Chairman, and Shri.G.Surender Reddy. The committee, interalia, approves issue of duplicate certificates and oversees and reviews all matters connected with the securities transfer. The Committee also looks into redressing of shareholders / investor's complaints like transfer of shares, non – receipt of balance sheet, etc., The Committee oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement of the quality of investor's services. The Board of Directors has delegated power for approving transfer of securities to the Chairman & Managing Director.

Shri. R.Shankaraiah, Company Secretary is the Compliance Officer. During the year under review the Company has not received any complaints from the shareholder. And as on 31st March ' 2005, no requests for transfer are pending.

6. GENERAL BODY MEETINGS :

The last three Annual General Meeting of the Company were held as under:

Year	Location	Date	Time
2001 - 2002	Hotel Ashoka, 6 – 1 – 70, Lakadi-ka-pul, Hyderabad – 500 004.	28 th August ' 2002	4.00 P.M
2002 - 2003	Hotel Ashoka, 6 – 1 – 70, Lakadi-ka-pul, Hyderabad – 500 004.	28 th August ' 2003	4.00 P.M
2003 - 2004	Hotel Ashoka, 6 – 1 – 70, Lakadi-ka-pul, Hyderabad – 500 004.	27 th August ' 2004	4.00 P.M

7. DISCLOSURES:

- (i) **Disclosure on materially significant related party transaction, i.e., transaction of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relative etc., that may have potential conflict with the interests of the Company at large.**

None of the transactions with any of the related parties were in conflict with the interest of the Company.

- (ii) **Details of the non – compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.**

There were no instances of non – compliance of any matter related to the Capital markets during the last three years.

8. MEANS OF COMMUNICATION:

- (a) The quarterly results of the Company are published in Indian Express (English), Andhra Prabha (Vernacular), Hyderabad.
- (b) Management Discussion and Analysis forms part of the Annual Report, which is posted to the Shareholders of the Company.

9. GENERAL SHAREHOLDER INFORMATION :

9.1 Annual General Meeting :	
Date and Time	25 th August ' 2005 at 4.00 P.M
Venue	Hotel Ashoka, 6 – 1 – 70, Lakdi – ka – pul, Hyderabad – 500 004.
9.2 Financial Calendar	March '05 to April '06
9.3 Book Closure Date	Dates 19 th August ' 2005 to 27 th August ' 2005.
9.4 Listing of Equity shares on Stock Exchanges :	(a) The Stock Exchange, Mumbai. (b) The Hyderabad Stock Exchange Limited. (c) The Madras Stock Exchange Limited.
9.5 Stock Code:	
(a) Trading Symbol	LNPL at all the Stock Exchanges In Physical & Demat Segement.
(b) ISIN Number	Equity shares INE366C01013
9.6 Stock Market Data :	The Shares of the Company are not actively traded on Hyderabad Stock Exchange during the Financial Year 2004 - 2005. Hence no stock market data is furnished.
9.7 Share Price Performance in comparison to broad based indices-BSE Sensex and NSE Nifty :	- Not Applicable -

9.8 Registrar and Transfer Agents :	
Name & Address:	Venture Capital and Corporate Investments Limited, 6-2-913/914, 3 rd Floor, Progressive Towers, Khairatabad, HYDERABAD-500 004. Tele: 23324804, 23322264.

9.9 Share Transfer Systems :	
System :	Presently the share transfers which are received in physical form are processed and the share certificates are returned within a period of 30 days from the date of receipt subject to the documents being valid and complete in all respects. The Company through its registrars has as per the SEBI guidelines with effect from 01st January ' 2001 offered the facility of transfer cum demat. Under the said system, after the share transfer is effected, an option letter is sent to the transferee indicating the detail of the transferred shares and requesting him in case the shareholder wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on the option letter, generates a demat request and sends the same to the registrar along with the option letter. On receipt of the same, the Company dematerialized the shares. In case the transferee does not opt to dematerialize the share the Company will despatch the share certificates after 15 days from the date of such despatch option letter.

9.10 SHARE HOLDING PATTERN :

Category	% of Total Capital
Promoters & Associates	66.75%
Bodies Corporate	1.68%
Banks	1.67%
NRI's	6.22%
Others	23.68%

9.11 Distribution of Share Holding (As of 31st March ' 2005)

	Range in No. of Shares	% of Total Capital
	Upto 5000	3.07%
	5001 10000	2.05%
	10001 20000	1.35%
	20001 30000	2.36%
	30001 40000	1.36%
	40001 50000	1.45%
	50001 100000	2.94%
	100001 & above	85.42%

9.12	Dematerialization of Shares :	
	Status:	Approximately <u>51.20%</u> of the shares issued by the Company have been dematerialized up to 31 st March ' 2005. Trading in Equity Shares of the Company on the Stock Exchanges is permitted only in dematerialized form w.e.f. 26 th December ' 2000 as per the notification issued by the Securities and Exchange Board of India (SEBI).
	Liquidity	The shares of the Company are not traded regularly on the Stock Exchange.

9.13	Plant Location:	
	Address :	Survey Nos.:576, 590 & 593, Ghanapur Village, Patancheru Mandal Medak District, Andhra Pradesh.

9.14	Address for Investor Correspondence:	
	Address :	R.Shankaraiah, Company Secretary, 8-2-277 / 10, Road No. 3, Banjara Hills,Hyderabad-500 034. Tele : 040-23551055, 23542871.

AUDITOR'S REPORT

To,
The Members of LN POLYESTERS LIMITED,
Hyderabad – 500 034.

We have audited the attached Balance Sheet of LN Polyesters Limited, Hyderabad as on 31st March 2005 and also the Profit and Loss Account for the Year Ended on that date annexed thereto and Cash Flow Statement for the period ended on that date. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we consider appropriate and according to the information and explanations given to us, We give in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Our comments on the accounts are as under:
 - a) Reference is invited to Note No.4 under Notes on Accounts Under Schedule P regarding confirmation and / or reconciliation of balances.
 - b) Attention is invited to Note No.7 under Notes on Accounts Under Schedule P relating to the provision of interest on the amounts outstanding to Industrial Investment Bank of India.
 - c) According to the information and the explanations given to us, the Company does not have any over – dues to SSI units and hence no provision for interest is made in accounts.
3. Subject to our observations in the annexure referred to in paragraph (1) and our comments in paragraph (2) above, We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.

- c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the Books of Account.
- d) In our opinion the Balance sheet and Profit and Loss Account are in compliance with the Accounting Standards referred to in Sec. 211 (3C) of the companies Act, 1956, excepting in relation to Accounting Standard 22 on Accounting for Taxes on Income and reference is invited to Note No.10 under Notes on Accounts Under Schedule P.
- e) In our opinion, and based on the information and explanations given to us, none of the Directors of the Company are disqualified as on 31st March ' 2005 from being appointed as a Director under 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 Balance Sheet and Profit and Loss Account read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
- i) In so far as it relates to the Balance sheet, of the state of affairs of the Company as on 31st of March ' 2005 and
 - ii) In so far as it related to the Profit and Loss Account, of the Loss of the Company for the Year ended on that date.
 - iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

for M/s.KUMAR & GIRI
CHARTERED ACCOUNTANTS

Sd/-
J.BHADRA KUMAR
Proprietor.

Place: Hyderabad.
Date: 27th June ' 2005.

1. ANNEXURE REFERRED TO IN PARAGRAPH (1) OF THE REPORT OF EVEN DATE:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management during the year in phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management at regular intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
- (iii) In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - (a) The Company has taken loans from three parties. The maximum amount outstanding during the year in relation to the loans taken aggregate to Rs. 467.03 Lakhs .
 - (b) In our opinion and according to the information and explanations given to us, no rates of interests are specified for the loans taken. The other terms and conditions for these loans are not prima facie prejudicial to the interest of the Company.
 - (c) In respect of the loans taken by the Company from one party, the amount has been repaid during the year. In respect of other parties' loan taken is interest free and subordinate to the debts of the Financial Institutions so as to the repayment of principal.
 - (d) There are no overdue amounts in respect of loans taken by the Company and also in relation to the loans given by the Company.
- (iv) 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 purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contract or arrangements entered in the register maintained under section 301 of

the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provision of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public excepting loans taken from others. No order has been passed by the Company Law Board.
- (vii) The Company has appointed M/s. Satyanarayana & Co., Chartered Accountants, Hyderabad as Internal Auditors and the Internal Audit System is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us no undisputed amounts payable in respect of wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2005 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has earned a cash profit of Rs. 42.81 Lakhs during the financial year covered by our audit and in the immediately preceding financial year has incurred a cash loss of Rs. 153.68 Lakhs.
- (xi) In our opinion and according to the information and explanations given to us, the principal and interest dues payable to the Industrial Development Bank of India (IDBI) which are outstanding as on 31.3.2004 are rescheduled on 14th June 2004 by IDBI. In case of the dues payable by the Company to Industrial Investment Bank of India (IIBI) an amount of Rs. 233.00 lakhs and Rs. 536.25 Lakhs is outstanding as payable on account of overdue Interest and Principal amounts. The Company's application for re-schedulement of the interest and principal is pending with the IIBI as on date.
- (xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.

- (xiv) In our opinion and according to the information and explanation given to us the Company is not dealing in shares and securities. In the case of investments held by the Company in shares the same are in the name of the Company.
- (xv) In our opinion and according to the information and explanations given to us the Company has not given guarantees for the loans taken by others from Banks or Financial Institutions.
- (xvi) The Company has not raised any new term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the Company has utilized an amount of Rs. 10.30 Lakhs out of the short term funds for acquisition of fixed assets.
- (xviii) The Company has not made any preferential allotment of shares to parties and the Companies covered in the Register maintained under Section 301 of the Companies Act' 1956 during the year.
- (xix) The Clause 4(xix) of the Companies (Audit Report) Order 2003 relating to the creation of security for the Debentures is not applicable to the Company as no debentures are raised by the Company.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that caused the financial statements to be materially misstated.

for M/S.KUMAR & GIRI.
CHARTERED ACCOUNTANTS.

Sd/-
J.BHADRA KUMAR
Proprietor.

Place: Hyderabad.
Date: 27th June '2005.

AUDITED BALANCE SHEET AS AT 31ST MARCH ' 2005

Particulars	Schedule		As at 31-Mar-05 Rs.		As at 31-Mar-04 Rs.
SOURCES OF FUNDS					
1. Shareholders' Funds					
Capital					
Equity Share Capital	A		104,009,000		104,009,000
Preference Share Capital			33,442,960		0
Reserves and Surplus	B		7,200,000		7,200,000
2. Loan Funds					
Secured Loans	C		324,205,760		350,027,888
'Unsecured Loans	D		100,746,884		93,404,390
TOTAL			569,604,605		554,641,278
APPLICATION OF FUNDS					
1. Fixed Assets	E				
Gross Block		449,614,479		447,068,772	
Less: Depreciation		123,755,524		100,581,720	
Net Block			325,858,955		346,487,052
2. Investments	F		1,128,310		1,128,310
3. Current Assets, Loans and Advances	G	222,928,974		206,025,163	
Less: Current Liabilities and Provisions	H	51,973,658		52,181,611	
Net Current Assets			170,955,317	153,843,552	
4. Miscellaneous Expenditure (To the extent not written off or adjusted)					
Preliminary Expenses			0		22,906
Public Issue Expenses			0		390,498
5. Profit & Loss Account			71,662,023		52,768,960
TOTAL			569,604,605		554,641,278
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	P				

As per our report of even date

for **M/s.KUMAR & GIRI**

Chartered Accountants

for and on behalf of the board

Sd/-
J.BHADRA KUMAR
Proprietor

Hyderabad
Date : 27th June 2005

12th ANNUAL REPORT 2004-2005

Sd/-
S. MAN MOHAN RAO
Chairman and Managing Director

Sd/-
G.SURENDER REDDY
Executive Director

Sd/-
R.SHANKARAI AH
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH ' 2005.

Particulars	Schedule	For the Year Ended 31st Mar ' 2005		For the Year Ended 31st Mar ' 2004	
Income					Sales
Sales	I	485,293,951		448,584,997	
Less: Excise Duty and Sales Tax Recovered	M	38,350,756		99,284,922	
Net Sales			446,943,195		349,300,075
CENVAT Credit on Materials			13,494,236		54,670,805
Other Income			1,524,531		1,062,782
Interest Income			0		1,062,782
Accretion/(Decretion) in Stocks	J		(3,016,118)		3,108,910
			458,945,844		408,142,572
Expenditure					
Material Consumption	K		337,810,669		278,431,815
Manufacturing Costs	L		54,467,517		60,726,936
Administrative and Selling Costs	N		28,643,725		30,867,789
			420,921,911		370,026,540
Finance Costs	O		33,743,193		53,483,574
Depreciation	E		23,173,803		22,765,716
			477,838,907		446,275,830
Net (Loss) for the Period Before Extraordinary Items			(18,893,063)		(38,133,258)
Less : Prior Period Interest			0		1,656,512
Net (Loss) for the Year			(18,893,063)		(39,789,770)
Profit / (Loss) brought forward from previous year			(52,768,960)		(12,979,190)
Net Profit / (Loss) Carried to Balance Sheet			(71,662,023)		(52,768,960)
Earnings Per Share of Rs.10 Each (in Rupees)			(1.82)		(3.83)

As per our report of even date

for **M/s.KUMAR & GIRI**

Chartered Accountants

for and on behalf of the board

Sd/-

S. MAN MOHAN RAO

Chairman and Managing Director

Sd/-

G.SURENDER REDDY

Executive Director

Sd/-

J.BHADRA KUMAR

Proprietor

Hyderabad

Date : 27th June 2005

Sd/-

R.SHANKARAI AH

Company Secretary

SCHEDULES TO THE BALANCE SHEET

(Figures in Rupees)

	As at 31-Mar-05 Rs.	As at 31-Mar-04 Rs.
<u>SCHEDULE : A</u>		
SHARE CAPITAL		
Authorised 1,10,00,000 Equity Shares of Rs.10/- each	110,000,000	150,000,000
(Previous Year 1,50,00,000 Equity Shares of Rs.10/- each)		
40,00,000 Preference Shares of Rs.10/- each	40,000,000	0
	150,000,000	150,000,000
Issued, Subscribed & Paid-up		
1,04,00,900 Nos. Equity Shares of Rs.10/- each fully paid-up	104,009,000	104,009,000
33,44,296 Nos. 9% Preference Shares of Rs.10/- each fully paid	33,442,960	0
	137,451,960	104,009,000
<u>SCHEDULE : B</u>		
RESERVES AND SURPLUS		
Share Premium	5,700,000	5,700,000
Central Subsidy	1,500,000	1,500,000
	7,200,000	7,200,000
<u>SCHEDULE : C</u>		
SECURED LOANS		
Loans from : Industrial Development Bank of India	185,225,766	218,668,726
Industrial Investment Bank of India	78,000,000	78,000,000
Cash Credit with State Bank Of Hyderabad	37,278,235	37,256,549
Hire Purchase Loans	621,006	561,718
Interest Accrued and due	23,080,753	15,540,895
	324,205,760	350,027,888
<u>SCHEDULE : D</u>		
UNSECURED LOANS		
From Directors	46,703,429	46,515,429
From Bodies Corporate & Others	9,152,480	8,125,720
Trade Deposits	1,600,000	1,600,000
Interest Free Sales Tax Loan	43,290,975	37,163,241
	100,764,884	93,404,390

FIXED ASSETS SCHEDULE FOR THE YEAR 2004 - 2005

SCHEDULE : E

(Figures in Rupees)

Sl. No	Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As on 1st April, 2004	Additions During Apr. 04 - Mar, 05	Adjustments During Apr. 04 - Mar, 05	As on 31st Mar, 05	As on 31st Mar, 04	For the Period Apr. 04 Mar, 05	Adjustment Period Apr.04 Mar, 05	As on 31st Mar, 05	As on 31st Mar, 05	As on 31st Mar, 04
1	Land & Site Development	2,699,620	0	0	2,699,620	0	0	0	0	2,699,620	2,699,620
2	Factory Building	61,587,398	0	0	61,587,398	10,539,024	2,057,019	0	12,596,043	48,991,355	51,048,374
3	Plant & Machinery	340,908,398	2,084,457	0	342,992,855	75,926,835	17,999,963	0	93,926,798	249,066,057	264,981,564
4	Electrical Installation	24,813,687	0	0	24,813,687	6,207,123	1,310,163	0	7,517,286	17,296,401	18,606,564
5	Borewell	2,069,219	0	0	2,069,219	277,070	69,112	0	346,182	1,723,037	1,792,149
6	Office Equipment	1,337,819	22,600	0	1,360,419	475,666	85,291	0	560,957	799,462	862,153
7	Computers	5,701,978	0	0	5,701,978	3,843,314	924,291	0	4,767,605	934,373	1,858,664
8	Furniture & Fixtures	1,514,561	0	0	1,514,561	683,856	95,872	0	779,728	734,833	830,705
9	Vehicles	6,436,092	438,650	0	6,874,742	2,628,833	632,092	0	3,260,925	3,613,817	3,807,259
	Total	447,068,772	2,545,707	0	449,614,479	100,581,721	23,173,803	0	123,755,524	325,858,955	346,487,052
10	Capital Work in Progress	0	0	0	0	0	0	0	0	0	0
	G.Total	447,068,772	2,545,707	0	449,614,479	100,581,721	23,173,803	0	123,755,524	325,858,955	346,487,052
	Previous Year	440,774,755	14,132,637	(7,838,620)	447,068,772	77,816,004	22,765,716	0	100,581,720	346,487,051	362,958,751

SCHEDULES TO THE BALANCE SHEET

(Figures in Rupees)

	As at 31-Mar-05 Rs.	As at 31-Mar-04 Rs.
SCHEDULE : F		
INVESTMENTS		
Unquoted Equity Shares (at Cost)	25,000	25,000
Quoted Equity Shares (at Cost)	1,103,310	1,103,310
	1,128,310	1,128,310
SCHEDULE : G		
CURRENT ASSETS, LOANS AND ADVANCES		
1. Inventories (As valued & Certified by the Management)		
Raw Materials	15,553,911	15,693,938
Stocks in Process	40,215,429	24,591,856
Finished Goods	20,800,108	39,439,799
	76,569,448	79,725,593
2. Sundry Debtors (Considered Good)		
Debts Outstanding for a period exceeding Six Months	422,181	0
Other Debts	103,160,991	92,221,291
	103,583,172	92,221,291
3. Cash and Bank Balances		
Cash on Hand	218,941	297,374
Balances with Scheduled Banks :		
in Current Accounts	1,550,413	46,647
in No-Lien Account	23,246	23,846
in Deposit Accounts	11,500,000	11,300,000
	13,292,600	11,667,867
4. Loans and Advances (Unsecured and Considered Good)		
Others Advances	4,965,573	4,881,660
Advances for Material	9,493,456	7,026,366
Advance for Job - Workers	4,652,750	0
Interest Receivable	194,966	602,314
TDS Receivable	1,721,120	2,039,863
Deposits	8,455,889	7,860,209
	29,483,755	22,410,412
TOTAL (1+2+3+4)	222,928,975	206,025,163
SCHEDULE : H		
CURRENT LIABILITIES AND PROVISIONS		
Creditors for Materials / Expenses	46,169,403	47,050,545
Creditors for Capital Works	150,071	310,656
Provision for Taxation (Net of TDS)	0	956,808
Outstanding Liabilities	1,740,977	1,966,537
Interest Accrued But Not Due	3,913,207	1,897,065
	51,973,658	52,181,611

SCHEDULES TO THE BALANCE SHEET

(Figures in Rupees)

		As at 31-Mar-05 Rs.		As at 31-Mar-04 Rs.
<u>SCHEDULE : I</u>				
1. Sales				
I) Sales of Polyester Text/Twist/Dyed Yarn		460,147,045		404,125,468
II) Conversion Charges		25,146,906		44,459,529
		485,293,951		448,584,997
<u>SCHEDULE : J</u>				
1. Accretion/Decretion to Stocks				
i) Opening Stocks				
a) Finished Goods	39,439,799		20,313,916	
b) Work in Progress	24,591,856	64,031,655	40,608,829	60,922,745
ii) Closing Stocks				
a) Finished Goods	20,800,108		39,439,799	
b) Work in Progress	40,215,429	61,015,537	24,591,856	64,031,655
	-	(3,016,118)		3,108,910
<u>SCHEDULE : K</u>				
MATERIALS CONSUMPTION				
2. Materials Consumed				
Opening Stock		14,806,306		12,718,635
Purchases		337,517,717		280,519,486
		352,324,023		293,238,121
Less : Closing Stock	-	14,513,354		14,806,306
		337,810,669		278,431,815
<u>SCHEDULE : L</u>				
MANUFACTURING COSTS				
Power and Fuel		32,538,347		37,371,402
Factory Salaries & Wages		14,599,913		16,696,138
Repairs & Maintenance		7,329,257		6,659,396
		54,467,517		60,726,936
<u>SCHEDULE : M</u>				
EXCISE DUTY AND SALES TAX				
Excise Duty		20,411,364		82,348,749
Sales Tax		17,939,392		16,936,173
		38,350,756		99,284,922

SCHEDULES TO PROFIT & LOSS A/C

(Figures in Rupees)

	As at 31-Mar-05 Rs.	As at 31-Mar-04 Rs.
<u>SCHEDULE : N</u>		
ADMINISTRATIVE AND SELLING COSTS		
Salaries & Benefits to Employees	2,689,012	2,834,653
Remuneration to Managing Director	900,000	900,000
Remuneration to Whole Time Directors	900,000	900,000
Rent / Rates / Taxes	590,781	476,259
Consultancy Charges	758,758	518,742
Travelling Expenses	1,041,123	973,095
Foreign Travel	355,720	0
Conveyance	650,767	553,472
Telephone Expenses	904,694	649,005
Printing and Stationery	358,842	367,061
Office Maintenance	134,615	259,330
Security Charges	616,449	628,520
Insurance	1,068,657	971,598
Remuneration to Auditors	154,280	135,000
Business Promotion	443,553	200,201
Carriage Outwards	6,491,662	5,020,336
Discounts / Commission & Oth. Selling Exp.	9,130,374	14,616,430
Miscellaneous Expenses	877,030	450,655
Income Tax	164,005	0
Public Issue Expenses Written Off	390,497	390,512
Preliminary Expenses Written Off	22,906	22,920
	28,643,725	30,867,789
<u>SCHEDULE : O</u>		
FINANCE COST		
Interest on Term Loans	24,290,626	43,855,853
Interest on Working Capital Loan	5,944,868	6,626,695
Interest on Unsecured Loan	1,379,606	1,303,401
Interest on Hire Purchase Loans	66,186	41,789
Bank & Other Financial Charges	2,061,908	1,655,836
	33,743,193	53,483,574

SCHEDULE : P**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS:****I) SIGNIFICANT ACCOUNTING POLICIES:****1. SYSTEM OF ACCOUNTING:**

The accounts have been prepared under the historical cost convention, on the basis of going concern, with revenue recognized and expenses accounted on accrual basis, including provisions / adjustments for committed obligation and amounts determined as payable or recoverable during the year.

2. FIXED ASSETS:

Fixed Assets are stated at Historical Cost Historical cost is inclusive of freight, installation cost, duties and taxes and other incidental expenses. Pre – Operative expenses net of revenue are capitalized. Depreciation is provided on straight – line basis at rates specified in Schedule XIV of the companies Act, 1956.

3. CAPITAL WORK IN PROGRESS:

Capital expenditure incurred on acquisition of Plant and Machinery etc., awaiting erection / in transit and civil works including incidental expenses, advances to suppliers on capital account are grouped under Capital Work in Progress.

4. EMPLOYEE RETIREMENT BENEFITS:

Company's contributions to Provident Fund are charged to Profit and Loss Account Company provides Gratuity Liability on accrual basis for all the eligible employees.

5. INVENTORIES:

Items of inventories are measured lower of cost or net realizable value. Cost of inventories comprises of Cost of purchase, cost of conversions and other cost incurred in bringing them to their present location and condition I) Raw Materials, consumable, stores and packing material are valued at Cost. II) Stock – in – process are valued at estimated Cost. III) Finished Stocks are valued at estimate Cost or net realizable value whichever is less.

6. INVESTMENTS:

Investments which are of Long Term Nature are stated at Cost.

II) NOTES TO ACCOUNTS:**1. CONTINGENT LIABILITIES:**

All known and undisputed liabilities have been duly provided for, except the following:

- a. The Unexecuted portion of Letter of Credit opened by Bank of Rs.80.71 Lacs (Previous Year – Rs.57.23 Lacs)
- b. Capital Commitments: Estimated amount of contracts remaining to be executed on capital account (net of advances) not provide for, amounts to Rs.-Nil- (previous Year Rs.- nil - Lacs)

2. Secured Loans :

- a The long term loans from Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI, earlier known as Industrial Reconstruction Bank of India) are secured by joint – equitable mortgage of title deeds relating to the Company's immovable properties and further secured by deed of hypothecation in respect of movable properties, present and future, subject to prior charge created and / or to be created in favor of the Company's Banker on specified movable properties. The Term Loans from IDBI and IIBI are further secured by the personal guarantees of the Directors of the Company, and pledge of Shares of the Promoters amounting to Rs.300 Lakhs.
- b The Credit facilities from the Bank on Cash Credit Account are secured by way of hypothecation of present and future stock of raw materials, work – in – process, all finished and manufactured goods, stores, component and spares (not relating to Plant and Machinery) and book debts of the Company. The Working Capital facility from State Bank of Hyderabad is further secured by Second charge on the fixed assets of the Company to the extent of Rs.840 Lakhs and the personal guarantees of the Directors of the Company.
- c Vehicle acquired under Hire - Purchase agreement form, ICICI & Associates India Finance Services Private Limited are secured by hypothecation of the respective vehicles. The Loans are further secured by the personal guarantee of the Directors.

3. Unsecured Loans:

- a The Government of Andhra Pradesh, Commissiorate of Industries, has vide its letter no. 20 / 2 / 6 / 01826, dated 16th February ' 1996, fixed eligibility towards Sales Tax Deferment on the Sales Tax Payable by the Company for a period of 10 years with effect form July ' 28, 1995. The Sales Tax amount due as at March ' 31st 2005 is shown under the head of account Unsecured Loans.

4. Balances :

appearing under Unsecured Loans, Sundry Debtors, Loans and Advances, Capital Work-In-Progress are subject to confirmation and / or reconciliation, if any.

5. **The Preliminary and Public Issue Expenses** are written off on pro-rata basis over a period of 10 years with effect form the accounting year 1995 – 1996.
6. **The Interest** on the Term Loans Outstanding to Industrial Investment Bank of India amounting to Rs.780.00 Lacs is calculated at 9% of the Principal Outstanding as at 31st March ' 2005 as against 14.50% Original Rate of Interest. The Rate of Interest is considered basing on the Re-structuring proposal submitted by the Company under Re-structuring Packaging for Textiles announced by Government of India. Further Industrial Development Bank of India Limited (IDBIL) has reduced the Interest on Term Loans availed (other than Loans under Technology Up-gradation Scheme) at 9% with effect from 01st April ' 2004.
7. **The Company** has allotted 33,44,296 number of (Rs.10/- each) Nine percent (9%) Redeemable Preference Shares with an option to convert the same into Equity to IDBI Limited towards part of the Interest dues to IDBI Limited, in terms of the Re-structuring package approved by them vide Letter of Indent No. IDBI (H) No.1203/CFD (PNPL), dated 14th June ' 2004.

7. MANAGERIAL REMUNERATION :

Particulars	(Rupees)	
	2004 - 2005	2003 - 2004
i) Managing Director:		
Salaries	7,20,000	7,20,000
Allowances	1,80,000	1.80.000
ii) Whole Time Director:		
Salaries	7,20,000	7,20,000
Allowances	1,80,000	1.80.000

7. REMUNERATION TO AUDITORS : (Including Service Tax)

As Auditors	88,160	86,400
In Other Capacity :		
i) Tax Audit & Tax Consultancy	49,590	32,400
ii) Certification	16,530	16,200
	1,54,280	1,35,000

8. The Company has only one segment of activity i.e., Manufacturing of Texturized Twisted Polyesters Dyed Yarn. Hence segment wise reporting as defined in Accounting Standard – 17 is not furnished.

9. RELATED PARTY :

As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transaction with the related parties as defined in Accounting Standard are given below:

(i) List of related parties with whom transactions have taken place and relationships:

Sr.No.	Name of the Related Party	Relationship
1	Capricorn Systems Global Solutions Limited.	Associate Concern
2	LN Packaging	Associate Concern
3	Sri. S.Man Mohan Rao	Key Management Personnel
4	Sri.G.Surender Reddy	Key Management Personnel

(ii) Transaction during the year with related parties:

Sr.No.	Nature of Transaction	Associate Concern	Key Management Personnel	Total
A)	Loans & Advances: (Rs. in Lakhs)			
	Balance as at 01 st April '2004	00.00	Nil	0.00
	Received During the Year	40.97	Nil	40.97
	Paid During the Year	40.97	Nil	40.97
	Balance as at 31 st March ' 2005	Nil	Nil	Nil
B)	Purchases	8.02		8.02
C)	Expenditure: Remuneration and Perquisites		18.00	18.00

10. The benefit of tax losses has not been brought to account, as the related benefits are not considered virtually certain. Hence the value of Deferred Tax is not determined and accounted as per the Provisions of Accounting Standard – 22 on Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India.

11. Quantitative Information

(Pursuant to the provisions of paragraphs 3, 4C & 4D of part II of Schedule VI of the Companies Act, 1956)

CLASS OF GOODS, CAPACITY & PRODUCTION

Class of Goods manufactured: Polyester Texturised, Twisted Dyed Yarn.

(Per Annum)

PARTICULARS	2004 - 2005		2003 - 2004	
	Quantity (Tonnes)	Value (Rs.)	Quantity (Tonnes)	Value (Rs.)
a) Capacity Registered/Licensed (As per letter of intent)	3,600.000	-	3,600.000	-
b) Installed - Annualised Polyester Texturised & Twisted Yarn @ Polyester Dyed Yarn (@ Capacities arrived at as per the product mix)	3,483.000 3,483.000	- -	3,483.000 3,483.000	- -
c) Actual Production Polyester Texturised & Twisted Yarn # Polyester Dyed Yarn (#Captive consumption of Texturised & Twisted yarn is 523.22 MT, Previous year 2982.66 MT) (Includes - Conversion of Dyed Yarn of 603.416 MT for Reliance Previous Year Conversion of 915.228 MT)	524.058 2,909.139	- -	2,977.648 3,027.961	- -
d) Particulars in respect of Sales Polyester Texturised & Twisted Yarn Polyester Dyed Yarn * Conversion Sales of Dyed Yarn (*Includes - Waste Yarn Sale of 48 MT, Previous Year Waste Yarn Sale of 72 MT)	0.000 2,493.190 605.358	0 460,147,045 25,146,906	8.865 2,047.886 915.227	856,634 403,268,834 44,459,529
e) Details of Stock-in-trade Opening stock Polyester Texturised & Twisted Yarn Polyester Dyed Yarn Closing Stock Polyester Texturised & Twisted Yarn Polyester Dyed Yarn	113.234 190.688 193.160 108.816	24,591,856 39,439,799 40,215,429 20,800,108	183.099 83.251 113.234 190.688	40,608,829 20,313,916 24,591,856 39,439,799
f) Details of Raw Materials Consumed Partially Oriented Yarn Dyes & Chemicals Others	2,383.034	283,768,997 31,823,192 22,218,480	2,121.910	227,632,692 31,313,501 19,485,622
g) Value of Raw Materials, spare parts and Components consumed Imported Indigenous	100%	337,810,669	100%	278,431,815
h) Exports and Imports a) Value of imports calculated on CIF basis i) Raw material ii Components & Spare Parts iii. Capital goods b) Expenditure in foreign currency Travelling I) Technical know-how Fees	- - - - - -	- - - - 355,270 -	- - - - -	- - - -

12. Additional information pursuant to the Part IV of Schedule VI of the Companies Act, 1956.

a) Registration details	
Registration Number	15268
State Code Number	01
Balance Sheet date	31-Mar-05
b) Capital raised during the year (Rupees)	
Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placement (Firm allotment to the Promoters and their associates)	-
c) Position of mobilisation and development of funds (Rupees)	
Total Liabilities	569,604,605
Total Assets	569,604,605
Sources of Funds	
Paid-up Capital	104,009,000
Reserves & Surplus	7,200,000
Secured Loans	324,205,760
Unsecured Loans	100,746,884
Application of Funds	
Net Fixed Assets (including pre-operative expenditure)	325,858,955
Investments	1,128,310
Net Current Assets	170,955,317
Miscellaneous Expenditure	-
Accumulated losses	71,662,023
d) Performance of the Company (Rupees)	
Turnover	461,961,962
Total Expenditure	480,855,025
Profit Before Tax	(18,893,063)
Profit After Tax	(18,893,063)
Earning Per Share (Rs.) - Annualised	(1.82)
e) Generic name of the Principal product of the Company	
Item Code Number	5402209
Product Description	Polyester Texturised, Twisted, Dyed Yarn

13. Figures have been rounded off to the nearest rupee.

14. Previous year figures have been regrouped where necessary.

15. Schedules A to O form an integral part of the Balance Sheet and Profit & Loss account.

for and on behalf of the board

for M/s.KUMAR & GIRI

Chartered Accountants

Sd/-

S. MAN MOHAN RAO

Chairman and Managing Director

Sd/-

G.SURENDER REDDY

Executive Director

Sd/-

J.BHADRA KUMAR

Proprietor

Hyderabad

Date : 27th June 2005

Sd/-

R.SHANKARAIAH

Company Secretary

CASH FLOW STATEMENT

for the period April 01, 2004 - March 31, 2005

PARTICULARS	For the period ended 31-Mar-04 Rs.	For the period ended 31-Mar-04 Rs.
A. Cash flow from operating activities:		
Net Profit/(Loss) before Tax and Extraordinary items	(18,729,058)	(39,789,770)
Adjustments for : Depreciation	23,173,803	22,765,716
Prior Period Expenses / (Income)	0	1,656,512
Misc. Expenses	413,403	413,432
Sales Tax Deferment	6,127,734	4,696,654
Interest & Finance Charges	33,743,193	53,483,573
Operating Profit before Working Capital Changes	44,729,076	43,226,117
Adjustments for: Trade and other receivables	(18,435,224)	(341,257)
Inventories	3,156,145	(5,550,797)
Trade Payables	(2,202,407)	(11,597,450)
Cash generated from operations	27,247,590	25,736,614
Interest paid	(24,187,193)	(24,428,946)
Direct Taxes Paid	(164,005)	0
Cash flow before extra-ordinary items	2,896,392	1,307,668
Extra ordinary items	0	0
Net Cash flow operating activities	2,896,392	1,307,668
B. Cash flow from investing activities:		
Purchase of Fixed Assets	(2,545,707)	(8,139,970)
Net Cash used in investing activities:	(2,545,707)	(8,139,970)
C. Cash flow from financing activities:		
Repayment of Long Term Liabilities	(240,713)	(1,275,016)
Proceeds from long term borrowings	1,514,760	7,995,847
Net Cash used in financing activities:	1,274,048	6,720,831
Net increase in cash and cash equivalents	1,624,733	(111,471)
Cash and Cash equivalents as at 31-03-2003 (Opening balance)	11,667,867	11,779,338
Cash and Cash equivalents as at 31-03-2004 (Closing balance)	13,292,600	11,667,867

Note:

- The above Cash Flow Statement has been prepared using the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- Previous Year Figures have been regrouped wherever necessary to conform with the current year presentation.
This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the board

for M/s.KUMAR & GIRI
Chartered Accountants

Sd/-
S. MAN MOHAN RAO
Chairman and Managing Director

Sd/-
G.SURENDER REDDY
Executive Director

Sd/-
J.BHADRA KUMAR
Proprietor
Hyderabad
Date : 27th June 2005

Sd/-
R.SHANKARAIAH
Company Secretary

LN POLYESTERS LIMITED

8-2-277/10, Road No. 3, Banjara Hills, Hyderabad - 500 034.

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only members of their proxies *to be present at the Meeting.

DP. Id*	NAME & ADDRESS OF THE REGISTERED SHARE HOLDERS
Client Id*	
Reg. Folio No.	

I here by record my presence at the TWELVETH ANNUAL GENERAL MEETING of the company at Hotel New Ashoka, 6-1-70, Lakdi-ka-pul, Hyderabad - 500 004. on 25th August, 2005.

Signature of Share Holder / Proxy

* Applicable if shares are held in electronic form.

** Strike out which ever it not applicable

LN POLYESTERS LIMITED

8-2-277/10, Road No. 3, Banjara Hills, Hyderabad - 500 034.

PROXY FORM

I/We _____ of being the member
 /members of LN Polyesters Limited hereby appoint _____
 _____ of _____
 _____ of failing him/her _____
 _____ of _____ as my/our

Proxy to vote for me/us and on my/our behalf, at the 12th Annual General Meetings of the Company to be held on 25th August, 2005 at 4.00 p.m. at Hotel New Ashoka, 6-1-70, Lakdi-ka-pul, Hyderabad - 500 004.

DP. Id*
Client Id*
Reg. Folio No.

Signature.....

1.00 Rupee Revenue Stamp

Note: (a) Proxy need not be a member.

(b) The Proxy Form duly signed by the member (s) across 1 Rupees Revenue Stamp as per specimen signature registered in the Company should reach the Company's Share Department at Registered Office of the Company at least 48 hours before the time fixed for the meeting.

(c) Applicable if shares are held in electronic form.

PRINTED MATTER
UNDER CERTIFICATE OF POSTING

If Undelivered Please return to :

LN POLYESTERS LIMITED

8-2-277/10, Road #3.

Banjara Hills,

Hyderabad - 500 034.

Ph : 040-23542871, 23553531

E-mail : lnpolyester@yahoo.com

CAPITOL GRAPHICS, *The Print Kitchen*

Ph : 27817452