



17th

ANNUAL REPORT

2009 - 2010

(April 2009 to September 2010)

Regd. Office : Plot No. 424/A, Road No. 18,
Jubilee Hills, Hyderabad - 500 033.

BOARD OF DIRECTORS

Sri. S. MAN MOHAN RAO	Chairman
Sri. G. SURENDER REDDY	Managing Director
Sri. K C VENKATESWARLU	Director
Sri. SADASHIV SAWRIKAR	Director
Sri. S. SRIDHAR	Director
Sri. K V CHANDRASEKHARA	Director
Sri SHAILESH SHIVRAM MISTRY	Director
Sri. A. MALLIKARJUN	Director – IDBI Nominee

Registered Office:

Plot No.424/A,
Road No.18, Jubilee Hills,
HYDERABAD – 500 033.
Tele : 040 - 23542871, 23551044.
Email : lnpolyester@yahoo.com

Works:

- | | |
|--|---|
| 1) Plot No.186,
Second Phase,
G I D C,
VAPI – 396 195.
GUJARAT. | 2) Survey No.16/1,
Rakholi,
Silvassa – 396230,
Dadra and Nagar Havele,
UT. |
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Auditors:

M/s. KUMAR & GIRI,
Chartered Accountants,
1-11-126/D, Opp. Aeroview Towers,
Begumpet,
HYDERABAD – 500 016.

Bankers:

- | | |
|---|---|
| 1) State Bank of Hyderabad,
Overseas Branch,
Somajiguda,
HYDERABAD – 500 082. | 2) I D B I Bank Limited,
Chapel Road,
P B No. 370,
HYDERABAD – 500 001. |
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NOTICE

Notice is hereby given that the **Seventeenth Annual General Meeting** of the members of **LN POLYESTERS LIMITED** will be held on **Saturday the 20th of November, 2010** at Bhaskara Auditorium, B.M. Birla Science Centre, Near Birla Mandir, Adarsh Nagar, Hyderabad - 500 063 at **11.00 A. M.**, to transact the following business:

ORDINARY BUSINESS:

1. **To** receive, consider, approve and adopt the Audited Balance Sheet of the Company as at 30th September, 2010 and the Profit and Loss account for the Period ended on that date together with the schedules and notes thereon and the Directors' and Auditor's Report thereof.
2. **To** consider and appoint Sri Sadashiv Sawrikar who retires by rotation and being eligible offers himself for reappointment.
3. **To** consider and appoint Sri S. Sridhar who retires by rotation and being eligible offers himself for reappointment.
4. **To** consider and appoint M/s. Kumar & Giri, Chartered Accountants as Statutory Auditors of the Company to hold office until the conclusion of next Annual General Meeting at such remuneration as may be decided by the Board of Directors.

SPECIAL BUSINESS:

5. **To** Consider and if thought fit to pass the following Resolution with or without modification(s) as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 257 read with Section 255 & 256 and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Regulation 101 of the Articles of Association, Sri S. S. Mistry be and is hereby appointed as Director of the Company to liable to retire by rotation."
6. **To** consider and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution:
"RESOLVED THAT subject to the provisions of Section 94 and other applicable provisions of the Companies Act, 1956 and subject to the confirmation of the Registrar of Companies, Andhra Pradesh and subject to the authority conferred in the Memorandum and Articles of Association of the Company and such approvals as may be required from time to time consent of the Board be and is hereby accorded to the restructure of the authorized share capital of the Company by canceling the authorized Preference Share Capital to the extent of Rs.4,00,00,000/- divided into 40,00,000 Preference Shares of Rs.10/- each and effecting such cancellation by converting the same into authorized Equity Share Capital of Rs.4,00,00,000/- divided into 40,00,000 Equity Shares of Rs.10/- each which shall rank pari passu with the existing Equity Shares of the Company".

Particulars	Present Authorized Capital	Revised Authorized Capital
Equity Capital	17,00,00,000	21,00,00,000
Preference Capital	4,00,00,000	—
Total	21,00,00,000	21,00,00,000

"FURTEHR RESOLVED THAT clause V of the Memorandum of Association be and is hereby replaced by the following clause duly reflecting the above changes in the capital structure.

V. **The** authorized share capital of the Company is Rs.21,00,00,000/- (Rupees Twenty One Crore only) divided into 2,10,00,000 (Two Crore Ten Lakh) Equity Shares of Rs.10/-(Rupees Ten only) each. The Company shall have power to increase or reduce the share capital, to issue any shares with special rights or privileges as to voting, otherwise or to subject the shares to any restrictions, limitations and conditions and vary, modify or abrogate any such rights, privileges, restrictions or conditions. The rights of the holders of any class of shares for the time being forming part of the Capital of the Company may be modified, affected, varied, extended or surrendered".

7. **To** consider and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 16, 94 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be required from time to time the Authorised Share Capital of the Company be and is hereby increased, from Rs.21,00,00,000 (Rupees Twenty One Crores only) divided into 2,10,00,000 (Two Crore Ten Lakh) Equity Shares of Rs.10/- each to Rs.145,00,00,000/- (Rupees One Hundred Forty Five Crores only) divided into 14,50,00,000 Equity Shares of Rs.10/- each by creation of 12,40,00,000 Equity Shares of Rs.10/- (Rupees Ten) each which shall rank *pari passu* with the existing equity shares of the Company as respect to dividend and other entitlements."

"FURTHER RESOLVED THAT sub-clause (a) of Clause V of the Memorandum of Association be and is hereby replaced by the following clause:

The authorized share capital of the Company is 145,00,00,000/- divided into 14,50,00,000 Equity Shares of Rs.10/-(Rupees Ten only) each. The Company shall have power to increase or reduce the share capital, to issue any shares with special rights or privileges as to voting, otherwise or to subject the shares to any restrictions, limitations and conditions and vary, modify or abrogate any such rights, privileges, restrictions or conditions. The rights of the holders of any class of shares for the time being forming part of the Capital of the Company may be modified, affected, varied, extended or surrendered."

8. To consider and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals if and as may be required, including from Central Government Sri G. Surender Reddy, Managing Director be paid a remuneration of Rs.2,50,000/- per month inclusive of all perquisites and allowances with effect from 1st October, 2010."

"FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deed, matters and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to take such actions or give such directions as may be necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as they may deem fit."

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

"RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Registrar of Companies, Andhra Pradesh and subject to such approvals as may be required from time to time the consent of the members is hereby accorded for the change in the name of the Company from "L N POLYESTERS LIMITED to **LN INDUSTRIES LIMITED**" or such other name as may be approved by the Registrar of Companies, Andhra Pradesh"

"FURTHER RESOLVED THAT after obtaining the requisite approvals of the change in name, the Board of Directors are hereby authorized to effect the changes, including but not limited to, in the letter heads, bills, invoices and other stationery used by the Company, name plates, registrations with Government Authorities, Common Seal of the Company."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to do all such things and execute all such deeds and documents as may be necessary for giving effect to the above resolution".

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

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, subject to the approval of members in the general meeting and in accordance with the provisions of the Memorandum and Articles of Association of the Company and of the subsisting guidelines / regulations prescribed by the Government of India / Reserve Bank of India (RBI) / Securities and Exchange Board of India (SEBI) or any other relevant authority to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be stipulated by any of them while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee (s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) be and are hereby authorized on behalf of the Company to issue, offer and allot 9,51,00,000 (Nine Crores Fifty One Lakhs only) fully convertible warrants with an option to convert each one of them into one equity share within eighteen months at a conversion price of Rs.22/- (Rupees Twenty Two only) which is higher than the price calculated by the Board and is in accordance with the subsisting SEBI Regulations in this behalf, on preferential basis to the investors mentioned in the Explanatory Statement."

"FURTHER RESOLVED THAT the Equity shares arising out of conversion of Warrants in terms of this resolution shall rank pari passu in all respects including dividend with the existing equity shares.

(a) The relevant date for the purpose of fixing the conversion price of Fully Convertible Warrants, in accordance with SEBI Regulations, is Rs.22/-, being the 30 days prior to 20th November, 2010 (i.e. the 30th day prior to the date on which the meeting of the general body of shareholders is to be held, in terms of Section 81 (1A) of the Companies Act, 1956, to consider the proposed issue).

(b) The Offer, Issue and Allotment of the aforesaid Fully Convertible Warrants shall be made within 15 days of the Annual General Meeting scheduled on 20th November, 2010 provided that when the allotment on preferential basis is pending on account of pendency of any approval for such allotment by any regulatory authority including Stock Exchanges where the shares of the Company are listed or the Central Government, the allotment shall be completed within 15 days from the date of receipt of such approval.

(c) The Offer, Issue and Allotment of the aforesaid Fully Convertible Warrants shall be made at such time or times as the Board may in its absolute discretion decide.

(d) The Fully Convertible Warrants shall be locked in for a period of one year from the date of their allotment, as per SEBI Regulations.

(e) The Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to Chairman, Managing director or any Director or Directors or to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolution."

"FURTHER RESOLVED THAT for giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Fully Convertible Warrants and the utilisation of the issue proceeds of the Fully Convertible Warrants for a combination of part funding of the expenditure for expansion and support growth plans of the Company, Long Term Working Capital and for general corporate purposes and to prescribe the forms of application, enter into any agreements or other instruments, and to take such actions or give such directions as may be necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as they may deem fit."

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

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, subject to the approval of members in the general meeting and in accordance with the provisions of the Memorandum and Articles of Association of the Company and of the subsisting guidelines / regulations prescribed by the Government of India / Reserve Bank of India (RBI) / Securities and Exchange Board of India (SEBI) or any other relevant authority to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be stipulated by any of them while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee (s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) be and are hereby authorized on behalf of the Company to issue, offer and allot 99,00,000 (Ninety Nine Lakhs only) and 95,00,000 (Ninety Five Lakhs only) fully convertible warrants with an option to convert each one of them into one equity share within eighteen months at a conversion price of Rs.22/- (Rupees Twenty Two only) which is higher than the price calculated by the Board and is in accordance with the subsisting SEBI Regulations in this behalf, on preferential basis to Sri K.C. Venkateswarlu, existing share holder and Director of the Company and to CVK Infrastructure Pvt. Ltd., respectively.

"FURTHER RESOLVED THAT the Equity shares arising out of conversion of Warrants in terms of this resolution shall rank pari passu in all respects including dividend with the existing equity shares.

(a) The relevant date for the purpose of fixing the conversion price of Fully Convertible Warrants, in accordance with SEBI Regulations, is Rs.22/-, being the 30 days prior to 20th November, 2010 (i.e. the 30th day prior to the date on which the meeting of the general body of shareholders is to be held, in terms of Section 81 (1A) of the Companies Act, 1956, to consider the proposed issue).

(b) The Offer, Issue and Allotment of the aforesaid fully convertible warrants shall be made within 15 days of the Annual General Meeting scheduled on 20th November, 2010 provided that when the allotment on preferential basis is pending on account of pendency of any approval for such allotment by any regulatory authority including Stock Exchanges where the shares of the Company are listed or the Central Government, the allotment shall be completed within 15 days from the date of receipt of such approval.

(c) The Offer, Issue and Allotment of the aforesaid Fully Convertible Warrants shall be made at such time or times as the Board may in its absolute discretion decide.

(d) The Fully Convertible Warrants shall be locked in for a period of One year from the date of their allotment, as per SEBI Regulations.

(e) The Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to Chairman, Managing director or any Director or Directors or to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolution."

"FURTHER RESOLVED THAT for giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Fully Convertible Warrants and the utilisation of the issue proceeds of the Fully Convertible Warrants for a combination of part funding of the expenditure for expansion and support growth plans of the Company, Long Term Working Capital and for general corporate purposes and to prescribe the forms of application, enter into any agreements or other instruments, and to take such actions or give such directions as may be necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as they may deem fit."

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

“RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, subject to the approval of members in the general meeting and in accordance with the provisions of the Memorandum and Articles of Association of the Company and of the subsisting guidelines / regulations prescribed by the Government of India / Reserve Bank of India (RBI) / Securities and Exchange Board of India (SEBI) or any other relevant authority to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be stipulated by any of them while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall be deemed to include any Committee (s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) be and are hereby authorized on behalf of the Company to issue, offer and allot 55,00,000 (Fifty Five Lakhs only) and 1,00,00,000 (One Crore only) fully convertible warrants with an option to convert each one of them into one equity share within eighteen months at a conversion price of Rs.22/- (Rupees Twenty Two only) which is higher than the price calculated by the Board and is in accordance with the subsisting SEBI regulations in this behalf, on preferential basis to Sri G. Surender Reddy and LN Projects Pvt. Ltd. respectively.

“FURTHER RESOLVED THAT the Equity shares arising out of conversion of Warrants in terms of this resolution shall rank pari passu in all respects including dividend with the existing equity shares.

(a) The relevant date for the purpose of fixing the conversion price of Fully Convertible Warrants, in accordance with SEBI Regulations, is Rs.22/-, being the 30 days prior to 20th November, 2010 (i.e. the 30th day prior to the date on which the meeting of the general body of shareholders is to be held, in terms of Section 81 (1A) of the Companies Act, 1956, to consider the proposed issue).

(b) The Offer, Issue and Allotment of the aforesaid fully convertible warrants shall be made within 15 days of the Annual General Meeting scheduled on 20th November, 2010 provided that when the allotment on preferential basis is pending on account of pendency of any approval for such allotment by any regulatory authority including Stock Exchanges where the shares of the Company are listed or the Central Government, the allotment shall be completed within 15 days from the date of receipt of such approval.

(c) The Offer, Issue and Allotment of the aforesaid Fully Convertible Warrants shall be made at such time or times as the Board may in its absolute discretion decide.

(d) The Fully Convertible Warrants shall be locked in for a period of Three years from the date of their allotment, as per SEBI Regulations.

(e) The Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to Chairman, Managing director or any Director or Directors or to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolution.”

“FURTHER RESOLVED THAT for giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Fully Convertible Warrants and the utilisation of the issue proceeds of the Fully Convertible Warrants for a combination of part funding of the expenditure for expansion and support growth plans of the Company, Long Term Working Capital and for general corporate purposes and to prescribe the forms of application, enter into any agreements or other instruments, and to take such actions or give such directions as may be necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as they may deem fit.”

By order of the Board
for LN POLYESTERS LIMITED

Place: Hyderabad

Date: 27.10.2010

G.SURENDER REDDY
Managing Director

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/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

2 Pursuant to the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from 16th November, 2010 to 20th November, 2010 (both days inclusive).

3 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.

4 Members holding shares in physical form are requested to intimate the change, if any, in their Registered Address to the Company quoting their Registered Folio.

If the shares are held in Demat form, intimation regarding the change of address, if any, has to be notified to the concerned Depository Participant where the Shareholder is maintaining the Demat Account.

5 Members / Proxies should bring the Attendance slips duly filled in for identification for attending the meeting.

6 Members desiring any information on the Accounts are requested to write to the Company at least one week before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.

7 M/s. Kumar and Giri, Chartered Accountants, the Statutory Auditors of the Company has certified that the above preferential issues are in accordance with prescribed under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 on preferential issues. The Certificate, the Memorandum & Articles of Association of the Company and other documents referred to in the proposed resolution are open for inspection at the Registered Office of the Company during working hours between 11.00 a.m. and 1.00 p.m., except on holidays up to the date of the Annual General Meeting.

PROFILE OF DIRECTORS RETIRING BY ROTATION AND BEING APPOINTED AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

PROFILE OF SRI SADASHIV SAWRIKAR:

Sri Sadashiv Sawrikar is aged 54 years and is a Fellow member of the Institute of Chartered Accountants of India. He has over 25 years of rich experience in auditing, corporate finance, project finance and business restructuring. His rich experience in corporate finance and business restructuring has immensely benefited the Company and its investors over the years.

PROFILE OF SRI S. SRIDHAR:

Sri S. Sridhar, aged 34 years is Bachelor of Engineering from Jawaharlal Nehru Institute of Technology and Diploma in Business Management from Oxford University, UK. He has good knowledge and experience in the international marketing of the Polyester yarns. He is one of the core developers of the Company's International Market for the Nylon Product.

PROFILE OF SRI S.S. MISTRY :

Sri S.S. Mistry, aged 28 years is Graduate having experience in Administrative Matters in various companies.

EXPLANATORY STATEMENT AS REQUIRED UNDER THE PROVISIONS OF SECTION 173 (2) OF THE COMPANIES ACT, 1956:

Item No. 5:

Sri S. S. Mistry was appointed as an Additional Director of the Company with effect from 29th September, 2010 and holds office till the date of the ensuring Annual General Meeting. The Company has received a notice from the member of the Company along with a deposit of Rs.500/- for appointment of Sri S. S. Mistry as Director of the Company liable to retire by rotation.

None of the Directors other than Sri S. S. Mistry is concerned or interested in this resolution.

Item No. 6:

The preference shares issued to IDBI Bank Limited has been redeemed as per the terms of OTS reached by the Company with the said Bank. As the Company does not issue preference shares to any other investor, the same is proposed to be cancelled and converted into 40,00,000 Equity Shares of Rs.10/- each.

The present restructure necessitates alteration to the Memorandum and Articles of Association which require approval of the members of the Company hence the Company has placed the resolution for your approval.

None of the directors is concerned or interested in the resolution.

Item No. 7:

The Company is in the process of consolidation of its operations. The funds already raised or to be raised from the proposed issue of Equity Shares has been / will be utilized for part funding of the expenditure for expansion, support growth plans of the Company, for long term working capital. To infuse the further funds, the present authorized share capital of the Company has been increased to Rs.145,00,00,000/- (Rupees One Hundred Forty Five Crores only) to enable the further issue of Equity Shares.

Amendment to the Capital Clause to the Memorandum of Association requires the approval of members by the way of Ordinary Resolution. Hence this resolution is placed before you for approval.

None of the Directors is in any way concerned or interested in the said resolution except to the extent of their shareholding.

Item No. 8:

Sri G. Surender Reddy was appointed as the Managing Director of the Company with effect from 1st May, 2008 for a period of three years with a remuneration of Rs.1.5 lakhs per month, however the remuneration payable to Sri G. Surender Reddy was subject to the approval of Central Government and the Financial Institutions.

The Company has not paid any remuneration to Sri G. Surender Reddy, Managing Director from the date of his appointment due to non receipt of approval from the Financial Institutions and also since the Company had a negative net worth.

Since the Company has cleared all the loans of the Financial Institutions and achieved positive net worth it is proposed to pay a remuneration of Rs.2,50,000/- per month with effect from 1st October, 2010 and the same has been approved by the members of the remuneration committee in their meeting held on 27th October, 2010 in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

Payment of remuneration to Managing Director requires the approval of members by way of Ordinary Resolution under the provisions of Section 198, 309 read with Schedule XIII to the Act.

None of the Directors other than Sri G. Surender Reddy is concerned or interested in this resolution.

Item No. 9:

The Management of your Company has decided to diversify into other areas of business including manufacturing of metals and minerals and mining activities and accordingly the main objects were amended after obtaining the approval of members in the 16th Annual General Meeting held on 27th August, 2009.

The management of your Company thought it fit to change the name of the Company to reflect the diversified activities and accordingly proposing to change the name of the Company from "LN POLYESTERS LIMITED" to "**LN INDUSTRIES LIMITED**" or such other name as may be approved by the Registrar of Companies, Andhra Pradesh. Approval of the members was sought at the previous Annual General Meeting held on 27th August, 2009, however the resolution has not been acted upon. Since the earlier resolution has lost its validity, the Board of Directors thought it fit to obtain the approval of members once again for the proposed change in name of the Company. The Company has to receive approval from the Registrar of Companies, Andhra Pradesh for the application of name availability to enable the change in name.

Change in the name of the Company requires the approval of members by way of Special Resolution. Hence this resolution is placed before your approval.

None of the Directors is concerned or interested in the said resolution.

Item No. 10, 11 & 12:

The Company is in the process of consolidation of its operations. The funds already raised or to be raised from the proposed issue of Convertible Warrants has been / will be utilized for a combination of part funding of the expenditure for expansion, support growth plans of the Company, long term working capital. Your Board in its meeting held on 27th October, 2010 subject to the approval by the shareholders in General Meeting, receipt of requisite corporate and statutory approvals, negotiations and execution of appropriate documentation by the parties and fulfillment of the conditions mentioned therein, has proposed to offer for subscription by way of preferential allotment up to 13,00,00,000 Fully Convertible Warrants of Rs.10/- each of the Company for cash at a price of Rs.22/- (i.e., at a premium of Rs.12/-) to the investors and/or their nominees and Promoters and /or their nominees respectively either by way of conversion of existing loans or cash contributions as the case may be. The Equity Shares arising out of conversion of the warrants shall rank *pari passu* with all the existing shares of the Company in all respects including as to dividend.

Pursuant to Section 81 (1A) of the said Act, the Fully Convertible Warrants may be offered by the Company to such persons in the manner whatsoever, if a special resolution to that effect is passed by the Company in General Meeting. The proposed special resolution is designed to comply with the requirements of Section 81 (1A) of the Act in the context of issue and allotment of the Fully Convertible Warrants.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Act, Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and in terms of the provisions of the Listing Agreement to issue and allot Fully Convertible Warrants as stated in the Special Resolution.

A copy of the certificate from M/s. Kumar & Giri Chartered Accountants, Hyderabad, Statutory Auditors of the Company, certifying that the issue of Fully Convertible Warrants is being made in accordance with the requirements of the SEBI Regulations, shall be placed before the shareholders at the Annual General Meeting and is available for inspection of members at the registered office of the Company between 11.00 a.m. to 1.00 p.m. except on holidays upto the date of the Annual General Meeting. The Fully convertible Warrants shall be converted into Equity Shares within 18 months from the date of their allotment. The Warrants to be allotted to Promoters would be converted into Equity Shares of Rs.10/- each in accordance the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

The issue price computed on the basis of the SEBI Regulations comes to Rs.21.94 per share. As against this, the shares are proposed to be issued at Rs.22/- per share.

Disclosures required to be made in the Explanatory Statement pursuant to the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 are set out below:

I. The object of the issue through preferential offer:

The funds already raised or to be raised from the proposed issue of Fully Convertible Warrants has been / will be utilized for a combination of part funding of the expenditure for expansion, support growth plans of the Company, long-term working capital and general corporate purposes. The issue and allotment of fully convertible warrants by way of preferential allotment to some of the investors and promoters is on account of conversion of existing loan into fully convertible warrants of the Company or cash contribution as the case may be. Hence, there will be no fresh cash inflow to that extent on account of issue & allotment of fully convertible warrants to some of the investors / promoters on account of conversion of existing loans into equity.

II. Intention of the Promoters/Directors/Key management persons to subscribe to the offer:

The Promoters and Directors are subscribing to the offer for strengthening the net-worth of the Company and enabling the Company for its expansion, support growth plans and working capital requirements etc., It is proposed to issue Fully Convertible Warrants under the Preferential Issue to Investors as per the details given herein below:

Name of the Proposed Subscriber	No. of Warrants proposed to be allotted	
Particulars	No of Shares held	Lock-in period
(A) Category - Non Promoter		
Neeraj Singal	30,00,000	1 Year
Ritu Singal	20,00,000	1 Year
Brij Bhushan Singal	25,00,000	1 Year
Uma Singal	10,00,000	1 Year
Kshitij Rath (HUF)	3,30,000	1 Year
Dhananjay Rath (HUF)	3,30,000	1 Year
Archana Mittal	17,50,000	1 Year
Ajay Mittal	7,50,000	1 Year
Kashyap Electronics Pvt. Ltd.	72,00,000	1 Year
Sovita Exports Pvt. Ltd.	30,00,000	1 Year
Pi Health Care Services Pvt. Ltd.	41,00,000	1 Year
R Square Innovations Pvt. Ltd.	95,00,000	1 Year
Manish K. Ajmera (HUF)	15,00,000	1 Year
Alpesh K Ajmera (HUF)	16,00,000	1 Year
Rajveer A.Ajmera	17,50,000	1 Year
Divyam J.Ajmera	18,00,000	1 Year
Reena A.Ajmera	12,50,000	1 Year
Ashwini J.Ajmera	13,00,000	1 Year
Manish K. Ajmera	17,50,000	1 Year
Alpesh K. Ajmera	15,00,000	1 Year
HN Organisers & Developers LLP	67,50,000	1 Year
Patel & Patel Team Developers LLP	65,00,000	1 Year
Harsha Rajeshbhai Jhaveri	8,00,000	1 Year
Deepalben Chetanbhai Thakkar	8,00,000	1 Year
Rohini Enterprise	25,00,000	1 Year
Revati Enterprises	20,00,000	1 Year
Master Capital Services Ltd.	2,50,000	1 Year
R K Singhania	2,00,000	1 Year
Harjeet Singh Arora	2,00,000	1 Year
Virali Vicky Jhaveri	7,50,000	1 Year
Vinod Garg (HUF)	8,50,000	1 Year
Sangita Garg	8,50,000	1 Year
Puushpit Garg	8,50,000	1 Year
Rajeev Agarwal	1,00,000	1 Year
Meritorious Realty Pvt. Ltd.	65,90,000	1 Year
Secunderabad Healthcare Ltd.	1,48,00,000	1 Year
Ruchi Global Ltd.	2,50,000	1 Year
Neeta Shahra	3,50,000	1 Year
Umesh Shahra	1,50,000	1 Year
Umesh Shahra (HUF)	1,50,000	1 Year
Kailashchandra Shahra	1,00,000	1 Year
Kailashchandra Shahra (HUF)	1,00,000	1 Year
Bhupendra Kumar	5,00,000	1 Year

Prakash Chand Mishra	1,00,000	1 Year
G.Ramesh Babu	7,00,000	1 Year
Sub Total (A)	9,51,00,000	
(B) Category - Existing Shareholder and Director and Company belonging to the Director		
Kosana China Venkteswarlu	99,00,000	1 Year
CVK Infrastructure Pvt. Ltd.	95,00,000	1 Year
Sub Total (B)	1,94,00,000	
(C) Category - Promoter:		
G.Surender Reddy	55,00,000	3 Years
LN Projects Pvt. Ltd.	1,00,00,000	3 Years
Sub Total (C)	1,55,00,000	
Grand Total (A+B+C)	13,00,00,000	

The existing promoters and management team will continue to remain in the management. Further, the composition of the present Board of Directors is not expected to undergo any change.

III. Shareholding pattern before and after the offer on allotment of Convertible Warrants:

Shareholding pattern before and immediately upon the conversion of 13,00,00,000 Warrants into 13,00,00,000 Equity shares on a fully diluted basis pursuant to the conversion:

Particulars	Existing Shareholding		Shareholding after proposed allotment of Equity Shares	
	No of Equity shares held	% age	No of Equity Shares	% age
A. PROMOTERS HOLDING				
Indian Promoters	68,25,810	45.655%	2,23,25,810	15.402%
Persons acting in concert	0	0	0	0
Foreign Promoters	0	0	0	0
Sub Total - A	68,25,810	45.655%	2,23,25,810	15.402%
B. NON PROMOTERS HOLDING				
Mutual funds and UTI	0	0	0	0
Banks / financial Institutions/ Insurance Companies	2,900	0.019%	2,900	0.002%
Foreign Institutional Investors	0	0	0	0
Private Bodies Corporate	6,30,493	4.217%	7,09,20,493	48.927%
NRIs/ OCBs	3,67,601	2.459%	3,67,601	0.254%
Indian Public - Including New Investors	71,24,096	47.650%	5,13,34,096	35.415%
Others-clearing Member & Trust)	0	0	0	0
Sub Total - B	81,25,090	54.345%	12,26,25,090	84.598%
Grand Total	1,49,50,900	100.000%	14,49,50,900	100.000%

IV. Proposed time within which the allotment shall be completed:

The allotment of Fully Convertible Warrants is proposed to be completed within a maximum period of 15 days from the date of passing of the resolution at the Annual General Meeting, provided that when the allotment on preferential basis is pending on account of pendency of any approval for such allotment by any regulatory authority including Stock Exchanges where with share of the Company are listed or the Central Government, the allotment shall be completed within 15 days from the date of receipt of such approval.

V. Identity of the proposed allottee and the percentage of post conversion of warrants into equity shares that may be held by them:

Particulars	Existing Shareholding		Shareholding after the conversion of warrants	
	No of Equity shares held	% age	No of Equity Shares	% age
(A) Category - Non Promoter				
Neeraj Singal	0	0%	30,00,000	2.07%
Ritu Singal	0	0%	20,00,000	1.38%
Brij Bhushan Singal	0	0%	25,00,000	1.73%
Uma Singal	0	0%	10,00,000	0.69%
Kshitij Rath (HUF)	0	0%	3,30,000	0.23%
Dhananjay Rath (HUF)	0	0%	3,30,000	0.23%

Archana Mittal	0	0%	17,50,000	1.21%
Ajay Mittal	0	0%	7,50,000	0.52%
Kashyap Electronics Pvt. Ltd.	0	0%	72,00,000	4.98%
Sovita Exports Pvt. Ltd.	0	0%	30,00,000	2.07%
Pi Health Care Services Pvt. Ltd.	0	0%	41,00,000	2.83%
R Square Innovations Pvt. Ltd.	0	0%	95,00,000	6.57%
Manish K. Ajmera (HUF)	0	0%	15,00,000	1.04%
Alpesh K Ajmera (HUF)	0	0%	16,00,000	1.11%
Rajveer A.Ajmera	0	0%	17,50,000	1.21%
Divyam J.Ajmera	0	0%	18,00,000	1.24%
Reena A.Ajmera	0	0%	12,50,000	0.86%
Ashwini J.Ajmera	0	0%	13,00,000	0.90%
Manish K. Ajmera	0	0%	17,50,000	1.21%
Alpesh K. Ajmera	0	0%	15,00,000	1.04%
HN Organisers & Developers LLP	0	0%	67,50,000	4.66%
Patel & Patel Team Developers LLP	0	0%	65,00,000	4.49%
Harsha Rajeshbhai Jhaveri	0	0%	8,00,000	0.55%
Deepalben Chetanbhai Thakkar	0	0%	8,00,000	0.55%
Rohini Enterprise	0	0%	25,00,000	1.73%
Revati Enterprises	0	0%	20,00,000	1.38%
Master Capital Services Ltd.	0	0%	2,50,000	0.17%
R K Singhania	0	0%	2,00,000	0.14%
Harjeet Singh Arora	0	0%	2,00,000	0.14%
Viral Vicky Jhaveri	0	0%	7,50,000	0.52%
Vinod Garg (HUF)	0	0%	8,50,000	0.59%
Sangita Garg	0	0%	8,50,000	0.59%
Puushpit Garg	0	0%	8,50,000	0.59%
Rajeev Agarwal	0	0%	1,00,000	0.07%
Meritorious Realty Pvt. Ltd.	0	0%	65,90,000	4.55%
Secunderabad Healthcare Ltd.	0	0%	1,48,00,000	10.23%
Ruchi Global Ltd.	0	0%	2,50,000	0.17%
Neeta Shahra	0	0%	3,50,000	0.24%
Umesh Shahra	0	0%	1,50,000	0.10%
Umesh Shahra (HUF)	0	0%	1,50,000	0.10%
Kailashchandra Shahra	0	0%	1,00,000	0.07%
Kailashchandra Shahra (HUF)	0	0%	1,00,000	0.07%
Bhupendra Kumar	0	0%	5,00,000	0.35%
Prakash Chand Mishra	0	0%	1,00,000	0.07%
G.Ramesh Babu	0	0%	7,00,000	0.48%
Sub Total (A)	0	0%	9,51,00,000	65.61%
Kosana China Venkteswarlu	22,00,000	14.71%	1,21,00,000	8.35%
CVK Infrastructure Pvt. Ltd.	0	0%	95,00,000	6.55%
Sub total (B)	22,00,000	14.71%	2,16,00,000	14.90%
G.Surender Reddy	13,26,010	8.87%	68,26,010	4.71%
LN Projects Pvt. Ltd.	0	0%	1,00,00,000	6.90%
Sub Total (C)	13,26,010	8.87%	1,68,26,010	11.61%
Grand Total (A+B+C)	35,26,010	23.58%	13,35,26,010	92.12%

Issue of further Warrants convertible into Equity Shares to persons other than the existing shareholders requires the approval of members by way of a Special Resolution. Hence this resolution is placed before you for approval.

Sri K.C. Venkateswarlu, Director is interested in Item No. 11 and Sri G. Surender Reddy, Managing Director is interested in Item No. 12 of the Notice.

None of the other Directors except the Directors mentioned above are concerned or interested in the resolutions.

By order of the Board
for LN POLYESTERS LIMITED

Place: Hyderabad
Date: 27.10.2010

G. SURENDER REDDY
Managing Director

DIRECTORS REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the **17th Annual Report** and the Audited Statement of Accounts of the Company for the 18 (Eighteen) Months Period Ended 30th September 2010.

FINANCIAL RESULTS

(Rs. In Lakhs)

Sl. No.	Particulars	18 Months Ended 30th September 2010	9 Months Ended 31st March 2009
1.	Net Income from Operations	4,139.77	1,615.78
2.	Gross Profit (before Finance Charges, Depreciation & Taxation)	213.13	13.36
3.	Less : Finance Charges	263.55	321.85
4.	Less : Depreciation	347.77	182.32
5.	Add : Extraordinary items -		
	Written Back on OTS / Restructuring	2083.89	0.00
6.	Profit / (Loss)	167.14	(490.81)

OPERATIONS:

During the year, Company has taken initiatives to strengthen the market network through which the products are distributed across the country. To leverage the brand image of products of the Company the trading activity of the yarns also in a limited manner is taken up during the year. The manufacturing capacities of the Company are geared up to cater to the growing demand for the Company's products in the market.

During the year the Company has settled the Term Loan dues of Industrial Investment Bank of India under One Time Settlement (OTS) scheme. Another Term Lender to the Company IDBI Bank Limited has also granted OTS for the payment of the dues outstanding to it. The Company has discharge part of the OTS dues to IDBI Bank Limited on its own and to an extent balance of Rs.10 cores payable was discharged through the assignment of the dues of the IDBI Bank Limited dues to JM Financial Asset Reconstruction Company Pvt., Limited. The settlement/assignment of the dues of the term lenders has bearing on the reduction of the interest cost of the Company to a significant extent. The market for the Dyed yarn and Nylon yarn, the products manufactured by the Company have been witnessing a significant growth phase over the past 12 months. The Company has registered a growth of 16% in the volume of proceeding under taken for the third party manufacturers during the year. The Company has continued the conversion works for Reliance Industries Limited for the 10th year in succession. The Company is making efforts to increase the levels of working capital facilities presently available from the banks so as to ramp up the production in tune with the increased capacities of production and growing market demands.

The real estate development activity at the land belonging to the Company in Hyderabad has not commenced during the year owing to the combinations of factors such as pending approvals from the lenders and the recessionary trends being witnessed in the real estate sectors during the period under review.

MARKETING:

There has been bouncy in the market for the products manufactured by the Company in all the regions of the country as well as in the overseas markets. The prices of the products are witnessing an uptrend backed by the strong domestic demand. The overseas market also has been very positive with the demand recording an impressive growth. The enhanced dealer network coupled with the enhanced demand for the products is expected to enable the Company to for registering higher sales and improved profitability in ensuring period.

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.

BOARD OF DIRECTORS:

During the year Sri Sadashiv Sawrikar and Sri S. Sridhar, Directors of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointments.

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 30th September' 2010, the applicable accounting standards had been followed along with proper explanation relating to material departure's;
- (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 at the end of the financial year and of the loss of the Company for that period;
- (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 30th September '2010, 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.

REPLIES TO QUALIFICATIONS MADE BY THE AUDITORS:

- a) The Company has entered into MOU with JM Financial Asset Reconstruction Company Pvt Ltd for the settlement of the dues of the Company with IDBI Bank Limited. In terms of the same JM F ARC is to pay Rs.10 Cr for the settlement of the dues to IDBI, though the IDBI has assigned the amount outstanding in the loan account of the Company, the actual amount of the consideration for the assignment is only Rs.10 crores and the Company would have to pay the full liability only in case it fails to discharge JMF ARC liability of Rs.10 crores as per the agreed schedules. Considering the above, the Company has retained the liability of Rs.10 crores only which is to be repaid in the books of account and written back the balance liability in the books of account as at 30th Septemebr'2010.

Clause (ix) (b) of Annexure to the Auditors Report:

- b) **As** on date an amount of Rs.118.63 Lacs is outstanding towards Sales Tax Deferment. The Company is effecting payment of the amount due periodically and sought time for the payment of the dues.

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.

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., IDBI Bank Limited, 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 October '2010.

S. MAN MOHAN RAO
Chairman

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.
- Installation of reduced horsepower motors in line with the load Requirement.
- Installation of efficient Air Handling Units.
- Close supervision on the usage of Coal, Electricity.

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

- Realignment of the pipelining for the boiler resulting in the saving of the consumption of energy.

c) Impact of measures at (a) and (B) above for reduction of Energy consumption and consequent impact on the cost of Production of goods.

- Their has been an improvement in the quality of steam produced and used in the Boiler resulting in the saving of the consumption of energy

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

	2009 - 2010 (18 Months)	2008 - 2009 (9 Months)
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1. Electricity:

a) Purchased:

Units	70,83,024	26,14,306
Total Amount	Rs.3,11,75,986/-	Rs.1,31,25,519/-
Rate Per Unit	Rs.4.40	Rs.5.02

b) Own Generation:

i) Through Diesel Generator

Units	18,941	39,730
Units Per Ltr.of Diesel	2.85	2.90
Rate Per Unit	Rs.14.00	Rs.13.10

ii) Through Steam turbine / Generator:

Units		
Units Per Ltr. Of Fuel Oil / Gas	Nil	Nil
Rate Per Unit		

2. Coal for Boiler:

Quantity (Tons)	2052.376	1,329.370
Total Cost	Rs.1,02,86,821	Rs. 66,25,714
Average Rate Per Ton	Rs.5,012/-	Rs. 4,984/-

3. Furnace Oil:

Quantity (K.Ltrs.)		
Total Cost	NIL	NIL
Average Rate		

4. Others / internal generation (please give details):

Quantity ()		
Total Cost	NIL	NIL
Rate Per Unit		

B) Consumption per unit of production:

Particulars	2009 - 2010 (18 Months)	2008 - 2009 (9 Months)
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Products (with details) Units:

Dyed Yarn Production (MT)	2149.20	1,203.38
Electricity (Purchased) / MT	Rs.14,506/-	Rs.10,907/-
Coal / MT	Rs. 4,786/-	Rs. 5,506/-

II. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form – B

a) Research & Development (R & D)

Specific Areas: The Company's initiatives resulted in the development of the new products targeting specific market segments and also resulted in the increased satisfaction to the Customers in form of superior quality.

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 and also development of new product range is initiated in close coordination with manufacturers of Dyes and Chemicals.

III. Foreign Earnings and Outgo:

		2009 - 2100 (18 Months)	2008 - 2009 (9 Months)
Earnings	::	Rs.205.11Lacs	Rs.148.11 Lacs
Outgo	::	Rs.79.33 Lacs	Rs. 83.99 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 30th September ' 2010, 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 and 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.

FRN 01584S

J.Bhadra Kumar.

Partner.

M.No.025480.

Date: 27th October ' 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture of Texturized Twisted Polyester Dyed Yarn and Nylon Dyed Yarn. The category of the industry the Company is classified is "Textiles".

One of the major finished products of the Company Polyester Dyed Yarn is used in the manufacturing of Dress Materials, Sarees, Shirting, Suiting and Furnishing Fabrics. Another product Nylon Dyed Yarn is used in the manufacture of Socks, Sports Gear etc., The industry is witnessing additions to the existing capacities apart from the diversifications in to back ward integration i.e setting up of facilities manufacturing of the raw materials required for the production process of the Company involving chemical and chemical compounds. Further there is significant scope for the expanding the operations in to manufacture of fabrics with specific focus on specialty fabrics.

REVIEW OF OPERATIONS:

Company has during the period processed materials to the tune of 2149 MT including undertaking job works for the Reliance Industries Limited. The capacities of production of the Company are being improved considering the surge in the demand for the products.

The Company to de-risk the market volatilities has been optimizing the product mix produced and marketed from time to time. To leverage on the brand image and market potential the Company has charted out a detailed plan relating to trading in the yarns also.

FINANCIAL REVIEW:

The Company has during the year has curtailed the cash losses by achieving a turnover of Rs.4139.77 Lakhs.

During the year the Company has successfully negotiated with the term lenders for the One Time Settlement/Restructure of the

dues of the Company resulting in significant reduction in the interest cost which has resulted in the increased net profit. The contribution levels have also increased resulting in the Company achieving a Gross Profit (Earnings before Interest, Depreciation & Taxes) of Rs.213 Lakhs. With the effect of the write back of the interest and principle dues to the Term lenders in terms of the OTS/Restructure schemes, the net worth of the Company has turned positive and all the accumulated losses are covered.

The Company has continued efforts to strengthen the manufacturing facilities by incurring a capital expenditure of Rs.163 Lakhs.

The preference share capital(which was originally allotted to Term lender of the Company for conversion of interest dues into pref. equity) of the Company of Rs.3,34,42,960/- stands redeemed during the year on account of the waiver/write off of the dues payable under OTS granted to the Company.

The paid up Equity Share Capital as at 30th September '2010 stood at Rs.1470.09 Lakhs.

Earning per share for the year was at Rs.11.47.

The Company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs.85 Lakhs.

OPPORTUNITIES:

There has been continuous growth for the products manufactured by the Company both at the domestic market and the international market. The International market offers many opportunities in the marketing of the value added products. Due to the price sensitivity of the domestic market the economic cost of the products manufactured by the Company compared to the products such as cotton offers enormous opportunity for the Company to capitalize on the demand in the market. **LNPL** with its high quality and diverse range of products catering to wide segment of market of Dyed Yarn and Nylon Yarns 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 majority of the revenues are derived from the sale of Texturized Twisted Polyester Dyed Yarn in the domestic market. The success of the Nylon Dyed Yarn being presently exported by the Company gives it a wide market. The enhanced manufacturing facilities, producing a wide range of quality products would enable the Company to perform better. The Company's proposal of development of the land at Patancheru, Hyderabad after shifting of the facilities to Silvassa and Vapi gives the Company the leverage to enlarge its business operations over the next 3 – 5 years.

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 dynamics.

One of the areas of concern for the Company is 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 of petroleum products which has been witnessing unusual fluctuations in the prices. Since the major component of the cost of manufacture for the Company is Consumption of (POY) the variation in the prices of the materials would have a direct impact on the profitability of the Company. During the year under review no significant changes are noticed in prices of Raw Materials.

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 critical 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 & high level of after sales follow up" are the hall marks of the Company Products.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

LNPL employs **62** 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.

The relations with the workmen have been cordial during the period.

CORPORATE GOVERNANCE DISCLOSURE:

1. COMPANY PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The basic 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 of time.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company consists of 7 Directors, Viz., Chairman, Managing Director, and 5 Non – Executive Directors. One of the Non-Executive Director of the Company is Nominee of IDBI Bank Limited (IDBI), one of the term lenders to the Company.

During the period April ' 2009 to September ' 2010 the Board has met 8 (Eight) times, on the following date namely:

1. 30th May '2009.
2. 30th June '2009.
3. 29th July '2009.
4. 28th October '2009.
5. 29th January '2010.
6. 30th March '2010.
7. 30th April '2010.
8. 14th August '2010.

The maximum time gap between any two meetings was not more than four 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 other Committees.

Name	Category	Attendance Particulars		Number of Directorships and Committee Member/Chairmanship	
		Board Meetings	Last AGM	Committee Memberships	Committee Chairmanships
Sri S. Man Mohan Rao (Promoter and Chairman)	Chairman	5	Yes	1	1
Sri G. Surender Reddy (Promoter and Managing Director)	MD	8	Yes	1	0
Sri.K C Venkateswarlu (Independent and Non Executive Director)	NED	6	Yes	0	0
Sri Sadashiv Sawrikar (Independent and Non Executive Director)	NED	7	Yes	3	2
Sri S. Sridhar (Non Executive Director)	NED	Nil	Yes	Nil	0
Sri K. V. Chandrashekra (Independent and Non Executive Director)	NED	6	Yes	2	0
Sri.A.Mallikarjun (Nominee Director - IDBI) – From 21 st Feb ' 2009,	NED	6	N.A.	1	0

Sl. No.	Name of the Director	Other Directorships
1.	Sri S. Man Mohan Rao	1
2.	Sri G. Surender Reddy	2
3.	Sri. K C Venkateswarlu	7
4.	Sri Sadashiv Sawrikar	2
5.	Sri K. V. Chandrasekhara	2
6.	Sri S. Sridhar	- no -
7.	Smt. P R Girija	- no -
8.	Sri. A. Mallikarjun	- no -

3. AUDIT COMMITTEE:

The Audit Committee constituted by the Board of Directors consists of Three Directors as its Members namely:

1. Sri Sadashiv Sawrikar
2. Sri K. V. Chandrasekhara
3. Sri A. Mallikarjun

Sri Sadashiv Sawrikar is the Chairman of the Audit Committee.

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 period April ' 2009 to September ' 2010. The dates on which the meetings were held are:

1. 29th June '2009.
2. 29th July '2009.
3. 28th October '2009.
4. 29th January '2010.
5. 30th April '2010.
6. 14th August '2010.

The attendance of each member of the Committee is given below:

Sl. No.	Name of the Director	No. of Meetings Attended
1.	Sri Sadashiv Sawrikar	5
2.	Sri K. V. Chandrasekhara	6
3.	Sri. A. Mallikarjun	5

4. REMUNERATION COMMITTEE:

The Remuneration Committee of the Company comprises of Three Directors. The Chairman of the committee is Sri Sadashiv Sawrikar, Non Executive Director.

The members of the Committee are:

1. Sri K. V. Chandrasekhara.
2. Sri K. C. Venkateswarlu.
3. Sri Sadashiv Sawrikar.

None of the Non-Executive Directors are being paid any remuneration except sitting fee for attending the Board Meetings.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

The Committee comprises of:

1. Sri S. Man Mohan Rao
2. Sri G. Surender Reddy
3. Sri Sadashiv Sawrikar

Sri Sadashiv Sawrikar, is the Chairman of the Shareholders / Investors Grievance Committee.

The committee, inter alia, 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.

During the year under review the Company has received 1 (One) complaint from the shareholder and same was replied. And as on 30th September '2010, 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
2006 – 2007	Surana Auditorium, FAPCCI, Red Hills, Hyderabad – 500 004.	27 th August ' 2007	4:00 P.M
2007 – 2008	Surana Auditorium, FAPCCI, Red Hills, Hyderabad – 500 004.	22 nd November ' 2008	11:00 A.M.
2008 – 2009	Surana Auditorium, FAPCCI, Red Hills, Hyderabad – 500 004.	27 th August ' 2009	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:

The Quarterly Results of the Company are published English & Vernacular – Telugu Daily News Papers. Following are the details of Paper Publications of the Results.

Sr. No.	Quarter Ended	English Daily	Telugu (Vernacular) Daily	Date of Publication
1.	June ' 2009	Business Standard	Andhra Prabha	31 st Jul '2009.
2.	September ' 2009	Business Standard	Andhra Prabha	30 th Oct '2009.
3.	December ' 2009	The Financial Express	Andhra Prabha	31 st Jan '2010.
4.	March ' 2010	Business Standard	Andhra Prabha	04 th May '2010.
5.	June ' 2010	Business Standard	Andhra Prabha	17 th Aug '2010.
6.	September ' 2010	Business Standard	Andhra Prabha	22 nd Oct '2010.

9. GENERAL SHAREHOLDER INFORMATION:

9.1 Annual General Meeting:	
Date and Time	20th November, 2010 at 11.00 A.M
Venue	Bhaskara Auditorium, B.M.Birla Science Centre, Near Birla Mandir, Adarsh Nagar, Hyderabad-500063.

9.2 Financial Report for the Quarter Ending (subject to change):	
December ' 2010	15 th February ' 2011.
March ' 2011	15 th May ' 2011.

9.3 Book Closure Date:	
Dates	16th November, 2010 to 20th November 2010

9.4 Listing of Equity shares on Stock Exchanges:	
At	The Bombay Stock Exchange Limited, Mumbai.
	The Madras Stock Exchange Limited.

9.5 Stock Code: 530745	
(a) Trading Symbol	LNPL at all the Stock Exchanges In Physical & Demat Segment.
(b) ISIN Number	Equity shares INE366C01013

9.6 Stock Market Data:			
	Month	High	Low
1	Apr ' 2009	7.48	6.80
2	May ' 2009	7.35	6.50
3	Jun ' 2009	12.60	6.66
4	Jul ' 2009	23.76	10.00
5	Aug ' 2009	43.20	24.45
6	Sep ' 2009	40.95	28.05
7	Oct ' 2009	35.10	25.70
8	Nov ' 2009	31.00	22.05
9	Dec ' 2009	29.50	25.60
10	Jan ' 2010	38.00	24.85
11	Feb ' 2010	28.20	21.75
12	Mar ' 2010	23.65	14.05
13	Apr ' 2010	19.65	16.75
14	May ' 2010	24.35	18.10
15	Jun ' 2010	24.75	19.05
16	Jul ' 2010	23.85	20.00
17	Aug ' 2010	22.95	18.05
18	Sep ' 2010	22.80	18.50

9.7 Registrar and Transfer Agents:

Name & Address:	Venture Capital and Corporate Investments Limited, 12 – 10 – 167, Bharat Nagar, Hyderabad – 500 018. Tele: 23818475, 23818476, 23868023.
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9.8 Share Transfer Systems:

System:	Presently the share transfers, which are received in physical form, are processed and the share certificates are dispatched to the members within 30 days from the date of receipt subject to the documents being valid and complete in all respects. Even the requests for transfers, which are rejected on technical grounds, are also dispatched within the said 30 days.
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9.9 Share Holding Pattern:

Category	% of Total Capital
Promoters & Associates	46.43%
Bodies Corporate	02.59%
Banks	00.02%
NRI's	02.50%
Others	48.46%

9.10 Distribution of Share Holding (As of 30th September ' 2010)

Range in No. of Shares	% of Total Capital
Up to 5000	8.00%
5001 10000	2.80%
10001 20000	2.51%
20001 30000	2.01%
30001 40000	0.98%
40001 50000	1.88%
50001 100000	3.76%
100001 & above	78.06%

9.11 Dematerialization of Shares:

Status:	Approximately <u>83.04%</u> of the shares issued by the Company have been dematerialized up to 30 th September 2010.
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9.12 Plant Location:

Address:	Plot No.186, G.I.D.C., VAPI - 396 195. Tele.:0260 2430899.	Survey No.16/1, Rakholi, Silvassa – 396230, Dadra and Nagar Havele, UT.
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9.13 Address for Investor Correspondence:

Address:	The Compliance Officer, LN POLYESTERS LIMITED, Plot No.424/A, Road No.18 Jubilee Hills, HYDERABAD – 500 033.
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Other Disclosures:
Code of Conduct for the Board Members and Senior Management Personnel

The Board of Directors had approved a Code of Conduct for Board Members and Senior Management Personnel of L N Polyesters Limited.

This code is also available on the website of the Company. In terms of Clause 49 of the listing agreement a confirmation from Managing Director regarding compliance with the code by all the Directors and Senior Management is furnished below:

I, Confirm that all Directors and Senior Management Personnel have affirmed compliance with the L N Polyesters Limited Code of Conduct for Board Members and Senior Management Personnel.

G.SURENDER REDDY

Managing Director

CEO CERTIFICATION

I, G.Surender Reddy, Managing Director of L N Polyesters Limited hereby certify that:

- i. I had reviewed financial statements and the cash flow statement for the period ended 30th September, 2010, to the best of my 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.
- ii. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- iii. I accept responsibility for establishing and maintaining internal controls and I had evaluated the effectiveness of internal control systems of the Company and I had disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- iv. I had indicated to the Auditors and the Audit Committee:
 - (i) Significant Changes in internal controls during the year;
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
 - (iii) That there have been no instances of significant fraud of which we have become aware, involving the management or an employee having a significant role in the Company's internal control system.

Place: Hyderabad.

Date: 27th October '2010.

G.SURENDER REDDY

Managing Director

AUDITOR'S REPORT

To,
The Members of **LN POLYESTERS LIMITED**,
Hyderabad – 500 033.

We have audited the attached Balance Sheet of LN Polyesters Limited, Hyderabad as on 30th September 2010, 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) 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.
 - c) Total dues of IDBI Bank are assigned to JM Financial Asset Reconstruction Company Private Limited (JMF ARC). JMF ARC has restructured the said dues, the restructuring would result in waiver of part of the dues, whose benefit has been credited by the Company to the Profit & Loss account prior to the fulfillment of the conditions of the Restructuring. In case the Company fails to meet the terms of Restructuring, the amount so credited will have to be reversed along with further interest and other charges.
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.9 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 30th September ' 2010, 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 30th September 2010 and
 - ii) In so far as it related to the Profit and Loss Account, of the Profit 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
FRN 01584 S

Place: Hyderabad.
Date: 20th October ' 2010.

J.BHADRA KUMAR
Partner.
M.No.025480

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

- (i) (a) The Company is compiling the Fixed Assets Register consequent to the relocation and merging of the facilities at the new locations.
- (b) After the relocation of the Fixed Assets from Hyderabad, the Company has chalked out a programme to conduct the physical verification of fixed assets at Silvassa & Vapi plant in phased manner.
- (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) The stocks of raw-materials, consumables, work in progress and finished goods have been physically verified during the year. However the frequency of physical verification needs to be increased.
- (b) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to size of the company and nature of its business.
- (c) The discrepancies noticed on verification of stocks as compared to books were not material and it has been properly dealt with in the books of accounts.
- (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.980.92 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) The loan taken from Directors (three parties) are 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.
- (vii) The Company has an internal audit system, the scope of the internal audit needs to be enlarged so as to be commensurate with the size of the Company 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 30th September ' 2010, for a period of more than six months from the date they became payable, excepting the Sales Tax deferred loan amount of Rs.118.63 Lacs, which has become due on account of the Unit being shifted from Andhra Pradesh.
- (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 Company does not have any accumulated losses. There is a cash loss during the current financial year amounting to Rs.50.43 Lakhs and the cash loss during the immediate preceding financial year was Rs.3.09 Crores.
- (xi) The Company has settled the dues to the Term Lender under OTS and Assignment and hence there are not overdue amounts outstanding at the end of the year.
- (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 excepting assignment of debt.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the Company has not utilized any amount out of short terms sources for long term uses and vice versa.
- (xviii) The Company has not made during the year any preferential allotment of equity shares to parties covered in the Register maintained under Section 301 of the Companies Act'1956.
- (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.
FRN 015845

Place: Hyderabad.
 Date: 20th October ' 2010.

J.BHADRA KUMAR
 Partner.
 M.No.025480.

BALANCE SHEET AS AT 30th SEPTEMBER, 2010

Particulars	Schedule	As at 18 Months Period Ended 30th September 2010		As at 9 Months Period Ended 31st March 2009	
SOURCES OF FUNDS					
1. Shareholders' Funds					
Capital					
Equity Share Capital	A		147,009,000		147,009,000
Share Application Money (Pending Allocation)			58,150,000		0
Preference Share Capital			0		33,442,960
Reserves and Surplus	B		66,913,592		50,200,000
2. Loan Funds					
Secured Loans	C		167,815,349		386,714,198
Unsecured Loans	D		196,504,475		183,488,183
TOTAL			636,392,417		800,854,341
APPLICATION OF FUNDS					
1. Fixed Assets	E				
Gross Block		688,288,507		672,025,049	
Less : Depreciation		246,558,732		211,781,486	
Net Block			441,729,775		460,243,562
2. Investments	F		1,128,310		1,128,310
3. Current Assets, Loans and Advances	G	251,903,318		248,788,954	
Less : Current Liabilities and Provisions	H	58,368,986		63,635,617	
Net Current Assets			193,534,331		185,153,337
4. Miscellaneous Expenditure (To the extent not written after adjusted Product Development Expenses)			0		2,473,643
5. Profit & Loss Account			0		151,855,489
TOTAL			636,392,417		800,854,341
SIGNIFICANT ACCOUNT POLICIES & NOTES TO ACCOUNTS	P				

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI
Chartered Accountants

J. BHADRA KUMAR
Partner
Hyderabad.
Date : 20th October, 2010.

S. MAN MOHAN RAO
Chairman

G. SURENDER REDDY
Managing Director

Profit & Loss Account for the Period ended 30th September, 2010

Particulars	Schedule	As at 18 Months Period Ended 30-September-10		As at 09 Months Period Ended 31-March-09	
INCOME					
Sales	I	413,977,204		161,577,778	
Less : Excise Duty & Sales Tax	M	8,470,701		6,037,892	
Net Sales			405,506,503		155,539,886
Other Income			702,182		223,335
Gain on Exchange Fluctuation			0		382,341
Accre. / (Decre) in Stocks	J		(20,090,362)		14,988,376
			386,118,323		171,133,938
EXPENDITURE					
Material Consumption	K		239,114,483		102,343,332
Manufacturing Costs	L		91,348,527		47,253,993
Admin. & Selling Costs	N		34,342,427		20,200,561
Finance Costs	O		26,355,437		32,185,389
Depreciation	E		34,777,246		18,231,555
			425,938,120		220,214,830
Net Profit / (Loss) for the Period			(39,819,797)		(49,080,892)
Add : Amount Written Back on OTS/Restructuring			208,388,878		0
Net Profit / (Loss) for the Year after Extraordinary Items			168,569,081		(49,080,892)
Profit / (Loss) brought forward from previous year			(151,855,489)		(102,774,596)
Net Profit / (Loss) Carried to Balance Sheet			16,713,592		(151,855,489)
Earnings Per Share of Rs.10 each (Rupees)			11.47		(2.72)
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	P				

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI
Chartered Accountants

J. BHADRA KUMAR
Partner
Hyderabad.
Date : 20th October, 2010.

S. MAN MOHAN RAO
Chairman

G. SURENDER REDDY
Managing Director

SCHEDULES TO THE BALANCE SHEET

Particulars	As on 18 Months ended 30-Sept-10	As at 9 Months ended 31-Mar-09
<u>SCHEDULE : A</u>		
SHARE CAPITAL		
Authorised		
1,70,00,000 Equity Shares of Rs.10/- each	170,000,000	170,000,000
(Previous Year 1,50,00,000 Equity Shares of Rs.10/- each)		
40,00,000 Preference Shares of Rs.10/- each	40,000,000	40,000,000
	210,000,000	210,000,000
Issued, Subscribed & Paid-up		
1,47,00,900 Nos. Equity Shares of Rs.10/-		
each fully paid-up	147,009,000	147,009,000
33,44,296 Nos. 9% Preference Shares of Rs.10/- each fully paid	0	33,442,960
	147,009,000	180,451,960
<u>SCHEDULE : B</u>		
RESERVES AND SURPLUS		
a. Share Premium	48,700,000	48,700,000
b. Central Subsidy	1,500,000	1,500,000
c. Profit / (Loss)	16,713,592	0
	66,913,592	50,200,000
<u>SCHEDULE : C</u>		
SECURED LOANS		
Loans from :		
J M Financial Asset Reconstruction Co. Pvt. Ltd.	102,500,000	0
Industrial Development Bank of India	0	198,784,778
Industrial Investment Bank of India	0	78,000,000
Cash Credit with S B H & I D B I	64,679,568	64,610,413
Hire Purchase Loans	635,781	913,380
Interest Accrued and due	0	44,405,627
	167,815,349	386,714,198
<u>SCHEDULE : D</u>		
UNSECURED LOANS		
From Directors	98,092,149	97,291,951
From Bodies Corporate & Others	83,448,951	53,749,951
Trade Deposits	3,100,000	3,100,000
Interest Free Sales Tax Loan	11,863,374	29,346,280
	196,504,475	183,488,182
<u>SCHEDULE : F</u>		
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

FIXED ASSETS SCHEDULE FOR THE YEAR 2009 - 2010**SCHEDULE : E****(Fig. in Rs.)**

Sl. No.	Depreciation of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 1st April 09	Additions During Apr 09 - Sep 10	As on 30th Sep 10	As on 1st April 09	For the Period Apr 09 - Sep 10	As on 30th Sep 10	As on 30th Sep 10	As on 31st Mar 09
1	Land & Site Development	28,542,431	0	28,542,431	0	0	0	28,542,431	28,542,431
2	Factory Building	121,450,406	0	121,450,406	20,046,543	2,153,582	22,200,125	99,250,281	101,403,863
3	Plant & Machinery	433,340,312	0	433,340,312	165,559,038	30,692,443	196,251,481	237,088,831	267,781,274
4	Electrical Installation	24,912,612	0	24,912,612	12,451,041	0	12,451,041	12,461,571	12,461,572
5	Borewell	2,069,219	0	2,069,219	536,476	0	536,476	1,532,743	1,532,743
6	Office Equipment	1,472,313	147,964	1,620,277	916,892	146,915	1,063,808	556,469	555,421
7	Computers	6,012,736	120,436	6,133,172	5,780,892	114,978	5,895,871	237,301	231,843
8	Furniture & Fixtures	1,871,566	0	1,871,566	1,197,090	170,831	1,367,921	503,645	674,476
9	Vehicles	11,691,926	364,143	12,056,069	5,293,514	1,498,496	6,792,010	5,264,059	6,398,412
	TOTAL	631,363,522	632,543	631,996,065	211,781,486	34,777,246	246,558,732	385,437,332	419,582,035
10	Capital Work in Progress	40,661,527	15,630,916	56,292,443	0	0	0	56,292,443	40,661,527
	Grand Total	672,025,049	16,263,459	688,288,507	211,781,486	34,777,246	246,558,732	441,729,775	460,243,562
	Previous Year	643,189,887	100,446,891	672,025,048	193,549,931	18,231,555	211,781,486	460,243,562	449,639,957

SCHEDULES TO THE BALANCE SHEET

Particulars	As on 18 Months ended 30-Sept-10	As at 9 Months ended 31-Mar-09
<u>SCHEDULE : G</u>		
CURRENT ASSETS, LOANS AND ADVANCES		
1. Inventories (As valued & Certified by the Management)		
Raw Materials	25,328,773	26,817,502
Stocks in Process	38,444,980	51,378,201
Finished Goods	8,806,112	15,963,253
	72,579,865	94,158,956
2. Sundry Debtors (Considered Good)		
Debts Outstanding for a period exceeding Six Months	37,691,785	37,581,967
Other Debts	103,410,112	66,290,621
	141,101,897	103,872,588
3. Cash and Bank Balances		
Cash on Hand	14,904	139,368
Balances with Scheduled Banks :		
in Current Accounts	1,786,920	18,567,299
in Deposit Accounts (Inc. Margin Money)	11,346,431	7,128,900
	13,148,256	25,835,567
4. Loans and Advances (Unsecured and Considered Good)		
Other Advances	2,758,402	4,592,089
Advances for Materials	5,049,252	5,661,021
Interest Receivable	221,267	221,267
TDS Receivable	6,642,480	4,323,702
Deposits	10,401,899	10,123,763
	25,073,300	24,921,843
TOTAL (1+2+3+4)	251,903,318	248,788,954
<u>SCHEDULE : H</u>		
CURRENT LIABILITIES AND PROVISIONS		
Creditors for Materials / Expenses	11,872,470	15,482,150
Creditors for Capital Works	344,520	456,596
Land Development Deposit from Developers	43,000,000	43,000,000
Outstanding Liabilities	3,151,996	2,097,425
Interest Accrued But Not Due	0	2,599,446
	58,368,986	63,635,617

SCHEDULES TO PROFIT & LOSS A/C

Particulars	As at 18 Months Period Ended 30-September-10		As at 9 Months Period Ended 31-March-09	
<u>SCHEDULE : I</u>				
1. Sales				
Sales of Poly & Nylon.				
(Text/Twisted/Dyed Yarn)				
I) Domestic Sales		170,583,519		110,343,109
II) Export Sales		22,838,423		15,488,585
III) Conversion Charges		83,157,272		35,746,084
IV) Trading Sales		137,397,990		0
		413,977,204		161,577,778
<u>SCHEDULE : J</u>				
1. Accretion/Deceretion to Stocks				
i) Opening Stocks				
a) Finished Goods	15,963,253		15,622,810	
b) Work in Progress	51,378,201	67,341,454	36,730,268	52,353,078
ii) Closing Stocks				
a) Finished Goods	8,806,112		15,963,253	
b) Work in Progress	38,444,980	47,251,092	51,378,201	67,341,454
		(20,090,362)		14,988,376
<u>SCHEDULE : K</u>				
MATERIALS CONSUMPTION				
2. Materials Consumed				
Opening Stock		26,417,299		30,273,435
Purchases		237,875,478		98,487,196
		264,292,777		128,760,631
Less : Closing Stock		25,178,294		26,417,299
		239,114,483		102,343,332
<u>SCHEDULE : L</u>				
MANUFACTURING COSTS				
Power and Fuel		41,728,125		20,239,579
Factory Salaries & Wages		30,035,021		18,832,658
Repairs & Maintenance		19,585,381		8,181,757
		91,348,527		47,253,993
<u>SCHEDULE : M</u>				
EXCISE DUTY AND SALES TAX				
Excise & Custom Duty		60,647		0
Sales Tax		8,41,054		6,037,892
		8,470,701		6,037,892

SCHEDULES TO PROFIT & LOSS A\C

Particulars	As at 18 Months Period ended 30-Sept-10	As at 9 Months Period ended 31-March-09
<u>SCHEDULE : N</u>		
ADMINISTRATIVE AND SELLING COSTS		
Salaries & Benefits to Employees	2,760,147	1,974,432
Rent / Rates / Taxes	1,771,690	1,353,728
Consultancy Charges	2,146,741	731,168
Traveling Expenses	1,583,202	534,345
Conveyance	717,787	557,154
Telephone Expenses	463,125	259,901
Postage / Printing and Stationery	675,575	243,486
Office Maintenance	906,910	782,161
Security Charges	1,179,300	631,908
Insurance	389,920	352,563
Remuneration to Auditors	579,072	390,312
Business Promotion	193,510	88,168
Carriage Outwards	6,201,789	5,719,102
Discounts / Commission & Oth. Selling Exp.	10,527,279	3,184,259
Miscellaneous Expenses	1,043,300	476,099
Income Tax	0	952,489
Loss On Exchange Fluctuation	729,437	0
Fringe Benefit Tax	0	114,050
Product Development Exp. Written Off	2,473,643	1,855,236
	34,342,427	20,200,561
<u>SCHEDULE : O</u>		
FINANCE COSTS		
Interest on Term Loans	0	15,268,603
Interest on Working Capital Loan	15,619,257	11,908,400
Interest on Unsecured Loan	9,201,850	3,618,187
Interest on Hire Purchase Loans	165,319	104,779
Bank & Other Financial Charges	1,369,011	1,285,420
	26,355,437	32,185,389

SCHEDULE: P

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS:

I) SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of Preparations of Financial Statements:

The Financial Statement has been prepared under the Historical Cost Convention methods in accordance with the generally accepted accounting principles and the provision of the Companies Act, 1956, as adopted consistently by the Company.

2. Use of Estimates:

The presentation of Financial Statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenue and expense during the reporting period. Difference between the actual results and estimated are recognizes in the period in which the results are known / materialized.

3. Revenue Recognition:

Revenue is recognized from Sale of Goods where significant risks and rewards of ownership in respect of the goods are transferred to the buyer, and further no significant uncertainties exists regarding the amount of consideration that would be received from the sale of goods.

4. Fixed Assets:

All Fixed Assets are stated at cost less accumulated depreciation. All costs including financing cost attributable to fixed assets till assets are ready for intended use are capitalized.

5. Depreciation:

Depreciation is provided on Straight Line Method at the rates and in the manner prescribed in Scheduled XIV of the Companies Act, 1956.

6. Impairment of Assets:

An asset is treated as impaired, when carrying cost of assets exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The Impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

7. Investments:

Investments are classified into current investments and long-term investments. Current Investments are valued, scrip wise, at cost or fair value, whichever is lower. Long-term investments are valued at cost. Provision for diminution is made script wise to recognize a decline, other than temporary.

8. 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.

9. Employee Retirement Benefits:

Company's contribution to Provident Fund and Superannuation Fund are charged to Profit and Loss Account, Gratuity and Leave Encashment benefits are charged to Profit and Loss Account on the basis of actuarial valuation.

10. Foreign Currency Transactions:

(a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

(b) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

11. Borrowing Costs:

Borrowing costs, which are directly attributable to the acquisition/ construction of fixed assets. Till the time such asset are ready for intended use are capitalized as part of the cost of the assets. Other borrowing costs are recognized as an expense in the year in which they are incurred.

12. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is portable that there will be out flow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

II) NOTES TO ACCOUNTS:

1. CONTINGENT LIABILITIES:

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

- The Unexecuted portion of Letter of Credit opened by Bank is Rs. -nil- (Previous Year -Rs.-nil- Lacs)
- Capital Commitments: Estimated amount of contacts remaining to be executed on capital account (net of advances) not provide for, amounts to Rs.1,000 Lacs - (previous Year Rs.75 Lacs).
- The total dues of IDBI Bank are assigned to JM Financial Asset Reconstruction Company Pvt. Ltd. (JMF ARC). As per the Terms of Restructuring with JMF ARC Pvt. Ltd., the liability is to be settled at Rs.1,000 Lacs along with Interest. In case the Company fails to meet the terms of Restructuring as stipulated by JMF ARC Pvt. Ltd., they have a right to revoke the full liability of the amount to the extent of Rs.2,852 Lacs along with interest, penal interest and other applicable charges.

2. Secured Loans:

- The Company has paid the Term Loan dues of Industrial Investment Bank of India Limited (IIBI) under One Time Settlement (OTS) in terms of the said OTS, the Company settled the liability of IIBI by paying Rs.250 Lakhs.
- Dues to IDBI Bank Ltd. of Rs.2,852 Lakhs have been assigned to JMF ARC Pvt. Ltd.
As per the Terms of Restructuring, Company has to pay Rs.1,000 Lakhs over a period of time along with interest. Apart from the dues, Company has to issue 2,50,000 full paid up Equity Shares at Face Value of Rs.10/- each to JMF ARC Pvt. Ltd., in lieu of conversion of part of the total dues.
Dues to JMF ARC Pvt. Ltd., are secured by Joint – Equitable mortgage of tile deeds relating to he Company's immovable properties and are further secured by the personal guarantees of the Directors of the Company, and pledge of Shares of the Promoters.
- 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.
- Vehicle acquired under Hire – Purchase agreement from, ICICI Bank Limited are secured by hypothecation of the respective vehicles. The Loans are further secured by the personal guarantee of the Directors.

3. Unsecured Loans:

- 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 from July ' 28, 1995. As the Company has shifted its Manufacturing Facilities from Andhra Pradesh, the Company has to repay the said Sales Tax Deferment unsecured loan in full. As at 30th September '2010 out of the total 502.84 Lacs availed an amount of Rs. 384.21 is paid back. The Sales Tax amount due as at September, 30th 2010 is shown under the head of account Unsecured Loans.

- Balances appearing under Unsecured Loans, Sundry Debtors, Loans and Advances, Capital Work – in – Progress are subject to Confirmation and / or Reconciliation, if any.

- The amount of difference between amount outstanding in the books of the company and the amounts paid under OTS to Industrial Investment Bank of India Ltd. (IIBI), the difference on account of restructured dues to JMF ARC Pvt. Ltd. (after assignment of dues from IDBI) and the total amount due to IDBI is credited to Profit and Loss Account.

6. REMUNERATION TO AUDITORS: (Including Service Tax)	2009 – 2010 18 Months	2008 - 2009 9 Months
As Auditors	4,49,815	2,99,878
In Other Capacity:		
i) Tax Audit & Tax Consultancy	77,553	51,702
ii) Certification	51,704	34,470
	5,79,072	3,86,050

7. The Preference Shares Capital represents the Interest payable by the Company to Industrial Development Bank of India Limited (IDBI) converted into Preference Equity During the year December ' 2004 stands cancelled, as part of the settlement / restructuring.
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. 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.

10. 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	Sri. S.Man Mohan Rao	Key Management Personnel
3	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 01st April 2009	5.93		
	Received During the Year	5.93		
	Paid During the Year	0.00		
	Balance as at 30th September 2010	0.00		0.00
B)	Expenditure : Remuneration and Perquisites		0.00	0.00

SCHEDULES TO THE BALANCE SHEET

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	2009 - 2010		2008-2009	
	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 @	3,483.000	—	3,483.000	—
Polyester Dyed Yarn (@ Capacities arrived at as per the product mix)	3,483.000	—	3,483.000	—
c) Actual Production				
Polyester Dyed Yarn (#Captive consumption of Texturised & Twisted yarn is 524.0582 MT, Previous year 2982.66 MT) (Includes - Conversion of Dyed Yarn of 593.71 MT for Reliance. Previous Year Conversion of 1095.56 MT)	2,149.200	—	1,203,380	—
d) Particulars in respect of Sales				
Polyester Dyed Yarn *	1,014.550	193,421,942	628.690	125,831,694
Conversion Sales of Dyed Yarn	1,229.030	70,692,561	587.090	35,746,084
Conversion Sales of Text Yarn	519.390	12,464,711	0.000	0
Trading Sales of Grey Yarn	0.000	137,397,990	0.000	0
(*Includes - Waste Yarn Sale of 21 MT, Previous Year Waste Yarn Sale of 106 MT)				
e) Details of Stock-in-trade				
Opening stock				
Polyester Texturised & Twisted Yarn	279.630	52,879,391	192.510	37,790,154
Polyester Dyed Yarn	85.310	15,963,253	81.050	15,622,810
Closing Stock				
Polyester Texturised & Twisted Yarn	199.300	38,693,795	279.630	52,879,391
Polyester Dyed Yarn	51.010	8,806,112	85.310	15,963,253
f) Details of Raw Materials Consumed				
Partially Oriented Yarn		62,587,298		70,353,860
Trading Grey Yarn		126,062,667		-
Dyes & Chemicals		24,494,130		20,465,532
Others		25,970,388		11,523,940
g) Value of Raw Materials, spare parts and Components consumed				
Imported	6 %	13,464,511	8 %	8,506,697
Indigenous	94 %	225,649,972	92 %	93,836,635
h) Exports and Imports				
a) Value of imports calculated on CIF basis				
i. Raw material	—	7,933,479	—	8,506,697
ii. Components & Spare Parts	—	—	—	—
iii. Capital goods	—	—	—	—
b) Expenditure in foreign currency				
Travelling	—	—	—	—
i) Technical know-how Fees	—	—	—	—

SCHEDULES TO THE BALANCE SHEET

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	30-Sept-10

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	636,392,417
Total Assets	636,392,417

Sources of Funds

Paid-up Capital	147,009,000
Reserves & Surplus	66,913,592
Secured Loans	167,815,349
Unsecured Loans	196,504,475

Application of Funds

Net Fixed Assets	441,729,775
Investments	1,128,310
Net Current Assets	193,534,331
Miscellaneous Expenditure	-
Accumulated losses	-

d) Performance of the Company (Rupees)

Turnover	406,208,685
Total Expenditure	446,028,482
Profit Before Tax	(39,819,797)
Profit After Tax	168,569,081
Earning Per Share (Rs.) - Annualised	11.47

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. The previous year figures and current year figures are not comparable since financial year 2008-09 data represents operations for 9 (Nine) Months, whereas current year data is for a period of 18 (Eighteen) Months.

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

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI

Chartered Accountants

J. BHADRA KUMAR

Partner

Hyderabad.

Date : 20th October, 2010.

S. MAN MOHAN RAO

Chairman

G. SURENDER REDDY

Managing Director

CASH FLOW STATEMENT

For the period April 01, 2009 - September 30, 2010

Particulars	For the Year ended 31 Mar 09	For the Year ended 30 Jun 09
A. Cash flow from operating activities:		
Net Profit/(Loss) before Tax and Extraordinary items	(39,819,797)	(49,080,892)
Adjustments for: Depreciation	34,777,246	18,231,555
Misc.Expenses	2,473,643	1,855,236
Sales Tax Deferment	(17,482,906)	(11,187,444)
Interest & Finance Charges	26,355,437	32,185,389
Operating Profit before Working Capital Changes	6,303,623	(7,996,156)
Adjustments for: Trade and other receivables	(37,380,766)	7,441,121
Inventories	21,579,091	(10,974,853)
Trade Payables	(2,598,030)	(15,128,390)
Cash generated from operations	(12,096,082)	(26,658,278)
Interest paid	(73,360,510)	(29,092,350)
Direct Taxes paid	0	0
Cash flow before extra-ordinary items	(85,456,592)	(55,750,628)
Extra ordinary items	208,388,878	0
Net Cash flow operating activities	122,932,286	(55,750,628)
B. Cash flow from investing activities:		
Purchase of Fixed Assets	(16,263,459)	(28,835,160)
Net Cash used in investing activities:	(16,263,459)	(28,835,160)
C. Cash flow from financing activities:		
Proceeds from Share Capital (Pending Allocation)	24,707,040	30,000,000
Repayment of Long Term Liabilities	(174,284,778)	47,419,012
Proceeds from long term borrowings	30,221,599	30,236,305
Net Cash Used in Financing Activities:	(119,356,139)	107,655,317
Net increase in Cash and Cash Equivalents	(12,687,312)	23,069,529
Cash and Cash equivalents as at 01-04-2009 (Opening balance)	25,835,567	2,766,038
Cash and Cash equivalents as at 30-09-2010 (Closing balance)	13,148,256	25,835,567

Note:

- The above Cash Flow Statement has been prepared using the "Indirect Methods" 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.

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI
Chartered Accountants

J. BHADRA KUMAR
Partner
Hyderabad.
Date : 20th October, 2010.

S. MAN MOHAN RAO
Chairman

G. SURENDER REDDY
Managing Director

LN POLYESTER LIMITED

Plot No. 424/A, Road No. 18, Jubilee Hills, Hyderabad - 500 033.

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 Holder
Client Id*	
Reg. Folio No.	

I here by record my presence at the 17th ANNUAL GENERAL MEETING of the company at **Bhaskara Auditorium, B.M.Birla Science Centre, Near Birla Mandir, Adarsh Nagar, Hyderabad-500063.**, on **20th November 2010 at 11.00 A.M.**

* Applicable if shares are held in electronic form

** Strike out which ever is not applicable Signature of Shareholder / Proxy

LN POLYESTERS LIMITED

Plot No. 424/A, Road No. 18, Jubilee Hills, Hyderabad - 500 033.

PROXY FORM

I / We _____ of being the member / members of LN Polyesters Limited here by appoint _____ of _____ of falling him/her _____ of _____ as my/our Proxy to vote for me / us and on my / our behalf, at the 17th Annual General Meeting of the Company to be held at **Bhaskara Auditorium, B.M.Birla Science Centre, Near Birla Mandir, Adarsh Nagar, Hyderabad-500063** on **20th November 2010 at 11.00 A.M.**

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

Signature

1.00 One Rupee Revenue Stamp

Note : (a) Proxy need not be a member

(b) The Proxy Form duly signed by the member(s) across 1 Rupee 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.

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If Undelivered Please Return to :

LN POLYESTERS LIMITED

Plot No. 424/A, Road No. 18,

Jubilee Hills,

Hyderabad - 500 033.

Ph : 040-23542871

Email : lnpolyester@yahoo.com

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