



16th

ANNUAL REPORT

2008 - 2009

(July 2008 to March 2009)

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

BOARD OF DIRECTORS

Sri. S. MAN MOHAN RAO
Sri. G. SURENDER REDDY
Sri. K C VENKATESWARLU
Sri. SADASHIV SAWRIKAR
Sri. K V CHANDRASEKHARA
Sri. S. SRIDHAR
Smt. P R GIRIJA

Sri. A. MALLIKARJUN

Chairman
Managing Director
~~Director~~
~~Director~~
Director
~~Director~~
Director – IDBI Nominee
[Up to 20th Feb'2009]
Director – IDBI Nominee
[From 21st Feb'2009]

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.

Survey No. 16/1,
Rakholi,
Silvassa – 396230,
Dadra and Nagar Haveli,
UT.

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.

IDBI Bank Limited,
Chapel Road,
P B No. 370,
HYDERABAD – 500 001.

NOTICE

Notice is hereby given that the **16th Annual General Meeting of LN Polyesters Limited** will be held on Thursday the **27th day of August 2009**, at 4.00 P.M., at Surana Auditorium, FAPCCI, Red Hills, Hyderabad - 500 004, to transact the following business:

ORDINARY BUSINESS:

1. To Receive, Consider, Approve and Adopt the Balance Sheet As At 31st March '2009, the Profit and Loss Account for the period ended on that date together with the reports of the Directors and Auditors.
2. To Appoint a Director in the place of Sri.K C Venkateswarlu, who retires by rotation and being eligible, offers himself for reappointment.
3. To Appoint a Director in the place of Sri. K V Chandrasekhara, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint M/s. Kumar & Giri, Chartered Accountants, Hyderabad, as Auditors of the Company from the conclusion of 16th Annual General Meeting until the conclusion of the 17th Annual General Meeting on a remuneration to be fixed by the Board of the Company.

SPECIAL BUSINESS:

5. 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 1,70,00,000 (One Crore Seventy Lakh) Equity Shares of Rs.10/- each and 40,00,000 (Forty Lakhs only) Preference Shares of Rs.10/- (Rupees Ten only) each to Rs.25,50,00,000/- (Rupees Twenty Five Crore Fifty Lakhs only) divided into 2,15,00,000 (Two Crore Fifteen Lakh) Equity Shares of Rs.10/- and 40,00,000 (Forty Lakhs only) Preference Shares of Rs.10/- (Rupees Ten only) each by creation of 45,00,000 (Forty Five Lacs) 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 Rs.25,50,00,000/- (Rupees Twenty Five Crore Fifty Lakhs only) divided into 2,15,00,000 (Two Crore Fifteen Lakh) Equity Shares of Rs.10/-(Rupees Ten only) each and 40,00,000 (Forty Lakhs only) Preference 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."

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

"RESOLVED THAT pursuant to Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 ("Act") (including any statutory modification or enactments thereof for the time being in force) and in accordance with the guidelines, rules and regulations of the Securities and Exchange Board of India (SEBI) [including the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997], the Listing Agreement entered with the Stock Exchange where the shares of the Company is listed, the Reserve Bank of India, the Government of India and the enabling provisions of the Memorandum and Articles of Association of the Company and subject to such terms, conditions and modifications as may be considered appropriate and approved by the Board of Directors of the Company (hereinafter referred to as 'the Board' which expression shall include any committee thereof for the time being to which all or any of the powers conferred on the Board by this resolution may have been delegated) and subject also to such approvals, consents, permissions or sanctions (including any conditions thereof or modifications to the terms contained therein) if any, required of the appropriate authorities including Stock Exchange and SEBI and such terms and conditions, if any, as may be prescribed while granting such consents, approvals, permissions and sanctions which may be agreed to by the Board, the Board be and is hereby authorized to offer, issue and allot in one or more tranches and on such terms and conditions as may be deemed appropriate by the Board by way of preferential allotment up to 52,50,000 Equity shares of Rs.10/- each of the Company for cash at a price of Rs.20/- Per Share (including a premium of Rs.10/- per share), ranking *pari passu* in all respects including as to dividend, with the existing Equity Shares of the Company (the "Shares") to the investors and / or their nominees either through conversion of existing loans into Equity or for cash contribution by way of private placement of preferential allotment of shares on such

other terms and conditions, as the Board may deem appropriate in its absolute discretion.”

“FURTHER RESOLVED THAT the Equity shares allotted 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 pricing of the issue of the Equity Shares in accordance with SEBI Guidelines is 27th July, 2009 being the 30 days prior to 27th August 2009 (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 Shares shall be made within 15 days of the Annual General Meeting scheduled on 27th August 2009, 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 Equity shares shall be made at such time or times as the Board may in its absolute discretion decide.

(d) The Board be and is hereby authorized to decide and approve the other terms and conditions of the issue of the Equity shares and also shall be entitled to vary, modify or alter any of the terms and conditions including the size of the issue, as it may deem expedient.

(e) The Equity Shares shall be locked in for a period of one year from the date of their allotment, as per SEBI Guidelines.

(f) 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 Equity Shares and the utilisation of the Issue proceeds of the Equity Shares 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.”

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

“RESOLVED THAT pursuant to Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (“Act”) (including any statutory modification or enactments thereof for the time being in force) and in accordance with the guidelines, rules and regulations of the Securities and Exchange Board of India (SEBI) [including the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997], the Listing Agreement entered with the Stock Exchange where the shares of the Company is listed, the Reserve Bank of India, the Government of India and the enabling provisions of the Memorandum and Articles of Association of the Company and subject to such terms, conditions and modifications as may be considered appropriate and approved by the Board of Directors of the Company (hereinafter referred to as ‘the Board’ which expression shall include any committee thereof for the time being to which all or any of the powers conferred on the Board by this resolution may have been delegated) and subject also to such approvals, consents, permissions or sanctions (including any conditions thereof or modifications to the terms contained therein) if any, required of the appropriate authorities including Stock Exchange and SEBI and such terms and conditions, if any, as may be prescribed while granting such consents, approvals, permissions and sanctions which may be agreed to by the Board, the Board be and is hereby authorized to offer, issue and allot in one or more tranches and on such terms and conditions as may be deemed appropriate by the Board by way of preferential allotment upto 10,50,000 Equity shares of Rs.10/- each of the Company for cash at a price of Rs.20/- Per Share (including a premium of Rs.10/- per share), ranking *pari passu* in all respects including as to dividend, with the existing Equity Shares of the Company (the “Shares”) to the promoters and / or their nominees either through conversion of existing loans into Equity or for cash contribution by way of private placement of preferential allotment of shares on such other terms and conditions, as the Board may deem appropriate in its absolute discretion.”

“FURTHER RESOLVED THAT the Equity shares allotted 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 pricing of the issue of the Equity Shares in accordance with SEBI Guidelines is 27th July, 2009 being the 30 days prior to 27th August 2009 (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 Shares shall be made within 15 days of the Annual General Meeting scheduled on 27th August 2009, 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 Equity shares shall be made at such time or times as the Board may in its absolute discretion decide.

d) The Board be and is hereby authorized to decide and approve the other terms and conditions of the issue of the Equity shares and also shall be entitled to vary, modify or alter any of the terms and conditions including the size of the issue, as it may deem expedient.

e) The Equity Shares shall be locked in for a period of three years from the date of their allotment, as per SEBI Guidelines.

f) 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 Equity Shares and the utilisation of the issue proceeds of the Equity Shares 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."

8. 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 "LN 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 authorised 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 authorised to do all such things and execute all such deeds and documents as may be necessary for giving effect to the above resolution".

for and behalf of the Board.

Place: Hyderabad.

Date: 29th July, 2009.

S. MAN MOHAN RAO

Chairman.

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE SHOULD BE DULY STAMPED, COMPLETED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.

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

3. Members / Proxies should fill in the Attendance Slip for attending the Meeting.

4. Shareholders are requested to bring their copy of Annual Report to the Meeting.

5. 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 SEBI (Disclosure and Investor Protection) Guidelines, 2000 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.

6. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

7. The Register of members and transfer books of the Company will be closed from the 24th August 2009 to 27th August 2009, (both the days inclusive).

for and behalf of the Board.

Place: Hyderabad.

Date: 29th July, 2009.

S. MAN MOHAN RAO

Chairman.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956:

Item No. 5:

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 and support growth plans of the Company, for long term working capital and general corporate purposes including retirement of part of Loans. To infuse the further funds, the present authorized share capital of the Company has to be increased from Rs.21,00,00,000/- to Rs.25,50,00,000/- 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.

Item No. 6 & 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 a combination of part funding of the expenditure for expansion and support growth plans of the Company, for long term working capital and general corporate purposes including retirement of part of Loans. Your Board in its meeting held on 29th July '2009 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 52,50,000 and 10,50,000 Equity shares of Rs.10/- each of the Company for cash at a price of Rs.20/- Per share (i.e., at a premium of Rs.10/-) 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 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 further shares 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 Shares.

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 XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, and in terms of the provisions of the Listing Agreement to issue and allot Equity Shares 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 shares is being made in accordance with the requirements of the SEBI Guidelines, 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 issue price computed on the basis of the SEBI Guidelines comes to Rs.18.54/- per share. As against this, the shares are proposed to be issued at Rs.20/- per share.

Disclosures required to be made in the Explanatory Statement pursuant to the provisions of the SEBI (Disclosures and Investors Protection) Guidelines, 2000 (the SEBI Guidelines) 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 Equity Shares 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 including retirement of part of Loans. The issue and allotment of Equity Shares by way of preferential allotment to some of the investors and promoters is on account of conversion of existing loan into Equity Shares 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 Equity Shares 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 are subscribing to the offer for replenishing the eroded network of the company and enabling the Company for its expansion, support growth plans and working capital requirements etc. It is proposed to issue Equity Shares under the Preferential Issue to Investors as per the details given herein below:

Name of the Proposed subscriber	Pre Issue		Post Issue		
Category - Non Promoter	No. of Shares held	0% holding	No. of Shares held	0% holding	Lock-in Period
Mr. K.C. Venkateswarlu	12,00,000	8.16%	20,50,000	9.76%	1 year
Mr. Shailesh Somabhai Patel	0	0.00%	8,00,000	3.81%	1 year
Mrs. Nita Shaileshbhai Patel	0	0.00%	8,00,000	3.81%	1 year
Mrs. Kapilaben Somabhai Patel	0	0.00%	8,00,000	3.81%	1 year
Mr. D. Srinivasa Rao	0	0.00%	3,00,000	1.43%	1 year
Mrs. K. Vasanthi	0	0.00%	14,00,000	6.67%	1 year
Mr. Rajeev Gulgule	0	0.00%	50,000	0.24%	1 year
Mr. Praful Gulgule	0	0.00%	50,000	0.24%	1 year
Mr. Narendra Chadda	0	0.00%	25,000	0.12%	1 year
Mrs. Monica Chadda	0	0.00%	25,000	0.12%	1 year
Mr. Kabir Chadda	0	0.00%	25,000	0.12%	1 year
Mr. Prakash Chand Mishra	0	0.00%	25,000	0.12%	1 year
Mr. T. Venkateswara Prasad	0	0.00%	50,000	0.24%	1 year
M/s. Nariman Point Finance Ltd.	0	0.00%	50,000	0.24%	1 year
Sub Total	12,00,000	8.16%	64,50,000	30.73%	1 year
Category - Promoter					
Sri S. Man Mohan Rao	14,75,010	10.03%	25,25,010	12.02%	3 years
Sub Total	14,75,010	10.03%	25,25,010	12.02%	3 years
Grand Total	26,75,010	18.19%	89,75,010	42.75%	

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 Equity shares:

Shareholding pattern before and immediately upon the allotment of 63,00,000 Equity shares on a fully diluted basis pursuant to the offer:

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	64,06,420	43.58%	74,56,420	35.50%
Persons acting in concert	0	0	0	0
Foreign Promoters	0	0	0	0
Sub Total - A	64,06,420	43.58%	74,56,420	35.50%
B. NON PROMOTERS HOLDING				
Mutual funds and UTI	0	0	0	0
Banks/financial Institutions/ Insurance Company	2,900	0.02%	2,900	0.01%
Foreign Institutional Investors	0	0	0	0
Private Bodies Corporate	3,12,027	2.12%	3,12,027	1.49%
NRIs / OCBs	3,98,800	2.71%	3,98,800	1.90%
Indian Public-Including new investors	75,80,753	51.57%	1,28,30,753	61.10%
Others-clearing Member & Trust)	0	0	0	0
Sub Total - B	82,94,480	56.42%	1,35,44,480	64.50%
Grand Total	1,47,00,900	100.00%	2,10,00,900	100.00%

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

The allotment of Equity Shares 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 exchangers 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.

V. Identity of the proposed allottee and the percentage of post preferential issue capital that may be held by them:

Name of the Allottees	Existing Holdings		Shareholding after the allotment	
	No. of Shares	%	No. of Shares	%
Mr. K.C. Venkateswarlu	12,00,000	8.16%	20,50,000	9.76%
Mr. Shailesh Somabhai Patel	0	0.00%	8,00,000	3.81%
Mrs. Nita Shaileshbhai Patel	0	0.00%	8,00,000	3.81%
Mrs. Kapilaben Somabhai Patel	0	0.00%	8,00,000	3.81%
Mr. D. Srinivasa Rao	0	0.00%	3,00,000	1.43%
Mrs. K. Vasanthi	0	0.00%	14,00,000	6.67%
Mr. Rajeev Gulgule	0	0.00%	50,000	0.24%
Mr. Praful Gulgule	0	0.00%	50,000	0.24%
Mr. Narendra Chadda	0	0.00%	25,000	0.12%
Mrs. Monica Chadda	0	0.00%	25,000	0.12%
Mr. Kabir Chadda	0	0.00%	25,000	0.12%
Mr. Prakash Chand Mishra	0	0.00%	25,000	0.12%
Mr. T. Venkateswara Prasad	0	0.00%	50,000	0.24%
M/s. Nariman Point Finance Ltd.	0	0.00%	50,000	0.24%
Sub Total	12,00,000	8.16%	64,50,000	30.73%
Category - Promoter				
Sri S. Man Mohan Rao	14,75,010	10.03%	25,25,010	12.02%
Sub Total	14,75,010	10.03%	25,25,010	12.02%
Grand Total	26,75,010	18.19%	89,75,010	42.75%

Issue of further 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.

None of the Directors of the company except Sri S. Man Mohan Rao and Sri K.C. Venkateswarlu is concerned or interested in the said resolution.

Item No. 8

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 15th Annual General Meeting held on 22nd November, 2008.

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 22nd November, 2008, 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.

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.

for and behalf of the Board.

Place: Hyderabad.

Date: 29th July, 2009.

S. MAN MOHAN RAO

Chairman.

DIRECTORS REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the **16th Annual Report** and the Audited Statement of Accounts of the Company for the 9 (Nine) Months Period Ended 31st March 2009.

FINANCIAL RESULTS

(Rs. In Lakhs)

Sl. No.	Particulars	9 Months Ended 31st March 2009	15 Months Ended 30th June 2008
1.	Net Income from Operations	1,615.78	3,049.72
2.	Gross Profit (before Finance Charges, Depreciation & Taxation)	13.36	247.52
3.	Less : Finance Charges	321.85	468.90
4.	Less : Depreciation	182.32	246.27
5.	Profit / (Loss)	(490.81)	(467.65)

OPERATIONS :

During the year, process of shifting the facilities to Silvassa & Vapi and stabilization of the production process was completed. Though the Company is geared up fully to utilize the capacities of production optimally, the operations of the Company have suffered significantly on account of the paucity of working capital facilities.

The Company had to suffer significant losses on account of lower utilization of the capacities of production resulting in under recovery of the overheads. The Company has successfully negotiated with one of the term lenders viz., IDBI Bank Limited (IDBI), for restructuring of the various loans payable by the Company. The Company is negotiating with its working capital bankers for release of adequate working capital limits for the Company so as to enable it to undertake operations at optimal levels. In spite of the fact that there has been disruption of marketing schedules due to the lower production levels, the Company continuous to hold its brand name of its products successfully in the markets. The Company plans to capitalize on the capacities of the facilities in immediate future.

The Real Estate Development activity on the land given by the Company on Development could not commence due to the general downturn in the Realty Industry and also pending the receipt of various regulatory approvals for the same including from the Lenders.

MARKETING:

The Demand for the Company's products continuous to grow both at Domestic as well as Overseas Markets. The Company during the year could not meet the market demands due to its below normal operations of the production facilities. The Company is undertaking measures to strengthen the Domestic Market Network and enhance the spread in the Overseas Market. The Company is confident that with the present enhanced manufacturing capacities it would be able to increase its market share.

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 under review one of the Lenders of the Company IDBI Bank Limited (IDBI), has nominated Sri.A.Mallikarjun, as its Nominee on the Board of the Company with effect from 21st February ' 2009, in the place of Smt.P R Girija, who ceased to be a Director w.e.f. 21st February ' 2009.

Sri.K C Venkateswarlu and Sri.K V Chandrasekhara, 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 31st March ' 2009, 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 for the year under review;

- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors had prepared the accounts for the Financial Year ended 31st March '2 009, 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:

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

As on date an amount of RS.170.66 Lacs is outstanding towards Sales Tax Deferment. The Company was granted time by Sales Tax Departments for payment of the same.

Clause (xi) of Annexure to the Auditors Report:

The Company is in the process of negotiation with Industrial Investment Bank of India Limited (IIBI) for the reduction of One Time Settlement (OTS) amount earlier agreed upon.

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: 29th July, 2009

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:

- Installation of "Air Washers" for reducing consumption of Power.

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

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

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

	2008 - 2009 (9 Months)	2007 - 2008 (15 Months)
1. Electricity:		
a) Purchased:		
Units	26,14,306	57,78,995
Total Amount	1,31,25,519	Rs.2,25,95,487
Rate Per Unit	5.02	3.91
b) Own Generation:		
i) Through Diesel Generator		
Units	39,730	95,193
Units Per Ltr.of Diesel	2.90	2.85
Rate Per Unit	13.10	11.50
ii) Through Steam turbine / Generator:		
Units		
Units Per Ltr. Of Fuel Oil / Gas	Nil	Nil
Rate Per Unit		
2. Coal for Boiler:		
Quantity (Tons)	1,329.370	3,372.925
Total Cost	66,25,714	1,11,81,721
Average Rate Per Ton	4,984	3,315
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	2008 - 2009 (9 Months)	2007 - 2008 (15 Months)
Products (with details) Units:		
Dyed Yarn Production (MT)	1,203.38	2,385.49
Electricity (Purchased) / MT	10,907/-	9,472/-
Coal / MT	5,506/-	4,687/-

II. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form - B

a) Research & Development (R & D)

Specific Areas:

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

Benefits Derived:

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

Plan of Action:

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

b) Technology Absorption, Adoption and Innovation:

The Company has continuous interaction with the Manufactures / Suppliers of Machinery and is seeking and upgrading its equipment as and when required and also development of new product range is initiated in close coordination with manufacturers of Dyes and Chemicals.

III. Foreign Earnings and Outgo:

	2008 - 2009 (9 Months)	2007 - 2008 (15 Months)
Earnings ::	Rs.148.11 Lacs	Rs.286.18 Lacs
Outgo ::	Rs. 83.99 Lacs	Rs.152.98 Lacs

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Board of Directors of LN Polyesters Limited,

We have reviewed the implementation of Corporate Governance procedures by LN Polyesters Limited during the year ended 31st March ' 2009, 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.

J.Bhadra Kumar.
Partner.

Date: 29th July, 2009

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.,

REVIEW OF OPERATIONS:

LN POLYESTERS LIMITED (LNPL) processed 1203.38 MT of Texturized Twisted Polyesters Dyed Yarn during the year achieving an average capacity utilization of 46%.

In the direction of increasing the contribution from the products the Company has made a significant shift in the product mix during the current year through the marketing of new and high value added products successfully.

FINANCIAL REVIEW:

The Company has achieved a Gross turnover of Rs.1615.78 Lakhs.

The Gross Profit (Earnings before Interest, Deprecation & Taxes) was Rs.13.36 Lakhs.

The Operating Loss excluding Interest Income was Rs.493.04 Lakhs.

Interest and other Finance Expenses were Rs.321.85 Lakhs.

The total capital expenditure during the year was Rs. 288.35 Lakhs.

LNPL paid up Equity Share Capital as at 31st March 2009 stood at Rs.1470.09 Lakhs.

The Preference Share Capital as at 31st March 2009 stood at Rs.334.43 Lakhs

Earning per share for the year was negative at Rs.(2.72).

The Company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs.60.38 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 72 people, on full time employment basis.

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

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

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 year 2008 - 2009 the Board has met 4 times, on the following date namely:

1. 14th July ' 2008.
2. 28th September ' 2008.
3. 30th October ' 2008.
4. 30th January ' 2009.

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	4	Yes	1	1
Sri G. Surender Reddy (Promoter and Managing Director)	MD	3	Yes	1	0
Sri.K C Venkateswarlu (Independent and Non Executive Director)	NED	4	Yes	0	0
Sri Sadashiv Sawrikar (Independent and Non Executive Director)	NED	4	Yes	3	2
Sri S. Sridhar (Non Executive Director)	NED	1	Yes	1	0
Sri K. V. Chandrashekra (Independent and Non Executive Director)	NED	4	Yes	2	0
Smt.P R Girija, (Nominee Director - IDBI) – Up to 20 th Feb ' 2009	NED	3	No	1	0
Sri.A.Mallikarjun (Nominee Director - IDBI) – From 21 st Feb ' 2009,	NED	0	N.A.	0	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 -

Information on Directors Appointment / Re – Appointment::

Brief resume of Directors being re-appointed / appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and name of the companies in which they hold Directorship and the membership of committees of the Board is furnished hereunder;

Sri. K C Venkateswarlu, aged 49 Years is a Bachelor of Arts. He worked in Andhra Bank in various Capacities. He has extensive expertise in Finance, Real Estates, Infrastructure Development. He is presently overseeing the Company's Land Development

Sri. K. V. Chandrasekhara, aged 61 years is a Certified Associate of Indian Institute of Bankers (CAIIB) and also a Law Graduate from Bangalore University. He worked in IDBI Bank Limited for over 32 years in various capacities the last being the General Manger. He has diverse experience in project finance and corporate finance.

Sri A.Mallikarjun, aged 37 Years is a Masters in Commerce, presently working as Assistant General Manager with IDBI Bank Limited, Hyderabad, Nominee Director of IDBI Bank Limited on the Board.

1. 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. Smt. P R Girija – Upto 21st February ' 2009.
4. Sri. A.Mallikarjun - w.e.f. 22nd February ' 2009.

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 year. The dates on which the meetings were held are:

1. 28th September ' 2008.
2. 30th October ' 2008.
3. 30th January ' 2009.

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	3
2.	Sri K. V. Chandrasekhara	3
3.	Smt. P R Girija	3

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

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

3. 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 not received any complaints from the shareholder. And as on 31st March ' 2009, no requests for transfer are pending.

1. GENERAL BODY MEETINGS:

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

Year	Location	Date	Time
2005 – 2006	Hotel Ashoka, 6 – 1 – 70, Lakadi – ka – pul, Hyderabad – 500 004.	27 th July ' 2006	4:00 P.M
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.

2. 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.

3. 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.	September ' 2008	Business Standard	Andhra Prabha	01 st Nov ' 2008.
2.	December ' 2008	The Financial Express	Andhra Prabha	01 st Feb ' 2009.
3.	March ' 2009	Business Standard	Andhra Prabha	01 st July ' 2009.

9. GENERAL SHAREHOLDER INFORMATION:

9.1 Annual General Meeting:	
Date and Time	27th August, 2009 at 4.00 P.M
Venue	11 – 6 – 841, Surana Auditorium, APCCI, Red Hills, HYDERABAD – 500 004.
9.2 Financial Report for the Quarter Ending (subject to change):	
June ' 2009	31 st July ' 2009.
September ' 2009	31 st October ' 2009.
December ' 2009	31 st January ' 2010.
March ' 2010	30 th June ' 2010.
9.3 Book Closure Date:	
Dates	24th August, 2009 to 27th August 2009 2009 to 2009.
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	July ' 2008	11.00	9.90
2	August ' 2008	11.29	9.97
3	September ' 2008	15.01	11.85
4	October ' 2008	14.50	14.50
5	November ' 2008	13.78	12.80
6	December ' 2008	13.50	12.40
7	January ' 2009	11.79	9.70
8	February ' 2009	9.70	6.49
9	March ' 2009	6.81	6.80

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.

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.

9.9 Share Holding Pattern:	
Category	% of Total Capital
Promoters & Associates	47.09%
Bodies Corporate	02.33%
Banks	00.02%
NRI's	02.83%
Others	47.74%

9.10 Distribution of Share Holding (As of 31st March ' 2009)	
Range in No. of Shares	% of Total Capital
Up to 5000	1.89
5001 10000	1.19
10001 20000	1.00
20001 30000	1.46
30001 40000	0.69
40001 50000	0.59
50001 100000	1.66
100001 & above	91.50%

9.11 Dematerialization of Shares:		
Status:	Approximately <u>62.08%</u> of the shares issued by the Company have been dematerialized up to 31 st March 2009.	
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 Haveli, UT.
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.	

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 31st March '2009, to the best of my knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. 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 : 29th July, 2009

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 31st March ' 2009, 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 overall 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.
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 31st March ' 2009, from being appointed as a Director under clause (g) of sub – section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i) In so far as it relates to the Balance sheet, of the state of affairs of the Company as on 31st March ' 2009 and
 - ii) In so far as it related to the Profit and Loss Account, of the Loss of the Company for the Year ended on that date.
 - iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

for M/s. KUMAR & GIRI
CHARTERED ACCOUNTANTS

J. BHADRA KUMAR
 Partner.

Place: Hyderabad.
 Date: 30th June, 2009

**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) As the Location of the Fixed Assets at Hyderabad has been changed to Silvassa & Vapi, no physical verification of the Fixed Assets has been carried out during the current financial year. However, the Company has chalked out a programme to verify the physical verification of fixed assets in a 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) As the Location of the Manufacturing Facilities have been shifted to Silvassa and Vapi, no Physical Verification of Inventories have been carried out during the year. However, the Company has taken steps to carry out the Physical Verification of Inventories at regular intervals.
- (b) As the physical verification of Inventories have not been carried out during the year, we are not in a position to comment on the reasonableness and adequacy of such verification.
- (c) The Company is maintaining proper records of inventory. As the physical verification of inventories have not been carried out, we are unable to comment on the material discrepancies in inventories.
- (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.972.92 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) In respect of loan taken from Directors (three parties) is interest free and subordinate to the debts of the Financial Institutions so as to the repayment of principal.
 - (d) There are no overdue amounts in respect of loans taken by the Company and also in relation to the loans given by the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provision of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public excepting loans taken from others.
- (vii) The Company has an internal audit system commensurate with the size and nature of the business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us no undisputed amounts payable in respect of wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March ' 2009, for a period of more than six months from the date they became payable, excepting the Sales Tax deferred amount which stand payable for Rs.293.46 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 accumulated losses of the Company are more than fifty percent of its net worth. There is a cash loss during the current financial year amounting to Rs.3.09 Crores and the cash loss during the immediate preceding financial year was Rs.2.21 Crores.
- (xi) The Company was sanctioned a Restructuring Proposal by one of the Term Lender IDBI Bank Limited (IDBI) vide Ltr No.IDBI(H)/1564/Recovery (LNPL), Dt.25th November ' 2008, wherein the Interest and Principal Dues of Financial Year 2008 – 2009 are deferred for payment till October ' 2009. Hence the Company has not paid any Interest and Principal dues to IDBI Bank Limited. In the case of the dues by the Company to Industrial Investment Bank of India Limited (IIBI), the Company was granted One Time Settlement (OTS), of the loans dues. No provision for Interest is made in the Book of Accounts of the Company on Principal amount due to IIBI.
- (xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order'2003 is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanation given to us the Company is not dealing in shares and securities. In the case of investments held by the Company in shares the same are in the name of the Company.
- (xv) In our opinion and according to the information and explanations given to us the Company has not given guarantees for the loans taken by others from Banks or Financial Institutions.
- (xvi) The Company has not raised any new term loans during the year.
- (xvii) According to the information and 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 made during the year preferential allotment of equity shares to parties covered in the Register maintained under Section 301 of the Companies Act'1956 during the year, totaling to 22,00,000 Nos. Equity Shares of Rs.10/- each at a premium of Rs.10/- Per Share out of the total preferential allotment of Shares of 43,00,000 Nos, Equity Shares of Rs.10/- each at a premium of Rs.10/- Per Share.
- (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.

Place: Hyderabad.
Date : 30th June, 2009

J. BHADRA KUMAR
Partner.

AUDITED BALANCE SHEET AS AT 31ST MARCH, 2009

Particulars	Schedule	As at 9 Months Period Ended 31-March-09		As at 15 Months Period Ended 31-June-08	
SOURCES OF FUNDS					
1. Shareholders' Funds					
Capital					
Equity Share Capital	A		147,009,000		104,009,000
Share Application Money (Pending Allocation)			0		56,000,000
Preference Share Capital			33,442,960		33,442,960
Reserves and Surplus	B		50,200,000		7,200,000
2. Loan Funds					
Secured Loans	C		386,714,198		356,676,465
Unsecured Loans	D		183,488,182		165,149,837
TOTAL			800,854,340		722,478,262
APPLICATION OF FUNDS					
1. Fixed Assets	E				
Gross Block		672,025,048		643,189,888	
Less : Depreciation		211,781,486		193,549,932	
Net Block			460,243,562		449,639,956
2. Investments	F		1,128,310		1,128,310
3. Current Assets, Loans and Advances	G	248,788,953		222,185,692	
Less : Current Liabilities and Provisions	H	63,635,617		57,579,171	
Net Current Assets			185,153,336		164,606,521
4. Miscellaneous Expenditure (To the extent not written after adjusted) Product Development Expenses			2,473,643		4,328,879
5. Profit & Loss Account			151,855,489		102,774,596
TOTAL			800,854,340		722,478,262
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 : 30th June, 2009.

S. MAN MOHAN RAO
Chairman

G. SURENDER REDDY
Managing Director

Profit & Loss Account for the Period 01-07-2008 to 31-03-2009

Particulars	Schedule	As at 9 Months Period Ended 31-March-09		As at 15 Months Period Ended 31-June-08	
INCOME					
Sales	I	161,577,778		304,972,386	
Less : Excise Duty & Sales Tax	M	6,037,892		8,336,556	
Net Sales			155,539,886		296,635,830
Other Income			223,335		823,350
Gain on Exchange Fluctuation			382,341		0
Accre. / (Decre) in Stocks	J		14,988,376		(19,883,606)
			171,133,938		277,575,574
EXPENDITURE					
Material Consumption	K		102,343,332		141,398,216
Manufacturing Costs	L		47,253,993		74,057,070
Admin. & Selling Costs	N		20,200,561		37,368,609
Finance Costs	O		32,185,389		46,889,732
Depreciation	E		18,231,555		24,626,561
			220,214,830		324,340,187
Net Profit / (Loss) for the Period			(49,080,892)		(46,764,613)
Profit / (Loss) brought forward from previous year			(102,774,596)		(56,009,983)
Net Profit / (Loss) Carried to Balance Sheet			(151,855,489)		(102,774,596)
Earnings Per Share of Rs.10 each (Rupees)			(2.72)		(3.40)

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 : 30th June, 2009.

S. MAN MOHAN RAO
Chairman

G. SURENDER REDDY
Managing Director

SCHEDULES TO THE BALANCE SHEET

Particulars	As at 9 Months Period ended 31-March-09	As at 15 Months Period ended 31-June-08
<u>SCHEDULE : A</u>		
SHARE CAPITAL		
Authorised		
1,70,00,000 Equity Shares of Rs.10/- each	170,000,000	110,000,000
(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	150,000,000
Issued, Subscribed & Paid-up		
1,47,00,900 Nos. Equity Shares of Rs.10/-		
each fully paid-up	147,009,000	104,009,000
33,44,296 Nos. 9% Preference Shares of Rs.10/- each fully paid	33,442,960	33,442,960
	180,451,960	137,451,960
<u>SCHEDULE : B</u>		
RESERVES AND SURPLUS		
Share Premium	48,700,000	5,700,000
Central Subsidy	1,500,000	1,500,000
	50,200,000	7,200,000
<u>SCHEDULE : C</u>		
SECURED LOANS		
Loans from :		
Industrial Development Bank of India	198,784,778	151,365,766
Industrial Investment Bank of India	78,000,000	78,000,000
Cash Credit with S B H & I D B I	64,610,413	85,785,491
Hire Purchase Loans	913,380	202,861
Interest Accrued and due	44,405,627	41,322,347
	386,714,198	356,676,465
<u>SCHEDULE : D</u>		
UNSECURED LOANS		
From Directors	97,291,951	106,690,024
From Bodies Corporate & Others	53,749,951	16,326,089
Trade Deposits	3,100,000	1,600,000
Interest Free Sales Tax Loan	29,346,280	40,533,724
	183,488,182	165,149,837
<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 2008-2009

SCHEDULE : E

(Fig. in Rs.)

Sl. No.	Depreciation of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK	
		As on 1st July 08	Additions During Jul 08 - Mar 09	Adjustments During Jul 08 - Mar 09	As on 31st Mar 09	As on 30th Jun 08	For the Period Jul 08 - Mar 09	As on 31st Mar 09	As on 31st Mar 09	As on 30th Jun 08
1	Land & Site Development	28,542,431	0	0	28,542,431	0	0	0	28,542,431	28,542,431
2	Factory Building	104,141,755	17,308,651	0	121,450,406	18,974,232	1,072,311	20,046,543	101,403,863	85,167,523
3	Plant & Machinery	379,576,354	53,763,958	0	433,340,312	150,315,073	15,243,965	165,559,038	267,781,274	229,261,283
4	Electrical Installation	24,912,612	0	0	24,912,612	11,463,600	987,440	12,451,040	12,461,572	13,449,011
5	Borewell	2,069,219	0	0	2,069,219	536,476	0	534,476	1,532,743	1,532,743
6	Office Equipment	1,418,433	53,880	0	1,472,313	847,799	69,093	916,892	555,421	570,634
7	Computers	5,975,336	37,400	0	6,012,736	5,715,652	65,241	5,780,893	231,843	259,684
8	Furniture & Fixtures	1,871,566	0	0	1,871,566	1,108,156	88,934	1,197,090	674,476	763,410
9	Vehicles	10,237,607	1,454,319	0	11,691,926	4,588,943	704,571	5,293,514	6,398,412	5,648,664
	TOTAL	558,745,313	72,618,208	0	631,363,521	193,549,931	18,231,555	211,781,486	419,582,035	365,195,383
10	Capital Work in Progress	84,444,574	27,828,683	71,611,730	40,661,527	0	0	0	40,661,527	84,444,574
	Grand Total	643,189,887	100,446,891	71,611,730	672,025,048	193,549,931	18,231,555	211,781,486	460,243,562	449,639,957
	Previous Year	494,102,471	149,087,416	2,661,692	643,189,888	168,923,371	24,626,561	193,549,932	449,639,956	325,179,100

SCHEDULES TO THE BALANCE SHEET

Particulars	As at 9 Months Period ended 31-March-09	As at 15 Months Period ended 31-June-08
<u>SCHEDULE : G</u>		
CURRENT ASSETS, LOANS AND ADVANCES		
1. Inventories (As valued & Certified by the Management)		
Raw Materials	26,817,502	30,831,025
Stocks in Process	51,378,201	36,730,268
Finished Goods	15,963,253	15,622,810
	94,158,956	83,184,103
2. Sundry Debtors (Considered Good)		
Debts Outstanding for a period exceeding Six Months	37,581,967	482,635
Other Debts	66,290,621	111,759,011
	103,872,588	112,241,646
3. Cash and Bank Balances		
Cash on Hand	139,368	169,636
Balances with Scheduled Banks :		
in Current Accounts	18,566,122	386,597
in No-Lien Account	1,177	5,806
in Deposit Accounts (Inc. Margin Money)	7,128,900	2,204,000
	25,835,567	2,766,038
4. Loans and Advances (Unsecured and Considered Good)		
Other Advances	4,592,089	2,389,406
Advances for Materials	5,661,021	6,747,137
Interest Receivable	221,267	291,645
TDS Receivable	4,323,702	3,756,264
Deposits	10,123,763	10,809,452
	24,921,842	23,993,905
TOTAL (1+2+3+4)	248,788,953	222,185,692
<u>SCHEDULE : H</u>		
CURRENT LIABILITIES AND PROVISIONS		
Creditors for Materials / Expenses	15,482,150	9,814,211
Creditors for Capital Works	456,596	446,043
Land Development Deposit from Developers	43,000,000	43,000,000
Outstanding Liabilities	2,097,425	1,729,230
Interest Accrued But Not Due	2,599,446	2,589,687
	63,635,617	57,579,171

SCHEDULES TO PROFIT & LOSS A/C

Particulars	As at 9 Months Period Ended 31-March-09		As at 15 Months Period Ended 31-June-08	
<u>SCHEDULE : I</u>				
1. Sales				
Sales of Poly & Nylon. (Text/Twisted/Dyed Yarn)				
I) Domestic Sales		110,343,109		208,123,575
II) Export Sales		15,488,585		30,529,068
III) Conversion Charges		35,746,084		66,319,743
		161,577,778		304,972,386
<u>SCHEDULE : J</u>				
1. Accretion/Deceretion to Stocks				
i) Opening Stocks				
a) Finished Goods	15,622,810		17,832,800	
b) Work in Progress	36,730,268	52,353,078	54,403,884	72,236,684
ii) Closing 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
		14,988,376		(19,883,606)
<u>SCHEDULE : K</u>				
MATERIALS CONSUMPTION				
2. Materials Consumed				
Opening Stock		30,273,435		25,059,529
Purchases		98,487,196		146,612,122
		128,760,631		171,671,651
Less : Closing Stock		26,417,299		30,273,435
		102,343,332		141,398,216
<u>SCHEDULE : L</u>				
MANUFACTURING COSTS				
Power and Fuel		20,239,579		35,479,475
Factory Salaries & Wages		18,832,658		25,800,789
Repairs & Maintenance		8,181,757		12,776,805
		47,253,993		74,057,070
<u>SCHEDULE : M</u>				
EXCISE DUTY AND SALES TAX				
Excise & Custom Duty		0		160,533
Sales Tax		6,037,892		8,176,023
		6,037,892		8,336,556

SCHEDULES TO PROFIT & LOSS A/C

Particulars	As at 9 Months Period ended 31-March-09	As at 15 Months Period ended 31-June-08
<u>SCHEDULE : N</u>		
ADMINISTRATIVE AND SELLING COSTS		
Salaries & Benefits to Employees	1,974,432	2,560,674
Remuneration to Managing Director	0	1,200,000
Remuneration to Whole Time Directors	0	1,200,000
Rent / Rates / Taxes	1,353,728	1,121,024
Consultancy Charges	731,168	1,016,466
Traveling Expenses	534,345	1,234,457
Conveyance	557,154	907,312
Telephone Expenses	259,901	627,685
Postage / Printing and Stationery	243,486	428,488
Office Maintenance	782,161	550,058
Security Charges	631,908	1,549,226
Insurance	352,563	672,125
Remuneration to Auditors	390,312	355,445
Business Promotion	88,168	300,944
Carriage Outwards	5,719,102	8,939,209
Discounts / Commission & Oth. Selling Exp.	3,184,259	9,867,813
Miscellaneous Expenses	476,099	919,116
Income Tax	952,489	0
Loss On Exchange Fluctuation	0	580,451
Fringe Benefit Tax	114,050	246,059
Product Development Exp. Written Off	1,855,236	3,092,057
	20,200,561	37,368,609
<u>SCHEDULE : O</u>		
FINANCE COSTS		
Interest on Term Loans	15,268,603	21,379,481
Interest on Working Capital Loan	11,908,400	20,732,237
Interest on Unsecured Loan	3,618,187	3,248,179
Interest on Hire Purchase Loans	104,779	189,838
Bank & Other Financial Charges	1,285,420	1,339,997
	32,185,389	46,889,732

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 probable 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 contracts remaining to be executed on capital account (net of advances) not provide for, amounts to Rs.75.00 Lacs - (previous Year Rs.145.00 Lacs)

2. Secured Loans:

- The long term loans from IDBI Bank Limited (IDBI) and Industrial Investment Bank of India (IIBI, earlier known as Industrial Reconstruction Bank of India) are secured by joint - equitable mortgage of title deeds relating to the Company's immovable properties and further secured by deed of hypothecation in respect of movable properties, present and future, subject to prior charge created and / or to be created in favor of the Company's Banker on specified movable properties. The Term Loans from IDBI and IIBI are further secured by the personal guarantees of the Directors of the Company, and pledge of Shares of the Promoters.
- 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 31st March 2009 out of the total 502.84 Lacs availed an amount of Rs. 209.34 is paid back. The Sales Tax amount due as at March ' 31st 2009 is shown under the head of account Unsecured Loans.

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

5. MANAGERIAL REMUNERATION:

Particulars	(Rupees)	
	2008 - 2009 9 Months	2007 - 2008 15 Months
i) Managing Director:		
Salaries		9,60,000
Allowances		2,40,000

ii) Whole Time Director:

Salaries

Allowances

9,60,000

2,40,000

**6. REMUNERATION TO AUDITORS:
(Including Service Tax)**

As Auditors

2,99,878

2,63,344

In Other Capacity:

i) Tax Audit & Tax Consultancy

51,702

52,669

ii) Certification

34,470

35,113

3,86,050

3,51,126

7. 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.

8. 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 01 st July ' 2008	3.93		
	Received During the Year	0.00		
	Paid During the Year (for Purchase of Vehicle)	2.00		
	Balance as at 31 st March ' 2009	5.93		5.93
B)	Expenditure: Remuneration and Perquisites		0.00	0.00

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.

SCHEDULES TO THE BALANCE SHEET

10 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	2008-2009		2007-2008	
	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	3,483.000	—	3,483.000	—
(@ Capacities arrived at as per the product mix)				
c) Actual Production				
Polyester Dyed Yarn	1,203.380	—	2,385.490	—
(#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)				
d) Particulars in respect of Sales				
Polyester Dyed Yarn *	628.960	125,831,694	1,334.890	238,652,643
Conversion Sales of Dyed Yarn	587.090	35,746,084	1,096.510	66,319,743
(*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	192.510	37,790,154	304.520	57,714,638
Polyester Dyed Yarn	81.050	15,622,810	89.730	17,832,800
Closing 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
f) Details of Raw Materials Consumed				
Partially Oriented Yarn	508.500	70,353,860	934.050	82,465,368
Dyes & Chemicals		20,465,532		40,663,771
Others		11,523,940		18,269,077
g) Value of Raw Materials, spare parts and Components consumed				
Imported	8%	8,506,697	10%	13,691,066
Indigenous	92%	93,836,635	90%	127,707,150
h) Exports and Imports				
a) Value of imports calculated on CIF basis				
i) Raw material	—	8,506,697	—	13,691,066
ii) Components & Spare Parts	—	—	—	—
iii. Capital goods	—	—	—	—
b) Expenditure in foreign currency				
Travelling	—	—	—	—
i) Technical know-how Fees	—	—	—	—

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

a) Registration details

Registration Number	15268
State Code Number	01
Balance Sheet date	31-Mar-09

b) Capital raised during the year (Rupees)

Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placement (Firm allotment to the Promoters and their associates)	43,000,000

c) Position of mobilisation and development of funds (Rupees)

Total Liabilities	800,854,340
Total Assets	800,854,340

Sources of Funds

Paid-up Capital	180,451,960
Reserves & Surplus	50,200,000
Secured Loans	386,714,198
Unsecured Loans	183,488,182

Application of Funds

Net Fixed Assets	460,243,562
Investments	1,128,310
Net Current Assets	185,153,336
Miscellaneous Expenditure	2,473,643
Accumulated losses	151,855,489

d) Performance of the Company (Rupees)

Turnover	156,145,562
Total Expenditure	205,226,454
Profit Before Tax	(49,080,892)
Profit After Tax	(49,080,892)
Earning Per Share (Rs.) - Annualised	(2.72)

e) Generic name of the Principal product of the Company

Item Code Number	5402209
Product Description	Polyester Texturised, Twisted, Dyed Yarn

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

13. Previous year figures have been regrouped where necessary. The previous year figures and current year figures are not comparable since financial year 2007 - 08 data represents operations for 15 (Fifteen) Months, whereas current year data is for a period of 9 (Nine) Months.

14. 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 : 30th June, 2009.

S. MAN MOHAN RAO

Chairman

G. SURENDER REDDY

Managing Director

CASH FLOW STATEMENT

For the period July 01, 2008 - March 31st, 2009

Particulars	For the 9 months period ended 31-03-09	For the 15 months period ended 30-06-08
A. Cash flow from operating activities:		
Net Profit/(Loss) before Tax and Extraordinary items	(49,080,892)	(46,764,613)
Adjustments for: Depreciation	18,231,555	24,626,561
Misc. Expenses	1,855,236	3,092,057
Sales Tax Deferment	(11,187,444)	(3,157,599)
Interest & Finance Charges	32,185,389	46,889,732
Operating Profit before Working Capital Changes	(7,996,156)	24,686,137
Adjustments for: Trade and other receivables	7,441,121	5,490,881
Inventories	(10,974,853)	14,994,917
Trade Payables	(15,128,390)	21,310,463
Cash generated from operations	(26,658,278)	66,482,399
Interest paid	(29,092,350)	(36,071,898)
Cash flow before extra-ordinary items	(55,750,628)	30,410,501
Extra ordinary items	0	0
Net Cash flow operating activities	(55,750,628)	30,410,501
B. Cash flow from investing activities:		
Purchase of Fixed Assets	(28,835,160)	(149,087,416)
Net Cash used in investing activities:	(28,835,160)	(149,087,416)
C. Cash flow from financing activities:		
Proceeds from Share Capital	30,000,000	56,000,000
Repayment of Long Term Liabilities	47,419,012	(2,950,000)
Proceeds from long term borrowings	30,236,305	57,087,640
Net Cash Used in Financing Activities:	107,655,317	110,137,640
Net increase in Cash and Cash Equivalents	23,069,529	(8,539,275)
Cash and Cash equivalents as at 30-06-2008 (Opening balance)	2,766,038	11,305,314
Cash and Cash equivalents as at 31-03-2009 (Closing balance)	25,835,567	2,766,038

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 : 30th June, 2009.

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 hereby record my presence at the 16th ANNUAL GENERAL MEETING of the company at **11-6-841, Surana Auditorium FAPCCI**, Redhills, Hyderabad - 500 004, on 27th August 2009 at 4.00 P.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 16th Annual General Meeting of the Company to be held at
11-6-841, Surana Auditorium FAPCCI, Redhills, Hyderabad - 500 004 on 27th August 2009 at 4.00 P.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, 65593451
Email : lnpolyester@yahoo.com