

**BOARD OF DIRECTORS****Sri V.J.JAYARAMAN**

Chairman cum Managing Director

**Sri N. M. ANANTHAPADMANABHAN****Sri B. SELVARAJAN****Sri N. ATHIMOOLAM NAIDU****Sri J. VIJAYAKUMAR****Sri J. ANAND**

Managing Director

**Sri. B. SRIRAM****Sri. D. RANGANATHAN**

Whole Time Director (Finance &amp; Mktg)

**REGISTERED OFFICE**

Sengalipalayam  
N.G.G.O. Colony Post  
Coimbatore 641 022

**AUDITOR****M/s. N.R. Doraiswami & Co**

Chartered Accountants  
No. 48, Race Course  
Coimbatore 641 018

**REGISTRAR & SECURITY TRANSFER AGENT****M/s. S.K.D.C. Consultants Limited**

Kanapathy Towers, 3rd Floor  
1391/A-1, Sathy Road, Ganapathy  
Coimbatore - 641 006

**WORKS****Engg. Unit - I**

Sengalipalayam  
Coimbatore 641 022

**Engg. Unit - II & III**

Kariyampalayam, Annur  
Coimbatore 641 653

**Engg. Unit IV**

Athippalayam Road  
Vellamadaï (P.O.)  
Coimbatore 641 110

**WIND MILLS**

- I. Kethanur, Palladam  
Coimbatore 638 671
- II. Sinjuwadi, Pollachi  
Coimbatore 642 007
- III. Irukkanthurai, Radhapuram  
Tirunelveli District. 627 011

**Wholly-owned Subsidiary Company :****VEEJAY LAKSHMI TEXTILES LIMITED****Registered Office**

Sengalipalayam, N.G.G.O. Colony Post  
Coimbatore 641 022



## NOTICE OF THE THIRTY FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty-fifth Annual General Meeting of the Company will be held on 29<sup>th</sup> September, 2010 at 11.00 A.M at Nani Palkhivala Auditorium, Mani Higher Secondary School Premises, Pappanaickenpalayam, Coimbatore - 641 037 to transact the following business. We request you to attend the meeting.

### ORDINARY BUSINESS

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March 2010, the Report of the Board of Directors to the shareholders and the Report of the Auditors of the Company.
2. To appoint a Director in place of Sri. B. Selvarajan, who retires by rotation, and being eligible offers himself for re-appointment
3. To appoint a Director in place of Sri. N.Athimoolam Naidu, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri. D. Ranganathan, who retires by rotation, and being eligible offers himself for re-appointment
5. To appoint an Auditor or Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix the remuneration payable to them.

### SPECIAL BUSINESS :

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

Resolved that in accordance with the provisions of Sections 198, 269, 309, 349, 350 and other applicable provisions, if any of the Companies Act, 1956 and Schedule XIII as amended, consent of the Company be and is hereby accorded for re- appointment of Sri J. Anand as Managing Director of the Company for a further period of three years from 1.10.2010 on the following terms.

#### a) Salary

Rs. 2,50,000/- per month

#### b) Commission

Such remuneration by way of commission, in addition to the salary and perquisites and allowance payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the company at the end of each financial year, subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The commission amount shall, however, in no case exceed the annual salary amount and will be payable annually after the annual accounts have been approved by the Board of Directors and adopted by the shareholders.

#### c) Perquisites

Perquisites allowed in addition to salary and commission:

### CATEGORY A

#### Medical Reimbursement

Medical expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

**Leave Travel Concession**

For self and family once in a year in accordance with the rules of the Company.

**Club Fees**

Fees of club, subject to a maximum of two clubs excluding admission and life membership fees.

**Personal Accident Insurance**

Premium not to exceed Rs. 4,000/- per annum.

**CATEGORY B**

The Managing Director shall be entitled to reimbursement of all actual expenses including expenses on entertainment and traveling incurred in the course of the Company's business.

The Company shall provide a car with driver and telephone facility at the residence of the Managing Director.

Provision of a car with driver for use on Company's business and telephone facility at his residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

Resolved further that in the event of no profits or inadequacy of profits, the remuneration payable to Sri. J. ANAND, Managing Director by way of salary and perquisites shall not exceed the limits specified in para 1(B) of Section II of Part II of Schedule XIII as amended from time to time.

7. To consider and if thought fit, to pass, with or without modification(s) the following as special resolution.

'RESOLVED in accordance with the provisions of section 198, 269, 309 and other applicable provisions, if any, of the Companies Act 1956 and Schedule XIII as amended, consent of the Company be and is hereby accorded to re appoint Sri D. Ranganathan as Whole time Director for a further period of three years from 24.6.2010 on a remuneration of Rs. 90000/- per month which includes all allowances.

*Other perquisites**Provision of a Car for use on Company's business*

RESOLVED further that in the event of no profits or inadequacy of profits, the remuneration payable to Sri D. Ranganathan Whole Time Director by way of salary and perquisites shall not exceed the limits specified in para 1(A) of section II of part II of Schedule XIII as amended from time to time.

**Explanatory statements pursuant to section 173(2) of the Companies Act, 1956****Item No. 6.:**

The present term of office of Sri J.Anand, Managing Director is expiring on 1.10.2010. The Board of Directors, in their meeting held on 27.05.2010, have approved the re-appointment on the terms mentioned above and the remuneration committee also has approved the remuneration payable on the terms mentioned above. The appointment and remuneration require approval of the members under section 269 and Schedule XIII of the Companies Act. The Board of Directors recommends this resolution and the members' approval is being sought for, by passing a Special Resolution.

None of the Directors of the Company, is in any way, concerned or interested in this resolution, except Sri V.J. Jayaraman, Sri J.Vijayakumar and Sri J. Anand.

**Item No. 7.:**

The present term of office of Sri D. Ranganathan, Whole time Director has expired on 24.6.2010. The Board of Directors, in their meeting held on 27.05.2010, have approved the re-appointment on the terms mentioned above and the remuneration committee also has approved the remuneration payable on the terms mentioned above. The



appointment and remuneration require approval of the members under section 269 and Schedule XIII of the Companies Act. The Board of Directors recommends this resolution and the members' approval is being sought for, by passing a Special Resolution.

None of the Directors of the Company, is in any way, concerned or interested in this resolution, except Sri D. Ranganathan.

The particulars, as required to be furnished under Section II of Part II of Schedule XIII, are given below:

#### I. General Information

1. Nature of Industry: Manufacture of Textile machinery-twisters and winders (capital goods for textile spinning mills)
2. Date of commencement of commercial production : Manufacturing since 1976
3. In case of new Companies expected date of commencement of commercial activities as per project approved by the financial institutions appearing in the prospectus : Not applicable.
4. Financial Performance based on given indicators :-

Rs. in lakhs

| Financial Year               | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|------------------------------|---------|---------|---------|---------|---------|
| Total Sales and other Income | 5926    | 8221    | 9194    | 3492    | 7189    |
| Profit After Taxes           | 628     | 731     | 1423    | -779    | 175     |
| Dividend Paid                | 101     | 101     | 51      | Nil     | Nil     |
| Rate of Dividend %           | 20%     | 20%     | 10%     | Nil     | Nil     |

5. Export Performance and net foreign exchange collaborations: (for the year 2009-10)
  - a. Physical Exports Rs.376 lakhs
  - b. Deemed Exports Rs.3669 lakhs
  - c. Forex outflow on imports and other matters Rs.2097 lakhs
  - d. Net Foreign Exchange earnings/(outflow) (a-c)=(Rs.1721 lakhs)
6. Foreign Investments or Collaborators, if any: The Company earlier had collaborations/joint ventures with reputed companies in Europe and all of them have expired. At present there is no collaboration or foreign investment.

#### II. Information about the appointees:

1. Background details

|                       |                                                                                |
|-----------------------|--------------------------------------------------------------------------------|
| Name of the Appointee | Sri J. Anand                                                                   |
| Date of Birth/Age     | 23.9.1971-38 years                                                             |
| Qualification         | B.E., M.S in Industrial Engineering from Illinois Institute of Techonolgy, USA |
| Experience            | More than 12 years experience in management/administration                     |

2. Past Remuneration:

Sri J. Anand

(Value in Rs.)

| Particulars | 2005-06   | 2006-07   | 2007-08   | 2008-09    | 2009-10 |
|-------------|-----------|-----------|-----------|------------|---------|
| Salary      | 30,00,000 | 30,00,000 | 30,00,000 | 15,00,000* | NIL     |
| Perquisites | 3,64,133  | 3,99,288  | 4,22,613  | 2,65,890   | 57725   |
| Commission  | NIL       | NIL       | NIL       | NIL        | NIL     |

\*For six months period as the MD opted not to take any salary in view of in adequacy of profits in the company



|    |                             |                                                                                                                                                        |
|----|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Recognition or awards       | Has been a member of associations/ councils like Textile Machinery Manufacturers Association, India, ITME Society.                                     |
| 4. | Job profile and suitability | Overall control of the management/ affairs of the Company. Actively involved in all corporate planning and business strategies for more than a decade. |
| 5. | Remuneration proposed       | As in the resolution.                                                                                                                                  |

6. Comparative Remuneration Profile with respect to Industry, size of the Company, Profile of Position and Person (in case of expatriates, the relevant detail would be with respect to the country of his origin).

The proposed remuneration to Mr. J. Anand, Managing Director is as prevalent according to the industry standards.

7. Pecuniary relationships

Mr J. Anand is not directly having any pecuniary relationship. Few companies in which he is a Director and the firm in which he is a partner are having business transactions with the Company.

### III. Other information

- Reasons for loss or in-adequacy of profits: The loss in the past is mainly due to fall in demand due to the recession in textile industry and the general recession worldwide.
- Steps taken or proposed to be taken for improvement: The labour force has been streamlined by introducing a VRS scheme and this has reduced the outflow on employee cost significantly. Measures have been taken to reduce cost in all other areas and the benefit of the cost reduction is reflected in the selling price of the products to be competitive in the market. New products/models have been introduced and also existing models are being improved to increase productivity and quality
- Expected increase in the Productivity/Profits in measurable terms: The demand for the products of the company has picked up and there is an increase in the sales in 2009-10 compare to the previous year. This has resulted in profits during 2009 - 2010. The workings in the Textile Industry has improved and this will result in further increase in demand / sale of the products of the company which will also increase the profits of the company.

### NOTES:

- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the Company.
- The proxy form duly filled in and stamped has to be delivered to the Company not later than 48 hours before the time of holding the aforesaid meeting. Where a Body Corporate is a member of the Company, the resolution passed by the Board of Directors authorizing the representative to attend the meeting shall be forwarded to the company duly certified in advance.
- Re-appointment of Directors:

At the ensuing Annual General Meeting Sri. B. Selvarajan, Director, Sri. N.Athimoolam Naidu, Director and Sri. D. Ranganathan Director retire by rotation and being eligible, offer themselves for re-appointment. The details pertaining to these Directors as required to be provided in terms of Clause 49 of the Listing Agreement are furnished in the Report on Corporate Governance published in this Annual Report.



4. Members are requested to intimate their change of address, if any, to the Company's Registrars and Security Transfer Agents, M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391 / A-1, Sathy Road, Ganapathy, Coimbatore - 641 006, quoting their respective folio numbers.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 21.9.2010 to 29.9.2010 (Both days inclusive)
6. Pursuant to Section 205-A of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1999 all unclaimed dividends shall be transferred to the "Investor Education and Protection Fund" of the Central Government after a period of seven years from the date of declaration. Shareholders who have not encashed the dividend warrants for the years 2003-04 to 2007-08 are requested to write to M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391 / A-1, Sathy Road, Ganapathy, Coimbatore - 641 006, quoting their respective folio numbers.
7. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
8. Any member who needs any clarification on accounts or operations of the Company shall write to the Company, so as to reach at least 7 days before the meeting, so that the information required can be made available at the meeting.

By Order of the Board

Coimbatore  
30.7.2010

**(Sd/-) V.J. Jayaraman**  
Chairman cum Managing Director



## DIRECTORS' REPORT TO THE SHARE HOLDERS

Ladies and Gentlemen,

Your Directors present their report and accounts for the year ended 31st March 2010.

### FINANCIAL RESULTS

|                                                      | 2009-10            | 2008-09            |
|------------------------------------------------------|--------------------|--------------------|
|                                                      | Rs.                | Rs.                |
| Sales Turnover                                       | 71,89,47,144       | 34,83,25,750       |
| Profit before Depreciation and taxes                 | 7,16,67,233        | -8,82,87,330       |
| Depreciation                                         | 4,59,27,830        | 3,92,79,800        |
| Net Profit                                           | 2,57,39,403        | -12,75,67,130      |
| Balance brought forward from Profit and Loss Account | 6,45,66,048        | 14,24,82,562       |
| Amount available for appropriation                   | 9,03,05,451        | 1,49,15,432        |
| <b>APPROPRIATIONS / ADJUSTMENTS</b>                  |                    |                    |
| Provision for Taxes - Current Year                   |                    |                    |
| - Deferred Tax                                       | 83,08,600          | (4,87,03,800)      |
| - Fringe Benefit Tax                                 | —                  | 5,62,000           |
| Prior year Taxes                                     |                    | (15,08,816)        |
| Balance carried forward to Profit and Loss Account   | 8,19,96,851        | 6,45,66,048        |
| <b>Total</b>                                         | <b>9,03,05,451</b> | <b>1,49,15,432</b> |

### PROFITS / DIVIDENDS

The workings during 2009-10 has resulted in a Profit before tax of Rs.257 Lakhs as against the loss of Rs.1276 Lakhs in the previous year. The increase in profit is due to increase in the sales.

### OPERATIONS

The sale of both the main products of the Company-Two for one Twisters and Automatic Cone Winders-has increased during the year contributing Rs.6095 Lakhs to the sales turnover as against Rs.2749 Lakhs in the previous year. The company has also started getting regular orders for the Precision Assembly Winders introduced in the last year. The Aluminium Die Casting Division is catering mainly to in house requirements. The income from the Wind Mills is Rs. 158 lakhs as against Rs.145 lakhs in the previous year. The total revenue from sales and other income during the year is Rs.7290 lakhs as against Rs.3492 lakhs in the previous year.

### SUBSIDIARY COMPANY

The accounts of the wholly owned subsidiary, M/s Veejay Lakshmi Textiles Limited, form part of this report. The audited consolidated financial statements including the subsidiary company are also attached to this Annual report.



## **FINANCE**

The Technology Development Board has disbursed the second installment of Rs.200 lakhs out of the term loan of Rs.830 sanctioned for financing the project for development of a new generation of automatic cone winder. There has been some delay in completing this project and the remaining amount of the loan is expected to be availed during the current financial year after completion of the project.

## **R&D**

The focus is on developing new models and new products. The project for the development of the new model of Automatic Cone Winder is in the final stages of completion.

## **INDUSTRIAL RELATIONS**

The relationship with the workmen has been cordial in all the units of the Company.

## **FIXED DEPOSITS**

The Company has not accepted any fixed deposits from public. The Company has an amount of Rs. 221.69 lakhs as unsecured loans from Directors. There are no overdue/unclaimed deposits as at 31.3.2010.

## **LISTING**

The Company's securities are presently listed with the Stock Exchange at Mumbai.

## **DEPOSITORIES**

The Company has signed agreements with National Securities Depository Limited and Central Depository Services (India) Limited and the shares of the Company are now traded in demat form.

## **DIRECTORATE**

Sri. B. Selvarajan, Sri N. Athimoolam Naidu and Sri D. Ranganathan will be the Directors retiring by rotation at the ensuing Annual General Meeting and being eligible they offer themselves for re appointment.

The profile of the Directors to be appointed/reappointed in the ensuing Annual General Meeting is given in the Annexure to this report.

The details of remuneration paid to the Directors have been given in Schedule forming part of the Accounts for the year-ended 31.3.2010. None of the Non-Executive Independent Directors have any pecuniary relationship with the Company.

## **AUDITORS**

The Company's Auditors, M/s. N.R. Doraiswami & Co will retire at the ensuing Annual General Meeting. They are eligible for re appointment.

## **INFORMATION IN ACCORDANCE WITH SECTION 217 OF THE COMPANIES ACTS, 1956**

There are no employees within the meaning of sub section (2A) of section 217 who are paid remuneration in excess of the amounts prescribed.

## **OTHER INFORMATION**

As required under the listing agreement with the Stock Exchange, Management Discussion and Analysis Report, Corporate Governance Report, Segmental Reporting and Related Party Disclosures have been made part of this Annual Report.





## **DIRECTOR'S RESPONSIBILITY STATEMENT**

Your Directors wish to state

1. that the appropriate accounting standards have been followed in the preparation of the annual accounts
2. that your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and also of Profit and Loss Account of the Company for the year ended 31st March 2010
3. that your Directors have taken proper care for the maintenance of adequate accounting records for the purpose of safeguarding the assets of the Company and for preventing fraud and other irregularities.
4. that your Directors have prepared the annual accounts on a going concern basis.

## **ACKNOWLEDGEMENT**

We would like to thank all the employees, customers, suppliers, bankers-State Bank of India , Corporation Bank, Bank of Baroda, the Technology Development Board and all those who have been associated with us for extending their support to the Company.

By Order of the Board

Coimbatore  
30.07.2010

**(Sd/-) V.J. Jayaraman**  
Chairman cum Managing Director

**ANNEXURE TO DIRECTORS' REPORT****DISCLOSURE OF PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988****FORM A****A) CONSERVATION OF ENERGY**

Not applicable -

**FORM B****B) TECHNOLOGY ABSORPTION****I. Research & Development**

1. Specific areas in which R & D is carried out by the Company:

The Company continues its efforts for development of existing products and new models.

2. Benefit derived as a result of the above R & D:

The performance of the machines has been improved and new products/models are developed to widen the application. Components are indigenised to reduce the import content.

3. Future Plan of Action:

The Company will continue its R & D efforts for up-gradation of product quality and manufacturing process, indigenisation of components for import substitution and development of new models.

4. Expenditure on R & D:

- a) Capital Rs. Nil (Previous Year : Nil Lakhs )
- b) Recurring - Salaries, power charges and other expenses -Rs.82.49 Lakhs  
(Previous Year : 189.59 Lakhs)
- c) Total R & D expenditure Rs.82.49 lakhs (Previous Year 189.59 Lakhs)
- d) Total R & D expenditure as a percentage of turnover : 1.15 % (Previous Year 5.44%)

**II. Technology Absorption, Adaptation and Innovation :**

1. Efforts in brief, made towards technology absorption, adaptation and Innovation.

The Company has been able to develop a major portion of the components indigenously and keep down the cost of production.

2. Benefits derived as a result of the above efforts:

The Company is able to offer sophisticated machines of latest technology at competitive prices in India.

3. Details of Technology imported during the last 5 years : Nil

- |                                                                                                            |   |   |                   |
|------------------------------------------------------------------------------------------------------------|---|---|-------------------|
| a) Technology Imported                                                                                     | : | } | Not<br>Applicable |
| b) Year of Import                                                                                          | : |   |                   |
| c) Has technology been fully absorbed                                                                      | : |   |                   |
| d) If not fully absorbed, area where this has not taken place, reasons therefor and future plans of action | : |   |                   |

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Rs. In Lakhs

|                                                               |                |              |
|---------------------------------------------------------------|----------------|--------------|
| <b>TOTAL FOREIGN EXCHANGE EARNED</b>                          | <b>2009-10</b> | 2008-09      |
| Sale of Machinery & Spares                                    | <b>376</b>     | 493          |
| <b>TOTAL FOREIGN EXCHANGE USED</b>                            |                | Rs. In Lakhs |
| Import of Capital Goods                                       | <b>207</b>     |              |
| Import of Raw Materials, Components, Spares and consumables   | <b>1874</b>    | 681          |
| Other matters- Travelling, books & periodicals, interest, etc | <b>21</b>      | 24           |
| Total                                                         | <b>2102</b>    | 705          |
| Deemed Exports (Supplies to EOUs & EPCG licence holders)      | <b>3669</b>    | 1167         |

**PROFILE OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT  
AT THE FORTHCOMING ANNUAL GENERAL MEETING**

| <b>Name of the Director</b>           | <b>Sri. B. Selvarajan</b>                                                                            |
|---------------------------------------|------------------------------------------------------------------------------------------------------|
| Date of birth                         | 13.5.1942                                                                                            |
| Date of appointment                   | 11.9.1975                                                                                            |
| Expertise in specific functional area | Management (Textiles)                                                                                |
| Qualification                         | L.T.M.                                                                                               |
| <b>List of Outside Directorship</b>   |                                                                                                      |
|                                       | 1. M/s. The Suguna Mills P Ltd<br>2. M/s. Veejay Syntex P Ltd<br>3. M/s. Veejay Lakshmi Textiles Ltd |
| <b>Membership in Committees</b>       |                                                                                                      |
| a. Audit committee                    | M/s. Veejay Lakshmi Engineering Works Ltd. - member<br><br>M/s Veejay Lakshmi Textiles Ltd.-Member   |
| b. Shareholders' committee            | Nil                                                                                                  |
| c. Remuneration committee             | M/s. Veejay Lakshmi Engg Works Ltd                                                                   |
| d. Share transfer committee           | Nil                                                                                                  |



| <b>Name of the Director</b>            | <b>Sri. N. Athimoolam Naidu</b>                                                                                            |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Date of birth                          | 19.4.1943                                                                                                                  |
| Date of appointment                    | 24.10.2000                                                                                                                 |
| Expertise in specific functional area  | Management (Industrial Engineering)                                                                                        |
| Qualification                          | B.E. M.S.                                                                                                                  |
| List of outside directorship           | 1. M/s. Augustan Knit wear P Ltd<br>2. Ms. Augustan Textile Colors Ltd<br>3. M/s Augustan Coimbatore knitting Company Ltd. |
| <b><i>Membership in committees</i></b> |                                                                                                                            |
| a. Audit committee                     | Nil                                                                                                                        |
| b. Shareholders' committee             | M/s. Veejay Lakshmi Engg. Works Ltd. - Chairman                                                                            |
| c. Remuneration committee              | Nil                                                                                                                        |
| d. Share transfer committee            | Nil                                                                                                                        |
| <b>Name of the Director</b>            | <b>Sri. D. Ranganathan</b>                                                                                                 |
| Date of birth                          | 28.4.1952                                                                                                                  |
| Date of appointment                    | 24.6.2005                                                                                                                  |
| Expertise in specific functional area  | Financial Management                                                                                                       |
| Qualification                          | B.Com. M.B.A.                                                                                                              |
| List of outside directorship           | 1. M/s. Veejay Lakshmi Textiles Ltd<br>2. M/s. Veejay Sales and Services Ltd.                                              |
| <b><i>Membership in committees</i></b> |                                                                                                                            |
| a. Audit committee                     | Nil                                                                                                                        |
| b. Shareholders' committee             | Nil                                                                                                                        |
| c. Remuneration committee              | Nil                                                                                                                        |
| d. Share transfer committee            | 1. Veejay Lakshmi Engineering Works Ltd                                                                                    |



## ANNEXURE TO DIRECTORS' REPORT - CORPORATE GOVERNANCE

### (1) Company's Philosophy

The Company believes in good Corporate Governance with transparency, professionalism and accountability.

### (2) Board of Directors

The names of Directors, their attendance at the Board Meetings during the year and at the last Annual General Meeting and also details of other directorships/membership of committees are given below. During the period April 1, 2009 to March 31, 2010 four Board Meetings were held on the following dates 25.06.2009, 30.07.2009, 29.10.2009 and 28.1.2010.

| Name of Director           | Category of Directorship | No. of Board Meetings attended | Attendance at last AGM | No. of other Directorships | Committee Membership |          |
|----------------------------|--------------------------|--------------------------------|------------------------|----------------------------|----------------------|----------|
|                            |                          |                                |                        |                            | Member               | Chairman |
| Sri. V.J.Jayaraman         | CMD                      | 4                              | Yes                    | 5                          | 2                    | 1        |
| Sri. J.Anand               | MD                       | 3                              | Yes                    | 3                          | 1                    | None     |
| Sri. J.Vijayakumar         | NED                      | 4                              | Yes                    | 4                          | 4                    | None     |
| Sri. B.Selvarajan          | NEID                     | 2                              | Yes                    | 3                          | 3                    | None     |
| Sri. N. Athimoolam Naidu   | NEID                     | Nil                            | No                     | 3                          | 1                    | None     |
| Sri. B.Sriram              | NEID                     | 3                              | Yes                    | 2                          | 2                    | None     |
| Sri.N.M.Ananthapadmanabhan | NEID                     | 4                              | Yes                    | 1                          | -                    | 4        |
| Sri. D.Ranganathan         | WTD                      | 4                              | Yes                    | 2                          | 1                    | None     |

CMD - Chairman Cum Managing Director, MD-Managing Director, NED - Non-Executive Director, NEID - Non Executive Independent Director, WTD- Whole Time Director

### (3) Audit Committee

#### A. Terms of reference

- To oversee the Company's financial reporting process and disclosure of financial information.
- To review and discuss with the Auditors about internal control systems, the scope of audit including the observations of the Auditors.
- Adequacy of the internal audit function, review of major accounting policies, and of accounting standards
- To review the quarterly, half yearly and annual financial statements before submission to the Board of Directors

#### B. Composition

The Audit Committee of the Board was formed in January 2001 and comprises of three Non-Executive independent Directors. The Committee met four times during the year and the attendance details are furnished below.



| Name of Member               | Status   | No of Meetings Attended |
|------------------------------|----------|-------------------------|
| Sri. B.Sriram                | Member   | 4                       |
| Sri. B.Selvarajan            | Member   | 2                       |
| Sri. N.M. Ananthapadmanabhan | Chairman | 4                       |

All the members are independent directors.

#### (4) Remuneration Committee

##### (A) Terms of reference

The Remuneration Committee of the Board was formed in October 2003 and comprises of the following Directors as at 31.3.2010.

| Name of Member              | Status   |
|-----------------------------|----------|
| Sri. N.M.Ananthapadmanabhan | Chairman |
| Sri. B.Selvarajan           | Member   |

##### (B) Details of remuneration for the year 2009-10

###### (a) Managing/Whole-time Directors

| Name                                                           | Salary & perquisites in Rs. |
|----------------------------------------------------------------|-----------------------------|
| Sri V.J. Jayaraman, Chairman cum Managing Director             | 47099                       |
| Sri J. Anand, Managing Director                                | 57725                       |
| Sri. D. Ranganathan, Whole Time Director (Finance & Marketing) | 1040256                     |
| Total                                                          | 1145080                     |

###### (b) Non-Executive Directors

| Name of the Director        | Sitting Fees paid in Rs. | Commission |
|-----------------------------|--------------------------|------------|
| Sri. J.Vijayakumar          | 10000                    | Nil        |
| Sri. B.Selvarajan           | 9500                     | Nil        |
| Sri. N. Athimoolam Naidu    | Nil                      | Nil        |
| Sri. B.Sriram               | 13500                    | Nil        |
| Sri. N.M.Ananthapadmanabhan | 17500                    | Nil        |
| Total                       | 50500                    | Nil        |



#### (5) Shareholders' Committee

Sri. N.M.Ananthapadmanabhan, and Sri N. Athimoolam Naidu are the members of the Shareholders' Committee. The Committee is headed by Sri.N.M.Ananthapadmanabhan, a Non-Executive and Independent Director.

During the year 2009-10 no complaints were received from shareholders and Investors.

All valid requests for share transfer received during 2009-10 have been acted upon by the Registrars and Security Transfer Agents of the company i.e. M/s. SKDC Consultants Limited.

M/s SKDC Consultants Limited has been vested with the powers for all share transfers.

#### (6) General Body Meetings

The last three Annual General Meetings were held as under.

| Financial Year | Date       | Time     | Location                                                                                                 |
|----------------|------------|----------|----------------------------------------------------------------------------------------------------------|
| 2008-09        | 24.9.2009  | 10.00 AM | Nani Palkhivala Auditorium,<br>Mani Higher Secondary School,<br>Pappanaickenpalayam,<br>Coimbatore - 37. |
| 2007-08        | 24.09.2008 | 10.00 AM | -Do-                                                                                                     |
| 2006-07        | 28.09.2007 | 10.00 AM | -Do-                                                                                                     |

During the last three Annual General Meetings,

2006-2007 : No special resolutions or matters requiring postal balloting were considered.

2007-2008 : No special resolutions or matters requiring postal balloting were considered.

2008-2009 : Special Resolutions were passed for re appointment of Sri V.J. Jayaraman as Chairman and Managing Director and for amendment of the Articles of Association to have a provision for buy back of shares.

No matters requiring postal balloting are placed for shareholders approval at this meeting. Special resolutions are proposed for re appointment of Sri J. Anand Managing Director and Sri D. Ranganathan, Whole time Director.

#### (7) Disclosures

1. During the year, there were no transactions of material nature with the Directors or the management or their subsidiaries or relatives that had potential conflict with the interest of the Company.
2. There were no instances of non-compliance on any matter related to the capital markets, during the last three years.

#### (8) Means of Communication

- a) Quarterly as well as annual audited results are published in prominent daily newspapers viz. The Hindu Business Line and Daily Thanthi
- b) The annual results are made available on the website of the Company [www.veejaylakshmi.com](http://www.veejaylakshmi.com)



- c) Official news releases are made whenever it is considered necessary.

## (9) MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A report is enclosed which forms part of this Annual Report.

## (10) General Information for Shareholders:

1. Annual General Meeting is proposed to be held at 11.00AM on Wednesday, the 29th September 2010 at Nani Palkhivala Auditorium, Mani Higher Secondary School Premises, Coimbatore - 641 037
2. Financial calendar  
Annual results of previous year 2010-11  
Annual General Meeting 27th May, 2010  
First quarter results 29th September, 2010  
Second quarter/half yearly results Before 15.08.2010  
Third quarter results Before 15.11.2010  
Before 15.02.2011
3. Date of Book Closure 21.9.2010 to 29.9.2010
4. Listing on Stock Exchanges Bombay Stock Exchange
5. Stock Code 522267 (BSE)
6. **Stock Market price data for the year 2009-10.**

The high & low prices during each month in last financial year in Bombay Stock Exchange are given below.

| Date           | High (Rs.) | Low (Rs.) |
|----------------|------------|-----------|
| April 2009     | 25.50      | 16.90     |
| May 2009       | 34.50      | 21.90     |
| June 2009      | 39.75      | 28.90     |
| July 2009      | 32.00      | 25.75     |
| August 2009    | 36.00      | 28.55     |
| September 2009 | 40.65      | 33.05     |
| October 2009   | 43.90      | 34.25     |
| November 2009  | 40.85      | 31.20     |
| December 2009  | 45.75      | 36.70     |
| January 2010   | 61.00      | 44.00     |
| February 2010  | 52.35      | 43.60     |
| March 2010     | 50.95      | 42.00     |





## 7. Registrars & Security Transfer/Demat Agents:

Company's share transfer work and dematerialization of shares is done by M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.

## 8. Share Transfer System.

The share transfers are registered and returned within a period of 30 days from the date of receipt if documents are in order. The Share transfers are approved by shares transfer committee, which meets as and when required.

## 9. Distribution of shareholding as on 31st March 2010

| No. of Shares   | No. of Shareholders | % of Shareholders | Shareholding in Rs. | % of Shareholding |
|-----------------|---------------------|-------------------|---------------------|-------------------|
| Up to 500       | 6899                | 93.14             | 8428840             | 16.62             |
| 501 - 1000      | 264                 | 3.56              | 2130480             | 4.20              |
| 1001 - 2000     | 129                 | 1.74              | 1941990             | 3.83              |
| 2001 - 3000     | 37                  | 0.50              | 930960              | 1.84              |
| 3001 - 4000     | 30                  | 0.41              | 1062070             | 2.09              |
| 4001 - 5000     | 6                   | 0.08              | 285590              | 0.56              |
| 5001 - 10000    | 19                  | 0.26              | 1429770             | 2.82              |
| 10001 and above | 23                  | 0.31              | 34509300            | 68.04             |
| <b>Total</b>    | <b>7407</b>         | <b>100.00</b>     | <b>50719000</b>     | <b>100.00</b>     |

## 10. Categories of Shareholders as on 31st March, 2010

| Category                                                          | No. of Shares Held | % of Shareholding |
|-------------------------------------------------------------------|--------------------|-------------------|
| <b>Promoter Holding</b>                                           |                    |                   |
| 1. Promoter Holding- Indian Promoter                              | 3066792            | 60.47             |
| <b>Public Share Holding</b>                                       |                    |                   |
| 2. Mutual Funds and UTI                                           | 200                | -                 |
| 3. Banks, Fin. Institutions, Insurance Companies, Govt. Companies | 600                | 0.01              |
| 4. FIIS                                                           |                    |                   |
| <b>Others</b>                                                     |                    |                   |
| 4. Directors & Relatives *                                        | 73040              | 1.44              |
| 5. Private Corporate Bodies                                       | 264495             | 5.22              |
| 6. Indian Public                                                  | 1648570            | 32.50             |
| 7. NRI's/OCB's                                                    | 18203              | 0.36              |
| <b>Total</b>                                                      | <b>5071900</b>     | <b>100.00</b>     |

\* Inclusive of 67840 shares held by a NRI Director



**11. Dematerialisation of Shares:**

As on 31st March 2010, 37.09% of the Company's total shares representing 18,81,186 shares were held in dematerialized form and the balance 31,90,714 shares representing 62.91 % of the Company's total shares were in physical form.

**12. Secretarial Audit Report:**

The Secretarial Audit Report of the Company prepared in terms of SEBI Circular No. D&CC/FITTC/CIR 16/2002 dated: 31.12.2002 reconciling the total shares held in both the depositories viz., NSDL and CDSL and in physical form with the total issued/paid up capital of the Company is placed before the Board of Directors and duly submitted to the Stock Exchange for every quarter.

**13. CEO/CFO CERTIFICATION:**

The Company has laid down a code of conduct for all Board Members and Senior Management Personnel of the Company. The code of conduct is available on the website of the company.

**DECLARATION**

As provided under clause 49 of the Listing Agreement with the Stock Exchange, all Board members and Senior Management Personnel have affirmed compliance with Veejay Lakshmi Engineering Works Limited Code of Conduct for the year ended 31st March 2010.

Coimbatore  
30.7. 2010

**Sd/- J. Anand**  
Managing Director

The Managing Director (CEO) and the Whole Time Director (Finance & Marketing) (CFO) of the Company have certified to the Board with regard to the financial statements and other matters, as required under Clause 49 (VIII) of the Listing Agreement.

14. Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity: Not Applicable.

15. Plant Location : The Company's plants are located as under.

1. Engg. Unit I : Sengalipalayam, Coimbatore - 641 022.
2. Engg. Unit II : Kariyampalayam, Coimbatore - 641 653.
3. Engg. Unit III : Kariyampalayam, Coimbatore - 641 653.
4. Engg. Unit IV : Vellamada, Coimbatore - 641 110.
5. Wind Mills :
  - i) Kethanur, Palladam, Coimbatore - 638 671.
  - ii) Sinjuwardi, Pollachi, Coimbatore - 642 007.
  - iii) Irukkanthurai, Radhapuram, Tirunelveli - 627 011.

**16. Addresses for Correspondence.**

The Company's registered office is situated at Sengalipalayam, N.G.G.O Colony P.O, Coimbatore - 641 022. Shareholders' correspondence should be addressed to M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391 / A-1, Sathy Road, Ganapathy, Coimbatore - 641 006, quoting their respective folio numbers.

**CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

We have examined the compliance of conditions of Corporate Governance by M/s. Veejay Lakshmi Engineering Works Limited for the year ended 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges for the year ended 31st March, 2010.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

We further state that our examination of 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.

As per our report attached

For **N.R. DORAISWAMI & CO.**  
Chartered Accountants  
(Firm Regn. No.:000771S)

Coimbatore  
30.07.2010

(Sd/-) **SUGUNA RAVICHANDRAN**  
(Membership No. 207893)



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INTRODUCTION

The Company started its operations in the year 1975 to produce Twisting machines. The Company has been specializing in the Twisting machines and Automatic Cone Winder was added to the product line in the year 1998. Both the products are used in textile mills for post spinning/weaving preparatory operations. The Company diversified into textile spinning in the year 1993 and the textile unit now functions under a wholly owned subsidiary from 2003. The Company has also invested in Wind Mills.

### INDUSTRIAL SCENARIO

Indian Textile engineering industry is more than 50 years old and one of the largest capital goods segments in India and has potential for growth. The prospects of the industry are directly related to the prospect of the user textile industry. The industry, which was working under protective environment for a long time has been dependant on foreign technical know-how. With the opening of economy and removal of all controls the local industry has been exposed to competition and is under compulsion to update its technology with improvement in quality and prompt after-sales service. The industry is suffering with low capacity utilisation mainly due to imports and fluctuation in demand.

### HIGHLIGHTS OF OPERATIONS:

#### SEGMENTWISE/PRODUCTWISE PERFORMANCE

There has been an increase in the sale of both twisters and winders and the revenue from sale of textile machinery and spares is Rs.6619 lakhs as against Rs.3247 lakhs in the previous year. The no of twisters sold during the year under review is 185 nos as against 97 nos in the previous year. The winders sold is also more 54 nos against 20 nos in the previous year. The sales turnover also includes a value of Rs.345 lakhs towards cotton purchased and sold to the subsidiary on 'high-sea sales' basis

The income from windmills is Rs. 158 lakhs as against Rs. 146 lakhs in the previous year.

### RISKS & CONCERNS:

Vagaries in the price of raw materials, fluctuation in exchange rates, unremunerative prices on end products are affecting the performance of the Textile Industry and this has a direct impact on the demand for the Textile Machinery

### OUTLOOK

The improvement in the working in the textile industry may result in improvement in the inflow or orders and sales.

### INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has a proper and adequate system of internal controls commensurate with its size and nature of business.



All the assets are safeguarded, properly utilized and protected against loss from unauthorized use or disposition and the transactions are authorised, recorded and reported correctly.

A Chartered Accountant carries out the audit on monthly basis to monitor the effectiveness of the internal checks and controls in different areas and reports/suggests improvement measures for review by the management.

### **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The Company has a dedicated team of professionally qualified/experienced personnel in all functional areas. Opportunities are provided for self development and career growth and wherever necessary employees are sent for training programme conducted in house and also outside by other professional bodies. The industrial relationship was cordial throughout the year.

### **CAUTIONARY STATEMENT**

Statements in this report on management discussion and analysis describing the Company's future objectives, projections, estimate and expectations may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events, as they are perceived by the management at this juncture.

The actual results, however, may differ materially from those which have been made explicit or which are implied. The major factors that could make a difference to the Company's operations include the supply demand condition of the Company's products, both domestic and global, the price realizations, which are market related, and all other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward-looking statements, which may undergo substantial revisions in future on the basis of unforeseen subsequent developments and/or events.

By Order of the Board

Coimbatore  
30.7.2010

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director



**AUDITORS' REPORT TO THE MEMBERS OF  
M/s. VEEJAY LAKSHMI ENGINEERING WORKS LIMITED**

1. We have audited the attached Balance Sheet of M/s. Veejay Lakshmi Engineering Works Limited, as at 31st March, 2010 the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Amendment Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956;
  - v. On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India read with the significant accounting policies and other notes thereon,
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
    - b) in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **N.R. DORAISWAMI & CO.**  
Chartered Accountants  
(Firm Regn. No.:000771S)

Coimbatore  
30.07.2010

(Sd/-) **SUGUNA RAVICHANDRAN**  
Partner  
(Membership No. 207893)



## ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date to the members of M/s. Veejay Lakshmi Engineering Works Limited)

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- b) The fixed assets of the company have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
- c) No substantial part of fixed assets of the company has been disposed off during the year.
- ii) a) The inventories of the company at all its locations have been physically verified by the management during the year.
- b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- c) The company has maintained proper records of inventories and the discrepancies between the physical inventories and the book records which have been properly dealt with in the books of account were not material.
- iii) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - a) The Company had taken loans from 4 parties. The maximum amount involved during the year was Rs.518 lakhs and the year end balance of loans taken from such parties was Rs.221.68 lakhs.
  - b) In our opinion the rate of interest and other terms and conditions on which loans have been taken from parties listed in the registers maintained under section 301 are not, prima facie, prejudicial to the interest of the Company.
  - c) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
  - d) There is no overdue amount of loans taken from parties listed in the registers maintained under section 301 of the Companies Act, 1956. The repayment of the principal amount is as per the agreed terms.
- 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 for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weakness in internal controls.
- v) In respect of contracts and arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956:
  - a) To the best of our knowledge and belief and according to the information and explanations given to us, contracts and arrangements that needed to be entered into the register have been so entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 5.00 lakhs or more in respect of any party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) Based on our scrutiny of the company's records and according to the information and explanation provided by the management, the company has not accepted any deposits from the public and hence the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.
- vii) In our opinion, the company's present internal audit system is commensurate with its size and nature of its business.
- viii) As explained to us, no order for the maintenance of cost records under section 209(1) (d) of the Act has been made by the Central Government for any of the products of the Company.



- ix) According to the information and explanations given to us in respect of statutory and other dues:
- a) the Company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess.
  - b) according to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty and excise duty were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.
  - c) at the end of the financial year there were no dues of Sales Tax, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute except as follows:-

| Name of the Statute     | Nature of the Dues | Amount Rs. in Lakhs | Forum where dispute is pending                             |
|-------------------------|--------------------|---------------------|------------------------------------------------------------|
| Income Tax Act 1961     | Income Tax         | 10.00               | Income Tax Appellate Tribunal                              |
| Income Tax Act 1961     | "                  | 97.23               | Commissioner of Income Tax (Appeals)                       |
| Central Excise Act 1944 | Cenvat Credit      | 3.38                | Customs, Central Excise and Service Tax Appellate Tribunal |

- x) The Company has no accumulated losses at the end of the financial year. The Company has not incurred any cash loss during the financial year covered by our audit and has incurred a cash loss of Rs. 882.88 lakhs in the immediately preceding financial year.
- xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.
- xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society and as such reporting under clause 4 (xiii) of the Order is not applicable to the Company.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments and as such clause 4 (xiv) of the Order is not applicable to the Company.
- xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interest of the Company.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained.
- xvii) On the basis of review of utilization of funds on an overall basis, in our opinion, the funds raised on short term basis have not been used for long term investment during the year.
- xviii) The company has not made any preferential allotment of shares during the year.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issue during the year.
- xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any instance of fraud on or by the Company nor have been informed by the management of any such instance being noticed or reported during the year.

For **N.R. DORAISWAMI & CO.**

Chartered Accountants

Firm Regn. No.000771S

(Sd/-) **SUGUNA RAVICHANDRAN**

Partner

(Membership No. 207893)

Coimbatore  
30.07.2010





## BALANCE SHEET AS AT 31ST MARCH 2010

|                                                  | Schedule<br>No. | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|--------------------------------------------------|-----------------|---------------------------------|---------------------------------|
| <b>I. SOURCES OF FUNDS</b>                       |                 |                                 |                                 |
| <b>1. Shareholders' Funds</b>                    |                 |                                 |                                 |
| A. Capital                                       | 1               | 50,719,000                      | 50,719,000                      |
| B. Reserves and Surplus                          | 2               | 648,759,317                     | 631,328,514                     |
| <b>2. Loan Funds</b>                             |                 |                                 |                                 |
| A. Secured Loans                                 | 3               | 183,430,471                     | 165,499,646                     |
| B. Unsecured Loans                               | 4               | 22,168,502                      | 51,800,000                      |
| <b>3. Deferred Tax Liability</b>                 | 5               | 27,277,100                      | 18,968,500                      |
| Total Funds employed                             |                 | <u>932,354,390</u>              | <u>918,315,660</u>              |
| <b>II. APPLICATION OF FUNDS</b>                  |                 |                                 |                                 |
| <b>1. Fixed Assets</b>                           | 6               |                                 |                                 |
| A. Gross Block                                   |                 | 896,876,199                     | 870,113,351                     |
| B. Less Depreciation                             |                 | 497,523,773                     | 451,597,943                     |
| C. Net Block                                     |                 | 399,352,426                     | 418,515,408                     |
| <b>2. Investments</b>                            | 7               | 241,985,482                     | 241,985,482                     |
| <b>3. Current Assets, Loans and Advances</b>     | 8               |                                 |                                 |
| A. Inventories                                   |                 | 273,558,305                     | 264,380,991                     |
| B. Sundry Debtors                                |                 | 25,514,749                      | 10,946,124                      |
| C. Cash and Bank Balances                        |                 | 10,734,951                      | 4,165,852                       |
| D. Loans and Advances                            |                 | 192,610,885                     | 85,710,794                      |
|                                                  |                 | <u>502,418,890</u>              | <u>365,203,761</u>              |
| <b>Less : Current Liabilities and Provisions</b> | 9               |                                 |                                 |
| A. Current Liabilities                           |                 | 184,323,578                     | 85,127,161                      |
| B. Provisions                                    |                 | 27,078,830                      | 22,261,830                      |
|                                                  |                 | <u>211,402,408</u>              | <u>107,388,991</u>              |
| <b>Net Current Assets</b>                        |                 | <u>291,016,482</u>              | <u>257,814,770</u>              |
| Total Application of Funds                       |                 | <u>932,354,390</u>              | <u>918,315,660</u>              |

Schedules 1 to 9 and notes on Schedule 17 form part of this Balance Sheet

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants  
(Firm Registration No. 000771S)  
Coimbatore  
30.07.2010  
**(Sd/-) SUGUNA RAVICHANDRAN**  
Partner, (Membership No. 207893)

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director

**(Sd/-) J. ANAND**  
Managing Director

**(Sd/-) D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

|                                                   | Schedule<br>No. | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|---------------------------------------------------|-----------------|--------------------------------------|--------------------------------------|
| <b>I INCOME</b>                                   |                 |                                      |                                      |
| 1. Gross Sales                                    | 10              | <b>766,940,450</b>                   | 384,758,725                          |
| Less : Excise Duty                                |                 | <b>47,993,306</b>                    | 36,432,975                           |
| Net Sales                                         |                 | <b>718,947,144</b>                   | 348,325,750                          |
| 2. Increase/(Decrease) in Finished Goods          | 11              | <b>55,205</b>                        | -71,800                              |
| 3. Other Income                                   | 12              | <b>10,092,732</b>                    | 926,744                              |
| Total                                             |                 | <b>729,095,081</b>                   | 349,180,694                          |
| <b>II. EXPENDITURE</b>                            |                 |                                      |                                      |
| 1. Materials consumed                             | 13              | <b>450,046,668</b>                   | 186,713,741                          |
| 2. Payment to and Provision for employees         | 14              | <b>94,856,701</b>                    | 139,285,357                          |
| 3. Other expenses                                 | 15              | <b>93,091,220</b>                    | 89,718,672                           |
| 4. Finance Charges                                | 16              | <b>19,433,259</b>                    | 21,750,254                           |
| 5. Depreciation                                   |                 | <b>45,927,830</b>                    | 39,279,800                           |
| Total                                             |                 | <b>703,355,678</b>                   | 476,747,824                          |
| <b>III. PROFIT</b>                                |                 |                                      |                                      |
| 1. Balance brought forward                        |                 | <b>64,566,048</b>                    | 142,482,562                          |
| 2. Profit for the year                            |                 | <b>25,739,403</b>                    | -127,567,130                         |
| <b>Amount available for appropriation</b>         |                 | <b>90,305,451</b>                    | 14,915,432                           |
| <b>Appropriations</b>                             |                 |                                      |                                      |
| 1. Tax for current year - Current Tax             |                 | —                                    | —                                    |
| Deferred Tax                                      |                 | <b>8,308,600</b>                     | -48,703,800                          |
| 2. Prior year Taxes                               |                 | —                                    | -1,508,816                           |
| 3. Fringe Benefit Tax                             |                 | —                                    | 562,000                              |
| 4. Balance Carried to the Balance Sheet           |                 | <b>81,996,851</b>                    | 64,566,048                           |
| Total                                             |                 | <b>90,305,451</b>                    | 14,915,432                           |
| Earning per share (Face Value of Rs.10 per share) | 17              | <b>3.44</b>                          | 15.36                                |

Schedules 10 to 16 and notes on Schedule 17 form part of this Profit and Loss Account

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants

(Firm Registration No. 000771S)

Coimbatore  
30.07.2010

**(Sd/-) SUGUNA RAVICHANDRAN**  
Partner, (Membership No. 207893)

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director

**(Sd/-) J. ANAND**  
Managing Director

**(Sd/-) D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)



## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010

|                                                                                                                                                                              | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 1 - CAPITAL</b>                                                                                                                                                  |                                 |                                 |
| <b>Authorised:</b>                                                                                                                                                           |                                 |                                 |
| 60,00,000 Equity shares of Rs.10/- each                                                                                                                                      | 60,000,000                      | 60,000,000                      |
| <b>Issued, Subscribed and Paid up:</b>                                                                                                                                       |                                 |                                 |
| 50,71,900 Equity shares of Rs.10/-each fully paid up<br>(Of the above 8,70,000 Equity shares have been allotted<br>as fully paid Bonus Shares by capitalisation of Reserves) | 50,719,000                      | 50,719,000                      |
| Total                                                                                                                                                                        | <u>50,719,000</u>               | <u>50,719,000</u>               |
| <b>SCHEDULE 2 - RESERVES AND SURPLUS</b>                                                                                                                                     |                                 |                                 |
| Share Premium Account                                                                                                                                                        | 211,642,500                     | 211,642,500                     |
| <b>General Reserve</b>                                                                                                                                                       |                                 |                                 |
| As per last year's Balance Sheet                                                                                                                                             | 355,119,966                     | 355,119,966                     |
| Transfer from/(to) Profit and Loss Account during the year                                                                                                                   | —                               | —                               |
| Total                                                                                                                                                                        | <u>355,119,966</u>              | <u>355,119,966</u>              |
| Balance in Profit and Loss Account                                                                                                                                           | 81,996,851                      | 64,566,048                      |
| Total                                                                                                                                                                        | <u>648,759,317</u>              | <u>631,328,514</u>              |
| <b>SCHEDULE - 3 SECURED LOANS</b>                                                                                                                                            |                                 |                                 |
| <b>A. Technology Development Board</b>                                                                                                                                       | 55,000,000                      | 30,000,000                      |
| (Secured by hypothecation of all moveable Fixed assets of<br>the Company and guarantee of Two Directors and the Subsidiary.)                                                 |                                 |                                 |
| <b>B. Working Capital Facilities-Cash Credit, Export packing credit<br/>and Bills discounted</b>                                                                             |                                 |                                 |
| (Secured by hypothecation of stock in trade and<br>receivables and mortgage of factory land and buildings<br>and second charge on plant and machinery)                       |                                 |                                 |
| State Bank of India                                                                                                                                                          | 48,662,048                      | 85,524,228                      |
| Bank of Baroda                                                                                                                                                               | 75,207,631                      | 174,949                         |
| Corporation Bank                                                                                                                                                             | 4,560,792                       | 49,800,469                      |
| Total                                                                                                                                                                        | <u>183,430,471</u>              | <u>165,499,646</u>              |
| <b>SCHEDULE 4 - UNSECURED LOANS</b>                                                                                                                                          |                                 |                                 |
| Loans from Directors                                                                                                                                                         | 22,168,502                      | 51,800,000                      |
| Total                                                                                                                                                                        | <u>22,168,502</u>               | <u>51,800,000</u>               |
| <b>SCHEDULE 5 - DEFERRED TAX LIABILITY (NET)</b>                                                                                                                             |                                 |                                 |
| As per last Balance Sheet                                                                                                                                                    | 18,968,500                      | 67,672,300                      |
| Additions during the year                                                                                                                                                    | 8,308,600                       | -48,703,800                     |
| Total                                                                                                                                                                        | <u>27,277,100</u>               | <u>18,968,500</u>               |



## Schedule 6 - Fixed Assets

|                                    | GROSS BLOCK                    |                  |                            |                                | DEPRECIATION              |                        |                                        |                           | NET BLOCK                  |                            |
|------------------------------------|--------------------------------|------------------|----------------------------|--------------------------------|---------------------------|------------------------|----------------------------------------|---------------------------|----------------------------|----------------------------|
| Assets                             | Cost upto<br>31.03.2009<br>Rs. | Additions<br>Rs. | Sales/<br>Transfers<br>Rs. | Cost upto<br>31.03.2010<br>Rs. | Upto<br>31.03.2009<br>Rs. | For the<br>year<br>Rs. | Withdrawn<br>during<br>the Year<br>Rs. | Upto<br>31.03.2010<br>Rs. | As at<br>31.03.2010<br>Rs. | As at<br>31.03.2009<br>Rs. |
| Land                               | 22,085,400                     | -                | -                          | 22,085,400                     | -                         | -                      | -                                      | -                         | 22,085,400                 | 22,085,400                 |
| Buildings                          | 115,911,375                    | 298,094          | -                          | 116,209,469                    | 41,526,309                | 3,354,393              | -                                      | 44,880,702                | 71,328,767                 | 74,385,066                 |
| Plant &<br>Machinery               | 697,031,456                    | 26,166,591       | -                          | 723,198,047                    | 390,546,023               | 40,009,191             | -                                      | 430,555,214               | 292,642,833                | 306,485,433                |
| Vehicles                           | 5,754,333                      | -                | -                          | 5,754,333                      | 3,489,597                 | 488,334                | -                                      | 3,977,931                 | 1,776,402                  | 2,264,736                  |
| Furniture and<br>Office Equipments | 29,330,787                     | 318,163          | 20,000                     | 29,628,950                     | 16,036,014                | 2,075,912              | 2,000                                  | 18,109,926                | 11,519,024                 | 13,294,773                 |
| Total                              | 870,113,351                    | 26,782,848       | 20,000                     | 896,876,199                    | 451,597,943               | 45,927,830             | 2,000                                  | 497,523,773               | 399,352,426                | 418,515,408                |
| Previous Year                      | 866,296,510                    | 3,816,841        | -                          | 870,113,351                    | 412,318,143               | 39,279,800             | -                                      | 451,597,943               | 418,515,408                | 453,978,367                |



## SCHEDULES TO THE BALANCE SHEET AS AT 31 ST MARCH 2010

| PARTICULARS                                                                                                                                           | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Schedule 7 : INVESTMENTS</b>                                                                                                                       |                                 |                                 |
| <b>I. In Government or Trust Securities</b>                                                                                                           |                                 |                                 |
| A. 7 Years National Savings Certificate At Cost                                                                                                       | 10,500                          | 10,500                          |
| B. 5.5% Non Convertible Redeemable Taxable Bonds<br>Series VI 180 Nos. Face Value of Rs. 10000/- Each of<br>Rural Electrification Corporation Limited | 1,800,000                       | 1,800,000                       |
| <b>II. In Shares and Bonds</b>                                                                                                                        |                                 |                                 |
| <b>(i) Non-trade Quoted</b>                                                                                                                           |                                 |                                 |
| 1500 Equity Shares of Rs.10/- each in<br>M/s. Lakshmi Machine Works Limited<br>fully paid up at Cost.                                                 | 14,262                          | 14,262                          |
| 10000 Equity Shares of Rs.10/-each in<br>M/s. Precision Fasteners Ltd., fully paid up at Cost                                                         | 500,000                         | 500,000                         |
| 200 Equity Shares of Rs.10/- each in<br>M/s. IFCI Limited fully paid up at Cost                                                                       | 4,500                           | 4,500                           |
| 334 Equity Shares of Rs.10/- each in<br>State Bank of India, fully paid up at Cost                                                                    | 158,560                         | 158,560                         |
| <b>III. Investment in Wholly Owned Subsidiary</b>                                                                                                     |                                 |                                 |
| (Under Same Management)                                                                                                                               |                                 |                                 |
| 1,20,00,000 Equity Shares of Rs.10/-each in<br>M/s. Veejay Lakshmi Textiles Ltd, fully paid up at Cost                                                | 120,000,000                     | 120,000,000                     |
| 1,20,00,000 6% Non Cumulative Redeemable<br>Preference Shares of Rs. 10/- each in<br>M/s. Veejay Lakshmi Textiles Ltd, fully paid up at Cost          | 120,000,000                     | 120,000,000                     |
| Total                                                                                                                                                 | <u>242,487,822</u>              | <u>242,487,822</u>              |
| Less Investment Fluctuation Reserve                                                                                                                   | 502,340                         | 502,340                         |
| Total                                                                                                                                                 | <u>241,985,482</u>              | <u>241,985,482</u>              |
| Aggregate Value of Quoted Investment - Cost (Rs.)                                                                                                     | 677,322                         |                                 |
| - Market Value (Rs.)                                                                                                                                  | 3,422,881                       |                                 |
| Aggregate Value of Unquoted Investments - Cost (Rs.)                                                                                                  | 241,810,500                     |                                 |


**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010**

|                                                                       | Schedule<br>No. | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|-----------------------------------------------------------------------|-----------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 8 - CURRENT ASSETS LOANS AND ADVANCES</b>                 |                 |                                 |                                 |
| <b>a) Inventories :</b>                                               |                 |                                 |                                 |
| Raw Materials                                                         |                 | 42,866,115                      | 31,314,000                      |
| Scrap                                                                 |                 | 109,325                         | 54,120                          |
| Components                                                            |                 | 24,102,907                      | 23,944,333                      |
| Work-in-Progress                                                      |                 | 193,600,276                     | 196,458,000                     |
| Machinery spares                                                      |                 | 1,616,994                       | 845,538                         |
| Stores                                                                |                 | 11,262,688                      | 11,765,000                      |
| Sub Total                                                             |                 | <u>273,558,305</u>              | <u>264,380,991</u>              |
| <b>b) Sundry Debtors (Unsecured-considered good)</b>                  |                 |                                 |                                 |
| Debts outstanding for a period exceeding six months                   |                 | 2,958,014                       | 7,341,567                       |
| Other Debts                                                           |                 | 22,556,735                      | 3,604,557                       |
| Sub Total                                                             |                 | <u>25,514,749</u>               | <u>10,946,124</u>               |
| <b>c) Cash and Bank balances</b>                                      |                 |                                 |                                 |
| Cash on hand                                                          |                 | 321,364                         | 2,184,628                       |
| Cash with Nationalised/Scheduled Banks-In Current Account             |                 | 5,843,241                       | 203,608                         |
| - In Deposit Account                                                  |                 | 3,700,395                       | 900,000                         |
| Investors' Protection Fund (Unpaid Dividend)                          |                 | 869,951                         | 877,616                         |
| Sub Total                                                             |                 | <u>10,734,951</u>               | <u>4,165,852</u>                |
| <b>d) Loans and Advances (Unsecured-considered good)</b>              |                 |                                 |                                 |
| Advances recoverable in Cash or in kind                               |                 |                                 |                                 |
| Due from others                                                       |                 | 31,793,774                      | 2,843,036                       |
| Due from Subsidiary                                                   |                 | 72,178,256                      |                                 |
| Deposits                                                              |                 | 4,314,433                       | 9,010,264                       |
| Duty drawback and other receivables                                   |                 | 39,788,895                      | 36,349,923                      |
| Prepaid expenses                                                      |                 | 815,920                         | 542,646                         |
| Advance Tax                                                           |                 | 43,719,607                      | 36,964,925                      |
| Sub Total                                                             |                 | <u>192,610,885</u>              | <u>85,710,794</u>               |
| Total                                                                 |                 | <u>502,418,890</u>              | <u>365,203,761</u>              |
| <b>SCHEDULE 9 - CURRENT LIABILITIES AND PROVISIONS</b>                |                 |                                 |                                 |
| <b>a) Current Liabilities :</b>                                       |                 |                                 |                                 |
| Liability for Supplies and Services-Micro, Small & Medium Enterprises |                 | -                               | -                               |
| Liability for Supplies and Services-Others                            |                 | 99,464,923                      | 12,961,014                      |
| Liability for Expenses                                                |                 | 16,971,350                      | 10,823,482                      |
| Liability for Other Finance                                           |                 | 239,522                         | 1,050,972                       |
| Investors' Education & Protection Fund - Unclaimed Dividends          |                 | 869,951                         | 877,616                         |
| Advance received against sales                                        |                 | 59,485,487                      | 55,769,433                      |
| Interest accrued but not due                                          |                 | 7,292,345                       | 3,644,644                       |
|                                                                       |                 | <u>184,323,578</u>              | <u>85,127,161</u>               |
| <b>b) Provisions</b>                                                  |                 |                                 |                                 |
| Provision for Incometax                                               |                 | 27,078,830                      | 22,261,830                      |
| Provision for Dividends                                               |                 | -                               | -                               |
| Provision for Dividend distribution tax                               |                 | -                               | -                               |
| Provision for Gratuity                                                |                 | -                               | -                               |
|                                                                       |                 | <u>27,078,830</u>               | <u>22,261,830</u>               |
| Total                                                                 |                 | <u>211,402,408</u>              | <u>107,388,991</u>              |

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

|                                                              | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|--------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>SCHEDULE 10 - SALES</b>                                   |                                      |                                      |
| Gross Turnover                                               | 744,949,245                          | 362,989,383                          |
| Less: Excise Duty                                            | 47,993,306                           | 36,432,975                           |
| Net Sale of Finished goods                                   | 696,955,939                          | 326,556,408                          |
| Sale of Power generated                                      | 15,786,570                           | 14,529,609                           |
| Sale of Scrap and waste                                      | 1,479,624                            | 1,361,810                            |
| Labour charges                                               | 4,725,011                            | 5,877,923                            |
|                                                              | <u>718,947,144</u>                   | <u>348,325,750</u>                   |
| <b>SCHEDULE 11 - INCREASE / (DECREASE) IN FINISHED GOODS</b> |                                      |                                      |
| Closing Stock - Finished Goods                               | -                                    | -                                    |
| Scrap and Waste                                              | 109,325                              | 54,120                               |
|                                                              | <u>109,325</u>                       | <u>54,120</u>                        |
| Less :                                                       |                                      |                                      |
| Opening Stock - Finished Goods                               |                                      |                                      |
| Scrap and Waste                                              | 54,120                               | 125,920                              |
|                                                              | <u>54,120</u>                        | <u>125,920</u>                       |
| Total                                                        | <u>55,205</u>                        | <u>-71,800</u>                       |
| <b>SCHEDULE 12 - OTHER INCOME</b>                            |                                      |                                      |
| Interest receipts (TDS Rs. 12,147 /- )                       | 360,051                              | 882,063                              |
| Dividend Receipts                                            | 34,846                               | 44,681                               |
| Foreign exchange gain and Miscellaneous income               | 9,697,835                            | —                                    |
|                                                              | <u>10,092,732</u>                    | <u>926,744</u>                       |
| <b>SCHEDULE 13 - MATERIALS CONSUMED</b>                      |                                      |                                      |
| Opening Stock                                                |                                      |                                      |
| Raw materials                                                | 31,314,000                           | 44,273,761                           |
| Components                                                   | 23,873,000                           | 28,190,612                           |
| Work in Progress                                             | 196,458,000                          | 210,679,713                          |
|                                                              | <u>251,645,000</u>                   | <u>283,144,086</u>                   |
| Add Purchased during the year                                | 425,142,643                          | 134,563,643                          |
|                                                              | <u>676,787,643</u>                   | <u>417,707,729</u>                   |
| Less : Closing Stock                                         |                                      |                                      |
| Raw materials                                                | 42,866,115                           | 31,314,000                           |
| Components                                                   | 24,102,907                           | 23,873,000                           |
| Work in Progress                                             | 193,600,276                          | 196,458,000                          |
|                                                              | <u>260,569,298</u>                   | <u>251,645,000</u>                   |
| Raw materials and components consumed Sub Total              | 416,218,345                          | 166,062,729                          |
| Add: Stores consumed                                         | 33,828,323                           | 20,651,012                           |
| Total Materials consumed                                     | <u>450,046,668</u>                   | <u>186,713,741</u>                   |

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

|                                                             | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|-------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>SCHEDULE 14 - PAYMENT TO AND PROVISION FOR EMPLOYEES</b> |                                      |                                      |
| Salary, Wages, Gratuity, etc                                | 81,425,829                           | 124,802,493                          |
| Contribution to Provident Fund                              | 2,701,048                            | 4,029,684                            |
| Staff and Labour Welfare expenses                           | 9,584,744                            | 5,209,705                            |
| Managerial Remuneration                                     | 1,145,080                            | 5,243,475                            |
| Total                                                       | 94,856,701                           | 139,285,357                          |
| <b>SCHEDULE 15 - OTHER EXPENSES</b>                         |                                      |                                      |
| Fabrication Charges                                         | 14,437,072                           | 6,926,414                            |
| Power and Fuel                                              | 18,843,383                           | 15,848,239                           |
| Freight                                                     | 1,994,232                            | 1,156,496                            |
| Printing and Stationery                                     | 1,864,108                            | 1,112,318                            |
| Postage and Telephone                                       | 1,979,936                            | 1,750,090                            |
| Travelling and Vehicle Maintenance                          | 3,745,117                            | 7,390,769                            |
| Insurance                                                   | 355,956                              | 282,956                              |
| Rent                                                        | 1,473,531                            | 1,525,240                            |
| Licences and Taxes                                          | 2,358,639                            | 1,489,884                            |
| Sales commission                                            | 27,776,902                           | 15,179,049                           |
| Sales promotion expenses                                    | 5,495,333                            | 6,280,752                            |
| Subscription and periodicals                                | 287,419                              | 362,995                              |
| Directors' sitting fees                                     | 50,500                               | 60,500                               |
| Auditor's remuneration                                      | 90,000                               | 90,000                               |
| Legal and Professional charges                              | 3,111,076                            | 9,814,155                            |
| Repairs and Maintenance-Buildings                           | 559,029                              | 1,002,023                            |
| Repairs and Maintenance-Machinery                           | 8,027,949                            | 3,563,667                            |
| Repairs and Maintenance-Others                              | 601,538                              | 914,841                              |
| Foreign Exchange Loss                                       | -                                    | 14,951,284                           |
| Donations                                                   | 39,500                               | 17,000                               |
| Total                                                       | 93,091,220                           | 89,718,672                           |
| <b>SCHEDULE 16 - FINANCE CHARGES</b>                        |                                      |                                      |
| Interest on Fixed Loans                                     | 2,257,534                            | 864,808                              |
| Interest on others and Bank charges                         | 12,405,075                           | 17,902,446                           |
| Interest to Directors                                       | 4,770,650                            | 2,983,000                            |
| Total                                                       | 19,433,259                           | 21,750,254                           |





## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.3.2010

### SCHEDULE 17

#### 1 SIGNIFICANT ACCOUNTING POLICIES

- (A) **System of Accounting** : The Financial Statements are prepared under historical cost convention and on accrual basis in accordance with the applicable accounting standards.
- (B) **Use of Estimates** : The preparation of the financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialized.
- (C) **Recognition of Income and Expenditure** : Revenue from sale transaction is recognized as and when the property in the goods is sold /transferred to the buyer for a definite consideration. Revenue from service transactions and other source is recognized on the completion of the contract. Dividends from investments, export incentive under Duty Drawback scheme are recognized when the right to receive payments/credit is established and there is no uncertainty regarding the amount of consideration or its collectability.
- (D) **Fixed Assets / Borrowing Costs** : Fixed Assets are capitalized at cost inclusive of erection expenses and other incidental expenses in connection with the acquisition of the assets and net of Cenvat Credit and VAT, if any. The borrowing cost on the additions to fixed assets is capitalized in accordance with AS 16.
- (E) **Depreciation** : Depreciation has been provided on straight- line Method in respect of all the assets in accordance with Schedule XIV of the Companies Act, 1956.

All buildings have been depreciated at the rate 3.34%. Accessories/power control units, wherever they are attached to the machines, have been depreciated at the same rate applicable for machinery. All electrical equipments including fans, air circulators and air conditioners have been depreciated at a rate of 7.07%. Extra shift depreciation has been provided for full year, even if the plant has run only for part of the year on extra shifts. Depreciation on additions during the year has been provided on pro-rata for the period for which the assets have been put to use. Wind Turbines have been classified as continuous process plant and depreciated accordingly as has been done in the past. For assets of value less than Rs. 5,000/- acquired during the year, 100% depreciation has been provided.

- (F) **Taxation** : Provision for taxation is made as per estimated total income after considering various reliefs under the provisions of the Income-Tax Act, 1961. The book profit tax paid in accordance with Section 115JB, which is in excess of the normal tax due and which can be adjusted against tax liability for future periods, is treated as advance tax. In accordance with AS 22, the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted as of the balance sheet date.

#### (G) Inventory Valuation :

|                                   |                                                                                                               |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------|
| 1) Raw Material :                 | At weighted average cost                                                                                      |
| 2) Components and Stock of Stores | At weighted average cost                                                                                      |
| 3) Finished Goods                 | At cost or net realisable value whichever is lower (inclusive of Excise Duty)                                 |
| 4) Work - in Progress             | At estimated cost                                                                                             |
| 5) Scrap/Waste                    | At estimated Cost or net realisable value whichever is lower (inclusive of Excise Duty, wherever Applicable). |

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)**

- (H) **Employee Benefits** : The provision has been made as required under AS 15. Bonus has been provided as per practice followed in earlier years. For Gratuity, Leave encashment and accumulated compensated absences provision has been made based on the estimates provided by an actuary.
- (I) **Foreign Exchange Transactions** : The transactions in respect of import of materials and export sales have been accounted for at the rates of exchange prevailing on the date of the transactions. However, in respect of transactions remaining unpaid/unrealized, exchange rates prevailing at the end of the year have been adopted. Difference arising out of fluctuation in the exchange for the above transaction has been taken to a separate account, which is debited/credited to the Profit and Loss Account. Wherever Forward Contracts have been entered, the premium or discount has been recognized over the period of the contract and the exchange differences on these contracts have been adjusted during the period in which the differences have taken place. All forward contracts have been entered only for import or export transactions of the Company and no contract has been entered for speculative purposes.
- (J) **Impairment of Assets**: The carrying amount of the fixed assets is reviewed for provision for impairment as required under AS 28. In the opinion of the Company, the recoverable amount of the fixed assets of the Company will not be lower than the book value of the fixed assets. Hence no provision has been made for impairment.
- (K) **Investments**: Investments are shown at cost. Investment fluctuation reserve has been created for the diminution in value of quoted investments.
- (L) **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 an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to financial statements. Contingent assets are neither recognized nor disclosed in the financial statements. Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date and adjusted to reflect the current best estimates.
- (M) **Earning Per Share**: Basic Earning per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.
- (N) **Cash flow Statement**: Cash flows are reported using the indirect method. Closing balances of cash includes cash and cash equivalents in hand and balances in bank in current accounts.
- (O) **Segment Reporting**: Business segments are identified based on the nature of products and services. For reporting the business has been split into two segments - one representing Engineering activities manufacturing textile machinery and the other representing the generation of power by wind energy.

Power generated from windmills is wheeled through Electricity Board and adjusted against the consumption of power by the Company and the Subsidiary Company. The entire value of power generated is treated as sale to Electricity Board and included in the sales turnover. The adjustment to Subsidiary Company and self consumption is not considered for Inter Segment Revenue/Adjustments, as has been done in the past.

**2. LICENSED AND INSTALLED CAPACITIES**

| Particulars                                                              | As at 31.3.2010 | As at 31.3. 2009 |
|--------------------------------------------------------------------------|-----------------|------------------|
| (a) Engineering Division - textile machinery and engineering ancillaries | Not Applicable  | Not Applicable   |

The products manufactured by the Company do not require any industrial license as per the current industrial policy and hence there is no restriction on the maximum capacity that the Company can produce. The installed capacity also varies depending on the level of subcontracting work and outsourcing of components. Hence the data on licensed and installed capacities has not been furnished.

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)**

| <b>3. FINISHED GOODS</b>                                                  | <b>2009-10</b>     |                     | <b>2008-09</b>     |                     |
|---------------------------------------------------------------------------|--------------------|---------------------|--------------------|---------------------|
|                                                                           | <b>Qty in Nos.</b> | <b>Value in Rs.</b> | <b>Qty in Nos.</b> | <b>Value in Rs.</b> |
| (i) Yarn making machinery-no of machines                                  |                    |                     |                    |                     |
| a. Opening Stock                                                          |                    |                     | -                  | -                   |
| b. Actual Production                                                      | <b>185</b>         |                     | 97                 |                     |
| c. Sales                                                                  | <b>185</b>         | <b>271896037</b>    | 97                 | 149103291           |
| d. Closing Stock                                                          | -                  | -                   | -                  | -                   |
| (ii) Weaving Preparatory Machines-Precision Assembly Winder (no of drums) |                    |                     |                    |                     |
| a. Opening Stock                                                          | -                  | -                   | -                  | -                   |
| b. Actual Production                                                      | <b>190</b>         | -                   | 140                | -                   |
| c. Sales                                                                  | <b>190</b>         | <b>4743302</b>      | 140                | 3248700             |
| d. Closing Stock                                                          | -                  | -                   | -                  | -                   |
| (iii) Automatic Cone Winder (no of machines)                              |                    |                     |                    |                     |
| a. Opening Stock                                                          | -                  | -                   | -                  | -                   |
| b. Actual Production                                                      | <b>54</b>          | -                   | 20                 |                     |
| c. Sales                                                                  | <b>54</b>          | <b>337578503</b>    | 20                 | 125765288           |
| d. Closing Stock                                                          | -                  | -                   | -                  | -                   |
| (iv) Spares and Accessories                                               | -                  | <b>47698442</b>     | -                  | 46546458            |
| (v) Tools, Dies, Jigs and Fixtures                                        | -                  | <b>522325</b>       | -                  | 889575              |

*Sales includes items capitalized*

*Sale of Traded goods of value Rs. 34517330/- not included in above.*

| <b>4. CONSUMPTION OF MATERIALS</b> | <b>2009-2010</b>  |                     | <b>2008-2009</b>  |                     |
|------------------------------------|-------------------|---------------------|-------------------|---------------------|
|                                    | <b>Qty in Kgs</b> | <b>Value in Rs.</b> | <b>Qty in Kgs</b> | <b>Value in Rs.</b> |
| <b>A. Raw Materials</b>            |                   |                     |                   |                     |
| a. Non Ferrous and Non - Metallic  | <b>330278</b>     | <b>50458837</b>     | 103044            | 14449761            |
| b. Rough Castings                  | <b>304516</b>     | <b>14949155</b>     | 121541            | 7978275             |
| c. Ferrous and Ferro Alloys        | <b>1568616</b>    | <b>65989932</b>     | 529016            | 32117352            |
| d. Components                      | -                 | <b>247445367</b>    | -                 | 97295628            |
| Total                              | -                 | <b>378843291</b>    | -                 | 151841016           |

(Quantitative details could not be given in respect of components, since the list is too large and no item individually accounts for more than 10% of value of total consumption of materials)

Purchase of traded goods of value Rs.3,45,17,330/- not included in the above.



**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010**

**Schedule 17 (Contd.)**

**5. EXPENDITURE IN FOREIGN CURRENCY**

| <b>A. Value of Imports CIF</b>                |                     | <b>2009-2010<br/>Value in Rs.</b> |                     | <b>2008-2009<br/>Value in Rs.</b> |
|-----------------------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|
| i. Raw Materials                              |                     | <b>6,659,149</b>                  |                     | 3,416,036                         |
| ii. Components and Spares Parts & Consumables |                     | <b>146,231,339</b>                |                     | 64,554,692                        |
| iii. Capital Goods                            |                     | <b>20,712,530</b>                 |                     | —                                 |
| iv. Traded goods                              |                     | <b>34,517,330</b>                 |                     | —                                 |
| <b>B. Other matters</b>                       |                     | <b>2,078,432</b>                  |                     | 2,420,145                         |
| <b>C. Consumption</b>                         | <b>Value in Rs.</b> | <b>% of Total consumption</b>     | <b>Value in Rs.</b> | <b>% of Total consumption</b>     |
| i. Raw Materials-imported                     | <b>8,974,417</b>    | <b>3</b>                          | 9,216,752           | 6                                 |
| ii. Raw Materials-Indigenous                  | <b>122,423,507</b>  | <b>32</b>                         | 45,328,636          | 30                                |
| iii. Components-Indigenous                    | <b>99,796,664</b>   | <b>26</b>                         | 26,104,551          | 17                                |
| iv. Components-Imported                       | <b>147,648,703</b>  | <b>39</b>                         | 71,191,077          | 47                                |
|                                               | <b>378,843,291</b>  | <b>100</b>                        | 151,841,016         | 100                               |
| <b>D. Earnings in Foreign Exchange</b>        |                     | <b>Value in Rs.</b>               |                     | <b>Value in Rs.</b>               |
| Exports and Services                          |                     | <b>37,585,198</b>                 |                     | 49,448,964                        |

**6. MANAGERIAL REMUNERATION TO**

|                                                                   |                | <b>2009-2010<br/>Rs.</b> |               | <b>2008-2009<br/>Rs.</b> |
|-------------------------------------------------------------------|----------------|--------------------------|---------------|--------------------------|
| <b>1. Sri. V.J. Jayaraman</b><br>Chairman cum Managing Director   |                |                          |               |                          |
| Salaries                                                          | -              | -                        | 2,400,000     | -                        |
| Commission                                                        | -              | -                        | -             | -                        |
| Provident Fund Contribution                                       | -              | -                        | -             | -                        |
| Others Perks                                                      | <b>47,099</b>  | <b>47,099</b>            | <b>37,329</b> | 2,437,329                |
| <b>2. Sri. J. Anand, Managing Director</b>                        |                |                          |               |                          |
| Salaries                                                          | -              | -                        | 1,500,000     | -                        |
| Commission                                                        | -              | -                        | -             | -                        |
| Provident Fund Contribution                                       | -              | -                        | 180,000       | -                        |
| Others Perks                                                      | <b>57,725</b>  | <b>57,725</b>            | <b>85,890</b> | 1,765,890                |
| <b>3. Sri D. Ranganathan</b><br>Whole Time Director (Fin & Mktg.) |                |                          |               |                          |
| Salaries                                                          | <b>928,800</b> | -                        | 928,800       | -                        |
| Commission                                                        | -              | -                        | -             | -                        |
| Provident Fund Contribution                                       | <b>111,456</b> | -                        | 111,456       | -                        |
| Others Perks                                                      | -              | <b>1,040,256</b>         | -             | 1,040,256                |
| <b>Total (1+2+3)</b>                                              | <b>-</b>       | <b>1,145,080</b>         | <b>-</b>      | <b>5,243,475</b>         |

Contribution made by the company to gratuity trust in respect of Sri J Anand and Sri. D. Ranganathan not included in the above.



## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010

## Schedule 17 (Contd.)

| 7. Auditors' Remuneration         | 2009-2010<br>Value in Rs. | 2008-2009<br>Value in Rs. |
|-----------------------------------|---------------------------|---------------------------|
| Audit Fees                        | 90,000                    | 90,000                    |
| Certification and other matters * | 26,500                    | 52,000                    |
| Reimbursement of expenses *       | 9,500                     | 9,500                     |
| <b>Total</b>                      | <b>126,000</b>            | <b>151,500</b>            |

\* Debited under Legal & Professional charges and travel expenses

8. The Company has imported capital goods under EPCG Licence and also Raw material and Components free of duty against Advance Licenses with an obligation for exports. The duty liability proportionate to export obligation pending as at 31.3.2010 including interest (net of Cenvat credit) is Rs. 94.14 lakhs (Previous year Rs. 81.29 lakhs)

9. Contingent Liabilities and claims against the company not acknowledged as debts.

- Income tax liability on disallowance of expenses/additions proposed to income for completed assessments and disputed in appeals-Rs.98.55 lakhs (previous year Rs. 10 lakhs).
- The amounts claimed by the Customs and Central Excise and Market Committee authorities, which has been disputed by the Company and pending in appeals at various levels is Rs.9.24 Lakhs. (Rs. 11.30 lakhs)
- Other claims from debtors, Creditors & workmen not acknowledged as debts 125.52 lakhs (excl. interest)(previous year Rs.89.53 lakhs)
- Guarantees given on behalf of Directors or other officers of the Company - NIL Previous year Nil
- Guarantees executed By Banks - Rs.173.33 lakhs (Rs. 495.95 lakhs)
- Letters of Credit opened by Banks - Rs.285.88 lakhs (Rs. 0.64 lakhs)
- Guarantee issued on behalf of an associate Company in which Directors are interested. Rs. 418.00 lakhs (Rs. 418.00 lakhs)
- Estimated amount of capital contracts remaining to be executed for which orders have been already released is Rs. 24.42 (Previous year Rs. Nil )
- Proportionate duty liability for pending export obligation of the subsidiary for which corporate guarantee has been given by the Company-Rs. Nil (Previous year 9.57 lakhs)
- Outstanding in respect of credit facilities of wholly owned subsidiary from Banks guaranteed by the Company

Rs. in lakhs

|                                                             | 31.3.2010 | 31.3.2009 |
|-------------------------------------------------------------|-----------|-----------|
| Cash Credit Limit from Banks and L/C/Guarantees outstanding | 930       | 890       |
| Term Loan from Banks                                        | 1417      | 1514      |

10. Research and Development expenses incurred during the year is Rs. 82.49 lakhs. (Previous year Rs. 189.59 lakhs)

11. As at 31st March 2010, no supplier has intimated the Company about its status as Micro or Small enterprises or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.



# NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010

## Schedule 17 (Contd.)

12. The gain/loss on account of exchange differences is given below.

The amount of exchange difference included in the net profit or loss for the period- Rs.2.38 lakhs (gain) (Previous Year : 149.51 Lakhs (loss))

The Company does not have any foreign operations and no other exchange variation to be disclosed as in the accounting standard 11. The following are the unhedged foreign exchange assets/liabilities as at 31st March 2010.

| Particulars                                   | Foreign Currency | As at 31st March 2009 |
|-----------------------------------------------|------------------|-----------------------|
| Creditors/Liability on L/c opened for imports |                  |                       |
| USD                                           | 781848           | 15274                 |
| EURO                                          | 190332           | -                     |
| JPY                                           | 7500000          | -                     |
| CHF                                           | 162840           | -                     |
| Receivables/L/cs received for Exports         |                  |                       |
| EURO                                          | -                | 104                   |
| USD                                           | 743000           |                       |

## 13. Segment Report for the year ended 31 st March 2010

(Rs. in Lakhs)

| Revenue                                      | 31st March 2010      |                   |       | 31st March 2009      |                   |       |
|----------------------------------------------|----------------------|-------------------|-------|----------------------|-------------------|-------|
|                                              | Engineering Division | Windmill Division | Total | Engineering Division | Windmill Division | Total |
| External Sales*                              | 6783                 | 158               | 6941  | 3338                 | 145               | 3483  |
| Inter Segment Transfers                      | -                    | -                 | -     | -                    | -                 | -     |
| Total Revenue                                | 6783                 | 158               | 6941  | 3338                 | 145               | 3483  |
| Result                                       | -                    | -                 | -     | -                    | -                 | -     |
| Segment Result                               | 457                  | 97                | 554   | -613                 | 87                | -526  |
| Un allocated including exceptional items     |                      |                   | -107  | -                    | -                 | 541   |
| Operating Profit                             |                      |                   | 447   | -                    | -                 | -1067 |
| Less: Interest Expense                       |                      |                   | -194  | -                    | -                 | -218  |
| Interest Income                              |                      |                   | 4     | -                    | -                 | 9     |
| Income Taxes                                 |                      |                   | -83   | -                    | -                 | 496   |
| Unallocable Income                           | -                    | -                 | -     | -                    | -                 | -     |
| Profit from Ordinary Activities              | -                    | -                 | 174   | -                    | -                 | -780  |
| Extra Ordinary Items                         | -                    | -                 | -     | -                    | -                 | -     |
| Net Profit                                   | -                    | -                 | 174   | -                    | -                 | -780  |
| Other Information                            | -                    | -                 | -     | -                    | -                 | -     |
| Segment Assets                               | 6977                 | 514               | 7491  | 6443                 | 565               | 7008  |
| Un allocated Corporate Assets                | -                    | -                 | 10050 | -                    | -                 | 3956  |
| Total Assets                                 | -                    | -                 | 17541 | -                    | -                 | 10964 |
| Segment Liabilities                          | 1297                 | -                 | 1297  | 620                  | -                 | 620   |
| Un allocated Corporate Liabilities           | -                    | -                 | 16244 | -                    | -                 | 10344 |
| Total Liabilities                            | -                    | -                 | 17541 | -                    | -                 | 10964 |
| Capital Expenditure                          | 268                  | -                 | 268   | 38                   | -                 | 38    |
| Depreciation                                 | 410                  | 49                | 459   | 344                  | 49                | 393   |
| Non Cash Expenditure other than depreciation | -                    | -                 | -     | -                    | -                 | -     |

\* Sale of traded goods of value Rs.345.17 lakhs to the subsidiary not included.

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)****14. RELATED PARTY DISCLOSURES FOR THE YEAR ENDED 31.03.2010**

(Rs. in Lakhs)

| Particulars                                                                                                  | Associate Companies /Firms | Subsidiary Company   | Key Managerial Personnel | Relative of Key Managerial Personnel |
|--------------------------------------------------------------------------------------------------------------|----------------------------|----------------------|--------------------------|--------------------------------------|
| Purchase of goods and services- raw materials, components and engineering job works                          | 74.91<br>(36.51)           | 2.68<br>(8.66)       |                          |                                      |
| Sale of machinery, spares, raw materials, components and job works                                           | 87.05<br>(36.39)           | 367.94<br>(6.39)     |                          |                                      |
| Sales Commission                                                                                             | 150.25<br>(55.18)          |                      |                          |                                      |
| Rent Paid                                                                                                    | 13.29<br>(13.29)           |                      | 1.23<br>(1.23)           |                                      |
| Finance including loans and equity/Preference Share capital contribution in cash or in kind as at 31.03.2010 | 0.51<br>(-)                | 2400<br>(2400)       |                          |                                      |
| Guarantees and Collaterals                                                                                   | 418.00<br>(418.00)         | 3217.00<br>(3713.00) |                          |                                      |
| Fixed Deposit                                                                                                |                            |                      | 221.69<br>(518.00)       | -<br>-                               |
| Managerial Remuneration                                                                                      |                            |                      | 11.45<br>(52.43)         | 9.60<br>(9.60)                       |
| Interest paid on Fixed Deposit                                                                               |                            |                      | 47.71<br>(29.83)         | -<br>(-)                             |
| Outstanding due from the Company as on 31.03.2010                                                            | 16.12<br>(-)               | -<br>(-)             |                          |                                      |
| Outstanding due to the Company as on 31.03.2010                                                              | 0.50<br>(5.40)             | 721.78<br>(-)        |                          |                                      |

\* Previous year's figures given in bracket.

There are no doubtful debts from the above parties on the balance sheet date and no amount has been written off or written back from the above parties during the year.

Names of associate companies and firms (Companies and firms in which the directors are associated as directors/partners or proprietors)

**A. Companies / firms with which the Company had transactions during the year.**

- 1 M/s. Veejay Lakshmi Textiles Limited
- 2 M/s. Veejay Sales and Services Limited
- 3 M/s. Veejay Terry products Limited
- 4 M/s. Veejay marketing
- 5 M/s. Veejay Syntex Private Limited
- 6 M/s. Veejay Tool & Die Private Limited
- 7 M/s. Veejay Yarns & Fabrics Private Limited

Necessary approvals have been taken/applied from the Central Government for the transactions with the above parties and no contract is detrimental to the interest of the Company.



**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010**  
**Schedule 17 (Contd.)**

**B. Companies/firms with which the Company had no transactions during the year.**

1. M/s. Lakshmi Electrical Control Systems Limited
2. M/s. The Krishna Mills Private Limited
3. M/s. Lakshmi Precision Tools Limited
4. M/s. Deluxe Marketing
5. M/s. Deluxe Components
6. M/s. Ranba Castings Limited
7. M/s. Samrajyaa & Co
8. M/s. The Suguna Mills Private Limited
9. M/s. Magna Electro Castings Limited
10. M/s. Prathishta Weaving & Knitting Co. Ltd
11. M/s. Augustan Knit Wear Pvt. Ltd
12. M/s. Augustan Textile Colors Limited
13. M/s. Augustan Coimbatore Knitting Company Limited
14. M/s. Kovai Medical Centre and Hospitals Pvt. Ltd.

**C. Name of the Wholly Owned Subsidiary Company**

1. Veejay Lakshmi Textiles Limited

**D. Name of the Key Managerial Personnel**

1. Sri. V.J. Jayaraman, Chairman cum Managing Director
2. Sri. J. Anand, Managing Director
3. Sri. D. Ranganathan, Whole Time Director (Finance & Marketing)

**E. Relatives of the Key Managerial Personnel**

1. Smt. J. Vidya W/o Sri. V.J. Jayaraman
2. Smt. Arthi Anand W/o Sri. J. Anand

15. The details of employee benefits for the period on account of gratuity which is funded defined employee benefit plans and leave encashment which is an unfunded defined benefit plan are as under:

|                                                           | Gratuity (Funded)<br>31.03.2010 | Gratuity (Funded)<br>31.03.2009 |
|-----------------------------------------------------------|---------------------------------|---------------------------------|
| <b>A. Expense recognised during year ended 31.03.2010</b> |                                 |                                 |
| 1. Current Service cost                                   | 421,721                         | 399,152                         |
| 2. Interest Cost                                          | 444,511                         | 914,173                         |
| 3. Expected return on plan assets                         | (526,628)                       | (981,641)                       |
| 4. Actuarial Losses / (Gains) during the year             | (901,482)                       | (2,774,400)                     |
| 5. Direct Payment                                         | 1,723,830                       | 6,107,820                       |
| 6. Total Expense                                          | 1,161,952                       | 3,665,104                       |
| <b>B. Actual return on Plan assets</b>                    |                                 |                                 |
| 1. Expected return on plan assets                         | 526,628                         | 981,641                         |
| 2. Actuarial (Loss) / Gain on Plan assets                 | 36,571                          | 218,967                         |
| 3. Actual return on plan assets                           | 563,199                         | 1,200,608                       |



**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)****C. Net Asset / (Liability) recognised in the Balance Sheet**

|                                                            |           |           |
|------------------------------------------------------------|-----------|-----------|
| 1. Present value of the obligation as on 31.03.2010        | 5,365,931 | 5,748,159 |
| 2. Fair value of plan assets as on 31.3.2010               | 6,459,605 | 6,279,955 |
| 3. Funded status surplus / (deficit)                       | 1,093,674 | 531,796   |
| 4. Net Asset / (Liability) recognised in the Balance sheet | 1,093,674 | 531,796   |

**D. Change in Present value of the Obligation during the year ended March 31,2010**

|                                                        |             |              |
|--------------------------------------------------------|-------------|--------------|
| 1. Present value of the obligation as at April 1, 2009 | 5,748,159   | 17,167,641   |
| 2. Current service cost                                | 421,721     | 362,050      |
| 3. Interest cost                                       | 444,511     | 914,173      |
| 4. Benefits paid                                       | (383,549)   | (10,140,665) |
| 5. Actuarial (gain) / loss on obligation               | (864,911)   | (2,555,040)  |
| 6. Present value of obligation as at March 31,2010     | (5,365,931) | 5,748,159    |

**E. Change in Assets during the year ended March 31, 2010**

|                                                   |           |              |
|---------------------------------------------------|-----------|--------------|
| 1. Fair value of plan assets as at April 1, 2009  | 6,279,955 | 15,220,012   |
| 2. Expected return on plan assets                 | 526,628   | 981,641      |
| 3. Contributions made                             | —         | NIL          |
| 4. Benefits paid                                  | (383,549) | (10,140,665) |
| 5. Actuarial gain / (loss) on plan assets         | 36,571    | 218,967      |
| 6. Fair value of plan assets as at March 31, 2010 | 6,459,605 | 6,279,955    |

**F. Major categories of plan assets as a percentage of total plan**

|                               |           |           |
|-------------------------------|-----------|-----------|
| Qualifying insurance policies | 1,948,553 | 6,279,955 |
| Own plan assets               | 4,511,052 | -         |
| Total                         | 6,459,605 | 6,279,955 |

**G. Actuarial Assumptions**

|                                           |                 |                        |
|-------------------------------------------|-----------------|------------------------|
| 1. Discount rate                          | 8%              | 7.5%                   |
| 2. Salary escalation                      | 5%              | 5%                     |
| 3. Expected rate of return on plan assets | 8.65%           | 8.75%                  |
| 4. Attrition rate                         | 2%              | No explicit assumption |
| 5. Mortality rate                         | LIC 94-96 Rates | LIC 94-96 Rates        |

**16. Earnings per share (Face value Rs.10/- per share)**

(Amount in Rs.)

| Particulars                                                 | 31.03.2010<br>Rs. | 31.03.2009<br>Rs. |
|-------------------------------------------------------------|-------------------|-------------------|
| a) Profit for the year as per Profit & Loss Account         | 25,739,403        | (127,567,130)     |
| b) Less: Taxes                                              |                   |                   |
| Deferred Tax                                                | 8,308,600         | (48,703,800)      |
| Fringe Benefit Tax                                          | —                 | 562,000           |
| c) Prior year Taxes Reversed                                |                   | (1,508,816)       |
| d) Excess provision for gratuity for earlier years reversed | —                 | —                 |
| c) Profit after Taxes & Deferred Tax                        | 17,430,803        | (77,916,514)      |
| e) Number of shares                                         | 5,071,900         | 5,071,900         |
| EPS/DILUTED EPS                                             | 3.44              | (15.36)           |

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)**

17. The Deferred Tax Liability and Deferred Tax Assets as at 31-03-2010 computed as per AS 22 is given as under.

|                            | <b>31.03.2010</b> | <b>31.03.2009</b> |
|----------------------------|-------------------|-------------------|
|                            | <b>Rs.</b>        | <b>Rs.</b>        |
| Deferred Tax Liability     | <b>52970000</b>   | 62910000          |
| Deferred Tax Assets        | <b>25692900</b>   | 43941500          |
| Net Deferred Tax Liability | <b>27277100</b>   | 18968500          |

Details for Deferred Tax Liabilities / Assets:

| Nature of Item                                                                                              | 2009-10          |                 | 2008-09   |            |
|-------------------------------------------------------------------------------------------------------------|------------------|-----------------|-----------|------------|
|                                                                                                             | Value            | Tax Amount      | Value     | Tax Amount |
| On account of Depreciation - Liability                                                                      | <b>171421457</b> | <b>52970000</b> | 193894300 | 62910000   |
| On account of Carry over loss and other timing difference items like Gratuity, Bonus and VRS payments-Asset | <b>83148657</b>  | <b>25692900</b> | 135433700 | 43941500   |

18. The Company has no sole selling agents. The entire sales commission has been paid to other agents.

19. Provision for Provident Fund included in current liabilities Rs. Nil (Previous Year Nil)

20. Loans and Advances in the nature of loans to the Subsidiary Company: (Rs. In lakhs)

|                           | <b>2009-2010</b>  | <b>2008-2009</b> |
|---------------------------|-------------------|------------------|
| Opn. Balance              | <b>Nil</b>        | 85.63            |
| Clg. Balance              | <b>721.78</b>     | Nil              |
| Max. bal. during the year | <b>Rs. 721.78</b> | Rs.116.77        |

21. Debts due from Companies under the same management (other than the subsidiary) is Rs. Nil. (previous year Rs. Nil)
22. Debts due by Directors or other officers of the Company or any of them either severally or jointly with any other person or debts due by firms or private Companies respectively in which any Director is a partner or a Director or a Member is Rs. 0.50 lakhs.(Previous year 0.65 lakhs)
23. There was no amount due by Directors or other officers of the Company at any time during the year. (Previous year Nil)
24. Sundry Debtors and Loans and Advances as at 31.03.2010 does not include any amount due from Companies and Firms in which Directors are interested other than the amounts mentioned in items 20 and 22. (Previous year Nil)
25. Figures have been rounded off to the nearest rupee and previous year figures have been regrouped/rearranged wherever necessary.

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants

(Firm Registration No. 000771S)

Coimbatore  
30.07.2010

**(Sd/-) SUGUNA RAVICHANDRAN**  
Partner, (Membership No. 207893)

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director

**(Sd/-) J. ANAND**  
Managing Director

**(Sd/-) D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS :

|                     |                       |
|---------------------|-----------------------|
| Registration Number | 181-000705            |
| State Code          | 18                    |
| Balance Sheet Date  | 31.03.2010            |
| CIN No.             | L29191TZ1974PLC000705 |

### II. CAPITAL RAISED DURING THE YEAR

|              |     |
|--------------|-----|
| Public Issue | Nil |
| Rights Issue | Nil |

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS : (Rs. in Thousands)

|                        |        |
|------------------------|--------|
| Total Liabilities      | 932354 |
| Total Assets           | 932354 |
| Sources of Funds       |        |
| Paid - up Capital      | 50719  |
| Reserves & Surplus     | 648759 |
| Deferred Tax Liability | 27277  |
| Secured Loans          | 183430 |
| Unsecured Loans        | 22169  |
| Application of Funds   |        |
| Net Fixed Assets       | 399352 |
| Investments            | 241986 |
| Net Current Assets     | 291016 |
| Accumulated losses     | ---    |

### IV. PERFORMANCE OF THE COMPANY : (Rs. in Thousands)

|                          |        |
|--------------------------|--------|
| Turnover                 | 718947 |
| Profit Before Tax        | 25739  |
| Profit After Tax         | 17431  |
| Earnings per share (Rs.) | 3.44   |
| Dividend                 | Nil    |

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary Terms)

|                     |                   |
|---------------------|-------------------|
| Item code No.       | 84.45             |
| Product Description | Textile Machinery |

|                          |                                                                                                                               |                                                                |                                                                       |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
| Coimbatore<br>30.07.2010 | As per our report attached<br>For <b>N.R. DORAISWAMI &amp; CO</b><br>Chartered Accountants<br>(Firm Registration No. 000771S) | (Sd/-) <b>V.J. JAYARAMAN</b><br>Chairman Cum Managing Director | (Sd/-) <b>J. ANAND</b><br>Managing Director                           |
|                          | (Sd/-) <b>SUGUNA RAVICHANDRAN</b><br>Partner, (Membership No. 207893)                                                         |                                                                | (Sd/-) <b>D. RANGANATHAN</b><br>Whole Time Director (Finance & Mktg.) |
|                          |                                                                                                                               |                                                                |                                                                       |
|                          |                                                                                                                               |                                                                |                                                                       |


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010**

|                                                        | Year ended<br>31st March 2010 | Yearended<br>31st March 2009 |
|--------------------------------------------------------|-------------------------------|------------------------------|
| <b>A. Cash Flow from Operating Activities</b>          |                               |                              |
| Net Profit Before Tax and extra ordinary item          | 257.39                        | -1275.67                     |
| Adjustments for :                                      |                               |                              |
| Depreciation                                           | 459.28                        | 392.80                       |
| Interest paid                                          | 194.33                        | 217.50                       |
| Loss on sales of Investments                           | -                             | -                            |
| Profit on sale of Investments/Assets                   | -                             | -                            |
| Interest/Dividend Income                               | -3.95                         | -9.27                        |
| <b>Operating Profit before working capital changes</b> | <b>907.05</b>                 | <b>(674.64)</b>              |
| (Increase)/Decrease in Trade and Other Receivables     | -1147.14                      | 801.84                       |
| Increase/(Decrease) in Payables                        | 884.88                        | -623.09                      |
| Decrease/(Increase) in Inventories                     | -91.77                        | 329.05                       |
| <b>Cash generated from operations</b>                  | <b>553.02</b>                 | <b>-166.84</b>               |
| Direct Taxes paid                                      | -19.38                        | -36.95                       |
| <b>Cash flow before extra ordinary items</b>           | <b>533.64</b>                 | <b>-203.79</b>               |
| <b>Net Cash from Operating Activities</b>              | <b>533.64</b>                 | <b>-203.79</b>               |
| <b>B. Cash Flow from Investing Activities</b>          |                               |                              |
| Purchase of Fixed Assets                               | -267.83                       | -38.17                       |
| Sale of Fixed Assets                                   | 0.18                          | -                            |
| Investment in subsidiary                               | -                             | -                            |
| Sale of Investments                                    | -                             | 0.25                         |
| Interest received                                      | 3.60                          | 8.82                         |
| Dividend Received                                      | 0.35                          | 0.45                         |
| <b>Net cash used for Investing Activities</b>          | <b>-263.70</b>                | <b>-28.65</b>                |
| <b>C. Cash flow from Financing Activities</b>          |                               |                              |
| Increase/(Repayment) of Long Term borrowings           | -46.31                        | 474.80                       |
| Dividends paid                                         | -0.08                         | -51.42                       |
| Interest paid                                          | -157.86                       | -184.66                      |
| Preliminary Expenses                                   | -                             | -                            |
| <b>Net cash from financing activities</b>              | <b>-204.25</b>                | <b>238.72</b>                |
| <b>Net Increase in cash and cash equivalents</b>       | <b>65.69</b>                  | <b>6.28</b>                  |
| <b>Cash and Cash equivalents as at 31.3.2009</b>       | <b>41.66</b>                  | <b>35.38</b>                 |
| <b>Cash and Cash equivalents as at 31.3.2010</b>       | <b>107.35</b>                 | <b>41.66</b>                 |

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants

(Firm Registration No. 000771S)

(Sd/-) **SUGUNA RAVICHANDRAN**  
Partner, (Membership No. 207893)

(Sd/-) **V.J. JAYARAMAN**  
Chairman Cum Managing Director

(Sd/-) **J. ANAND**  
Managing Director

(Sd/-) **D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)

Coimbatore  
30.07.2010



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANY.**

|                                                                                                                                                                     |                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 1. Name of the Subsidiary                                                                                                                                           | Veejay Lakshmi Textiles Limited                                                                                              |
| 2. Financial year of the Subsidiary Company                                                                                                                         | 31 <sup>st</sup> March, 2010                                                                                                 |
| 3. Extent of interest in Subsidiary Company                                                                                                                         | 100% of paid up equity capital of 1,20,00,000 equity shares of Rs.10 each and 1,20,00,000 Preference shares of Rs. 10/- each |
| 4. Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of Veejay Lakshmi Engineering Works Limited |                                                                                                                              |
| a) Not dealt with in Accounts of the Company                                                                                                                        |                                                                                                                              |
| (i) For the financial year of the Subsidiary                                                                                                                        | (Rs. 6,824,398/-)                                                                                                            |
| (ii) For the previous financial years since it became the Subsidiary of the Company                                                                                 | (Rs.38,211,420/-)                                                                                                            |
| b) Dealt with in the Accounts of the Company                                                                                                                        |                                                                                                                              |
| (i) For the financial year of the Subsidiary                                                                                                                        | Nil                                                                                                                          |
| (ii) For the previous financial years since it became the Subsidiary of the Company                                                                                 | Nil                                                                                                                          |
| 5. Additional information U/s 212(5)                                                                                                                                |                                                                                                                              |
| (a) Change in the interest of the Company between the end of the Subsidiary Company's and the Company's financial year ended 31 <sup>st</sup> March 2010.           | Nil                                                                                                                          |
| (b) Material changes between the end of the financial year of the Subsidiary and the Company's financial year ended 31 <sup>st</sup> March 2010                     |                                                                                                                              |
| (1) Fixed Assets                                                                                                                                                    | Nil                                                                                                                          |
| (2) Investment                                                                                                                                                      | Nil                                                                                                                          |
| (3) Money Lent                                                                                                                                                      | Nil                                                                                                                          |
| (4) Money borrowed for any purpose other than that of meeting current liabilities:                                                                                  | Nil                                                                                                                          |
| Fresh borrowings from Bank                                                                                                                                          | Nil                                                                                                                          |
| Amount repaid to Bank                                                                                                                                               | Nil                                                                                                                          |

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants

(Firm Registration No. 000771S)

Coimbatore  
30.07.2010

**(Sd/-) SUGUNA RAVICHANDRAN**  
Partner, (Membership No. 207893)

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director

**(Sd/-) J. ANAND**  
Managing Director

**(Sd/-) D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)





## VEEJAY LAKSHMI TEXTILES LIMITED

### BOARD OF DIRECTORS

Sri. V.J. Jayaraman  
Sri. J. Anand  
Sri. N.M. Ananthapadmanabhan  
Sri. B. Selvarajan  
Sri. B. Sriram  
Sri. D. Ranganathan

### AUDITOR

Sri. R. Gurubatham, B.Com., F.C.A  
Chartered Accountant  
Coimbatore 641 005

### REGISTERED OFFICE

Sengalipalayam,  
N.G.G.O Colony Post,  
Coimbatore 641 022

### MANUFACTURING UNITS

Thekkampatti  
Mettupalayam  
Coimbatore 641 113

### WIND MILLS

Dhanakarkulam Village  
Radhapuram Taluk  
Tirunelveli



## NOTICE OF THE NINTH ANNUAL GENERAL MEETING

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held on Wednesday, the 29th September 2010 at 9.00 AM at Nani Palkhivala Auditorium, Mani Higher Secondary School Premises, Pappanaickenpalayam, Coimbatore - 641037.

### ORDINARY BUSINESS:

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March 2010, the Report of the Board of Directors to the shareholders and the Report of the Auditors of the Company.
2. To appoint a Director in place of Sri J. Anand, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri B. Selvarajan, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint an Auditor or Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix the remuneration payable to them.

By Order of the Board

Coimbatore  
30.7.2010

(Sd/-) V.J. Jayaraman  
Chairman

### Note:

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the Company.
2. The proxy form duly filled in and stamped has to be delivered to the Company not later than 48 hours before the time of holding the aforesaid meeting.





## DIRECTORS' REPORT TO SHAREHOLDERS

Dear Shareholders,

Your Directors present the Ninth Annual Report along with audited accounts for the year ended 31st March, 2010.

### SALES & PROFITS

The sales turnover of the company during the year has been higher at Rs.4028 lakhs compared to that of Rs.2871 lakhs in the previous year. The marginal loss of Rs.77.92 lakhs during the year indicates marked improvement in the working. The details of appropriations are given below. As there is no profit, no dividend is proposed both for Equity and Preference shares.

### FINANCIAL RESULTS

|                                                      | 2009-10       | 2008-09       |
|------------------------------------------------------|---------------|---------------|
|                                                      | Rs.           | Rs.           |
| Sales Turnover                                       | 402,757,441   | 287,095,823   |
| Gross Profit / (-) Loss                              | 18,066,131    | (-)25,505,334 |
| Depreciation                                         | 25,858,077    | 25,814,581    |
| Net Profit / (-) Loss                                | (-)7,791,946  | (-)51,319,915 |
| Balance brought forward from Profit and Loss Account | (-)38,211,420 | 7,759,495     |
| Excess Tax Provision reversed                        | 137,704       | —             |
| Amount available for appropriation                   | (-)45,865,662 | (-)43,560,420 |
| <b>APPROPRIATIONS/ADJUSTMENTS</b>                    |               |               |
| Fringe Benefit Tax                                   | —             | 310,000       |
| Provision for Bad Debts                              | 2,066,956     | —             |
| Deferred Tax Liability/ (Asset)                      | 2,896,800     | -5,659,000    |
| Balance carried to Balance Sheet                     | (-)50,829,418 | (-)38,211,420 |
| Total                                                | (-)45,865,662 | (-)43,560,420 |

### OPERATIONS

Continued unfavorable market conditions for yarn and worsening power situation restricted the improvement in production and sales. Rising raw material prices and longer power shutdowns in the later half of the year resulted in the Company not being able to reap the benefit of the turnaround in the yarn market.

There has been considerable improvement in production in the garment division thanks to employees training and improved utilization of production facilities. However the strengthening of rupee, the recession in the European market and the increased raw material cost affected the division's performance.



The income on account of power generation from wind mills is at about the same level as in the previous year. The income from wind mills is Rs.139.33 lakhs including carbon credit income of Rs.17.00 lakhs in the year.

**FINANCE:**

The working result of the current year signifies the turnaround in the operations of the Company. The Company has recorded a gross profit of Rs.180.66 lakhs against loss in the previous year. The net loss for the year after depreciation is Rs.77.92 lakhs.

The working capital limits have been renewed at the existing levels. We expect the interest rates to be reduced considering a better rating in view of the improved working during the year.

**DIRECTORS**

Sri. J. Anand and Sri. B. Selvarajan will be the Directors retiring by rotation at the ensuing Annual General Meeting and being eligible, they offer themselves for re- appointment.

**AUDIT COMMITTEE**

Sri. B. Selvarajan, Sri. N.M. Ananthapadmanabhan and Sri B.Sriram are the members of the Audit Committee. Sri. N.M. Ananthapadmanabhan is the Chairman. The Audit Committee met four times during the financial year 2009-10.

**INDUSTRIAL RELATIONS**

The relationship with the workmen has been cordial throughout the year

**INFORMATION IN ACCORDANCE WITH SECTION 217 OF THE COMPANIES ACTS, 1956**

There are no employees within the meaning of sub section (2A) of section 217 who are getting remuneration in excess of the amounts prescribed.

**Auditors:**

Sri. R. Gurubatham, Chartered Accountant, is the Auditor of the Company, who holds office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from him stating that the appointment, if made, will be within the prescribed limit under Section 224(1-B) of the Companies Act, 1956.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors wish to state:

1. that the appropriate accounting standards have been followed in the preparation of the annual accounts.
2. that your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable so as to give a true and fair view of the state



of affairs of the Company at the end of the financial year and also of Profit and loss Account of the Company for the period ended 31st March 2010.

3. that your Directors have taken proper care for the maintenance of adequate accounting records for the purpose of safeguarding the assets of the company and for preventing fraud and other irregularities.
4. that your Directors have prepared the annual accounts on a going concern basis.

#### **ACKNOWLEDGEMENT**

We would like to thank all the employees, customers, suppliers, bankers-State Bank of India, IndusInd Bank Limited and all those who have been associated with us for extending their support to the Company.

Coimbatore  
30.7.2010

By Order of the Board

**(Sd/-) V.J. Jayaraman**  
Chairman



# ANNEXURE TO DIRECTORS' REPORT

## DISCLOSURE OF PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

### FORM A

#### A) CONSERVATION OF ENERGY

Form for Disclosure of Particulars with respect to Conservation of Energy

| Sl. No.   | Particulars                                   | 2009-10    | 2008-09             |
|-----------|-----------------------------------------------|------------|---------------------|
| <b>A.</b> | <b>Power and Fuel Consumption</b>             |            |                     |
| 1         | Electricity                                   |            |                     |
|           | a) Purchased                                  |            |                     |
|           | Units*                                        | 5,755,620  | 5,489,279           |
|           | Total Amount (Rs.)                            | 24,455,822 | 23,633,750          |
|           | Rate/Unit (Rs.)                               | 4.25       | 4.31                |
|           | b) Own generation                             |            |                     |
|           | (i) Through diesel generators (units)         | 756181     | 482,600             |
|           | Units per ltr. Of diesel oil                  | 3.01       | 3.12                |
|           | Cost/unit (Rs.)                               | 9.80       | 10.35               |
|           | (ii) Through steam turbine/ generator (Units) | NIL        | NIL                 |
|           | (iii) Wind Mill Generation                    |            |                     |
|           | Units                                         |            |                     |
|           | Total Amount (Rs.)                            |            | Details given below |
| 2         | Coal                                          |            |                     |
|           | Quantity                                      | NIL        | NIL                 |
|           | Total Cost                                    | NIL        | NIL                 |
| 3         | Furnace Oil                                   |            |                     |
|           | Quantity                                      | NIL        | NIL                 |
|           | Total Amount                                  | NIL        | NIL                 |
| 4         | Others/internal generation                    |            |                     |
|           | Quantity                                      | NIL        | NIL                 |
|           | Total Cost                                    | NIL        | NIL                 |
| <b>B.</b> | <b>Consumption per unit of Production</b>     |            |                     |
|           | Cotton yarn in kgs                            | 1,590,891  | 1,368,048           |
|           | Electricity - units per kg of yarn*           | 4.06       | 4.17                |

\*Electricity consumption for Spinning division alone.

The power consumption from Electricity Board includes the wind energy power adjusted as given below:

| Details of the windmills       | Capacity       | Generation net of wheeling | Capacity       | Total generation net of wheeling |
|--------------------------------|----------------|----------------------------|----------------|----------------------------------|
|                                | <b>2009-10</b> |                            | <b>2008-09</b> |                                  |
| Owned by the Company           | 1.8 MW         | 38,13,450                  | 1.8 MW         | 31,03,692                        |
| Owned by the Holding Company   | 0.6 MW         | 12,88,017                  | 0.6 MW         | 10,49,691                        |
| Owned by the Associate Company | 0.75 MW        | 13,66,891                  | 2.35 MW        | 33,85,410                        |
| Total                          | 3.15 MW        | 64,68,358                  | 4.75 MW        | 75,38,793                        |
| Less: Wheeling Consn.          |                | 1,00,992                   |                |                                  |
| Adj. Against own consumption   |                | 51,21,467                  |                | 53,33,721                        |
| Balance Carried over *         |                | 12,45,899                  |                | 22,05,072                        |



Balance carried over is after adjustment of units brought forward from previous year, units banked/lapsed during the year .The loss on units lapsed/banked have been shared equally with the Windmill owners. The wind power from the Holding Company and the associate company has been purchased at the rate of Rs.3.50 per unit.

Details furnished above are in respect of production in the textile spinning units owned by the company. Power consumed in the unit where only twisting is done and also the power consumed for yarn produced outside on job work basis is not included above.

### FORM B

#### B) TECHNOLOGY ABSORPTION

| Sl.No | Particulars                                                                                                                                                                                                                               | Remarks                                                              |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
|       | <b>(A) RESEARCH AND DEVELOPMENT</b>                                                                                                                                                                                                       |                                                                      |
| 1     | Specific areas in which R & D is carried out by the Company                                                                                                                                                                               | Nil                                                                  |
| 2     | Benefit derived as a result of the above R & D                                                                                                                                                                                            | Not Applicable                                                       |
| 3     | Further plan of action                                                                                                                                                                                                                    | Not Applicable                                                       |
| 4     | Expenditure on R & D<br>(a) Capital<br>(b) Recurring<br>(c) Total<br>(d) Total expenditure as a percentage of Turnover                                                                                                                    | Not Applicable<br>Not Applicable<br>Not Applicable<br>Not Applicable |
|       | <b>(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION</b>                                                                                                                                                                               |                                                                      |
| 1     | Efforts in brief, made towards Technology absorption, adaptation and innovation                                                                                                                                                           | Nil                                                                  |
| 2     | Benefits derived as a result of the above efforts                                                                                                                                                                                         | Not Applicable                                                       |
| 3.    | Details of Technology imported during last 5 years<br>Technology imported<br>Year of Import<br>Has technology been fully absorbed<br>If not fully absorbed, areas where this has taken place, reasons therefore and future plan of action | Nil<br>Not Applicable<br>Not Applicable<br>Not Applicable            |

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

|                                        | 2009-10 | 2008-09 |
|----------------------------------------|---------|---------|
| <b>TOTAL FOREIGN EXCHANGE EARNED :</b> |         |         |
| Export of Garments                     | 1724    | 818     |
| <b>TOTAL FOREIGN EXCHANGE USED</b>     |         |         |
| Import of Accessories and spares       | 23      | 9       |
| Import of Raw materials                | 98      | 225     |
| Total Foreign Exchange used            | 121     | 234     |

**AUDITOR'S REPORT**

1. I have audited the attached Balance Sheet of M/s. VEEJAY LAKSHMI TEXTILES LIMITED, as at 31st March 2010, the Profit and Loss Account and also Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditor's Report) Amendment Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to my comments in the Annexure referred to in Paragraph 3 above, I report that :
  - i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit.
  - ii. In my opinion, proper books of accounts as required by law have been kept by the company so far as appears from my examination of such books.
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv. In my opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the Basis of written representations from the Directors, as on 31 st March, 2010 and taken on record by the Board of Directors, I report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - vi. In my opinion and to the best of my information and according to the explanations given to me, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India read with significant accounting policies and other notes thereon.
    - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 ;
    - b. in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
    - c. in the case of the Cash Flow Statement, of the Cash flow for the year ended on that date.

Coimbatore  
30.07.2010

**R. Gurubatham**, B.Com., F.C.A.,  
Chartered Accountant, Auditor  
Membership No. 200/21556



## ANNEXURE TO AUDITOR'S REPORT

Referred to in paragraph 3 of my report of even date,

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The Fixed assets of the company have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.  
(c) No substantial part of fixed assets of the company has been disposed off during the year.
2. (a) The inventories of the Company at all its locations have been physically verified during the year by the management. In my opinion, the frequency of verification is reasonable.  
(b) In my opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventories and the discrepancies between the physical inventories and the book records, which have been properly dealt with in the books of account, were not material.
3. In respect of loans, Secured or Unsecured, granted or taken by the company to or from Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act 1956, according to the information and explanations given to me:  
(a) The company has taken Unsecured Loan from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 252. 88 Lakhs and the year end balance of loans taken from such parties was Rs. 252. 88 Lakhs. The company has taken Unsecured Loans from its Directors . The maximum amount involved during the year was Rs. 886.62 Lakhs and the year end balance of loans taken from them was Rs. 886. 62 Lakhs.  
(b) In my opinion, the rate of interest and other terms and conditions on which the loans have been taken are not, prima facie, prejudicial to the interests of the company. The payment of interest and repayment of principal is as per the agreed terms.  
(c) There is no overdue amount of loans taken from or granted to Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In my opinion and according to the information and explanations given to me, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods. During the course of my audit, I have not observed any continuing failure to correct major weaknesses in internal controls.
5. In respect of transactions entered in the register maintained under section 301 of the Companies Act, 1956:  
(a) To the best of my knowledge and belief and according to the information and explanations given to me, the transactions that needed to be entered into the register have been so entered.  
(b) In my opinion, the aforesaid transactions have been made at prices which are reasonable having regard to prevailing market prices.
6. In my opinion and according to the information and explanations given to me, the Company has not accepted any deposits from Public.



7. In my opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. I have broadly reviewed the books of account 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 I am of the opinion that prima facie the prescribed accounts and records have been made and maintained. I have not, however, made a detailed examination of the records with a view to determining whether these are accurate or complete.
9. (a) The company is regular in depositing undisputed statutory dues including Employees' State Insurance, Income - Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to me no undisputed arrears of statutory dues were outstanding as such 31-3-2010 for a period of more than six months from the date they become payable.  
(b) At the end of the financial year, there were no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
10. The company has an accumulated loss of Rs. 5,08,29,418/- at the end of the financial year. The Company has not incurred cash losses during the financial year covered by my audit but has incurred cash loss in the immediately preceding financial year.
11. Based on my audit procedures and on the information and explanations given by the management, I am of the opinion that the company has not defaulted in repayment of dues to financial institutions and banks.
12. According to the information and explanations given to me, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a Chit Fund, or a Nidhi / Mutual Benefit Fund / Society and as such reporting under clause 4 (xiii) of the order is not applicable to the company.
14. The company is not dealing or trading in shares, securities, debentures and other investments and as such clause 4 (xiv) of the order is not applicable to the company.
15. The Company has not given any guarantee for the loans taken by others from Banks or Financial Institutions.
16. To the best of my knowledge and belief and according to the information and explanations given to me, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained.
17. On the basis of review of utilization of funds on an overall basis, in my opinion, the funds raised on short-term basis have not been used for long-term investment.
18. The company has not made any preferential allotment of shares during the year.
19. The company has not issued any debentures.
20. The Company has not raised money by public issue during the year.
21. During the course of my examination of the books of account carried out in accordance with the generally accepted auditing practices in India, I have not come across any instance of fraud on or by the Company nor have informed by the management of any such instance being noticed or reported during the year.

Coimbatore  
30.07.2010

**R. Gurubatham**, B.Com., F.C.A.,  
Chartered Accountant, Auditor  
Membership No. 200/21556





## BALANCE SHEET AS AT 31ST MARCH 2010

|                                                 | Schedule<br>No. | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|-------------------------------------------------|-----------------|---------------------------------|---------------------------------|
| <b>I. SOURCES OF FUNDS</b>                      |                 |                                 |                                 |
| 1. Share Holders' Funds                         |                 |                                 |                                 |
| A. Share Capital                                | 1               | 240,000,000                     | 240,000,000                     |
| B. Reserves and Surplus                         | 2               | 10,082,354                      | 10,082,354                      |
| 2. Loan Funds                                   |                 |                                 |                                 |
| A. Secured Loans                                | 3               | 234,398,259                     | 240,363,120                     |
| B. Unsecured Loans                              | 4               | 113,950,270                     | 76,922,850                      |
| 3. Deferred Tax Liability                       | 5               | 13,427,800                      | 10,531,000                      |
| <b>Total Funds employed</b>                     |                 | <b>611,858,683</b>              | <b>577,899,324</b>              |
| <b>II. APPLICATION OF FUNDS</b>                 |                 |                                 |                                 |
| 1. Fixed Assets                                 | 6               |                                 |                                 |
| A. Gross Block                                  |                 | 519,946,984                     | 514,292,957                     |
| B. Less Depreciation                            |                 | 109,510,075                     | 84,729,995                      |
| <b>C. Net Block</b>                             |                 | <b>410,436,909</b>              | <b>429,562,962</b>              |
| 2. Current Assets, Loans and Advances           | 7               |                                 |                                 |
| A. Inventories                                  |                 | 100,815,174                     | 67,708,663                      |
| B. Sundry Debtors                               |                 | 70,117,630                      | 37,636,171                      |
| C. Cash and Bank Balances                       |                 | 33,874,276                      | 828,231                         |
| D. Loans and Advances                           |                 | 46,998,886                      | 50,009,269                      |
| <b>Total Current Assets</b>                     |                 | <b>251,805,966</b>              | <b>156,182,334</b>              |
| <b>Less: Current Liabilities and Provisions</b> | 8               |                                 |                                 |
| A. Current Liabilities                          |                 | 99,551,662                      | 44,302,498                      |
| B. Provisions                                   |                 | 1,781,948                       | 1,994,894                       |
| <b>Total Current Liabilities</b>                |                 | <b>101,333,610</b>              | <b>46,297,392</b>               |
| <b>Net Current Assets</b>                       |                 | <b>150,472,356</b>              | <b>109,884,942</b>              |
| 3. Miscellaneous Expenditure & Losses           | 9               | 50,949,418                      | 38,451,420                      |
| <b>Total Application of Funds</b>               |                 | <b>611,858,683</b>              | <b>577,899,324</b>              |

Schedules 1 to 9 and notes on Schedule 17 form part of this Balance Sheet

Coimbatore  
30.07.2010

As per my report attached  
(Sd/-) R. GURUBATHAM  
Chartered Accountant, Auditor

(Sd/-) V.J. JAYARAMAN  
Chairman

(Sd/-) J. ANAND  
Managing Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

|                                                     | Schedule<br>No. | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|-----------------------------------------------------|-----------------|--------------------------------------|--------------------------------------|
| <b>I. INCOME</b>                                    |                 |                                      |                                      |
| 1. Sales                                            | 10              | <b>402,757,441</b>                   | 287,095,823                          |
| 2. Increase/Decrease in Finished Goods              | 11              | <b>-15,059,128</b>                   | 15,873,925                           |
| 3. Other Income                                     | 12              | <b>10,412,580</b>                    | 1,376,653                            |
| <b>Total</b>                                        |                 | <b>398,110,893</b>                   | 304,346,401                          |
| <b>II. EXPENDITURE</b>                              |                 |                                      |                                      |
| 1. Materials consumed                               | 13              | <b>167,222,474</b>                   | 145,189,972                          |
| 2. Payment to and Provision for employees           | 14              | <b>64,879,166</b>                    | 56,886,068                           |
| 3. Stores Consumed                                  |                 | <b>12,890,209</b>                    | 7,858,402                            |
| 3. Other expenses                                   | 15              | <b>107,895,976</b>                   | 95,176,029                           |
| 4. Finance Charges                                  | 16              | <b>27,156,937</b>                    | 24,741,264                           |
| 5. Depreciation                                     |                 | <b>25,858,077</b>                    | 25,814,581                           |
| <b>Total</b>                                        |                 | <b>405,902,839</b>                   | 355,666,316                          |
| <b>III. PROFIT</b>                                  |                 |                                      |                                      |
| 1. Balance brought forward                          |                 | <b>-38,211,420</b>                   | 7,759,495                            |
| 2. Profit for the year                              |                 | <b>-7,791,946</b>                    | -51,319,915                          |
| 3. Excess Tax Provision reversed                    |                 | <b>137,704</b>                       | —                                    |
| <b>Amount available for appropriation</b>           |                 | <b>(45,865,662)</b>                  | -43,560,420                          |
| <b>Appropriations</b>                               |                 |                                      |                                      |
| 1. Fringe Benefit Tax                               |                 | -                                    | 310,000                              |
| 2. Provision for Bad Debts                          |                 | <b>2,066,956</b>                     | -                                    |
| 3. Deferred Tax Liability/ (Asset) for current year |                 | <b>2,896,800</b>                     | -5,659,000                           |
| 4. Balance Carried to the Balance Sheet             |                 | <b>-50,829,418</b>                   | -38,211,420                          |
| <b>Total</b>                                        |                 | <b>(45,865,662)</b>                  | -43,560,420                          |
| Earning per Share (Face value of Rs.10- per Share)  |                 | (0.41)                               | (3.83)                               |

Schedules 10 to 16 and notes on Schedule 17 form part of this Profit and Loss Account

Coimbatore  
30.07.2010

As per my report attached  
(Sd/-) **R. GURUBATHAM**  
Chartered Accountant, Auditor

(Sd/-) **V.J. JAYARAMAN**  
Chairman

(Sd/-) **J. ANAND**  
Managing Director



## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010

|                                                                                                                                            | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 1- SHARE CAPITAL</b>                                                                                                           |                                 |                                 |
| <b>Authorised :</b>                                                                                                                        |                                 |                                 |
| 1,20,00,000 Equity shares of Rs.10/- each                                                                                                  | 120,000,000                     | 120,000,000                     |
| 1,20,00,000, 6 % Non-Cumulative<br>Redeemable Preference shares of Rs.10/- each                                                            | 120,000,000                     | 120,000,000                     |
|                                                                                                                                            | <u>240,000,000</u>              | <u>240,000,000</u>              |
| <b>Issued, Subscribed and Paid up :</b>                                                                                                    |                                 |                                 |
| 1,20,00,000 Equity shares of Rs.10/-each fully paid up                                                                                     | 12,00,00,000                    | 12,00,00,000                    |
| 1,20,00,000, 6 % Non-Cumulative Redeemable Preference<br>Shares of Rs.10/- each fully paid up                                              | 120,000,000                     | 120,000,000                     |
| (The 6% Non-Cumulative Redeemable Preference Shares<br>are redeemable at any time before expiry of 20 years<br>from the date of allotment) |                                 |                                 |
| Total                                                                                                                                      | <u>240,000,000</u>              | <u>240,000,000</u>              |

## SCHEDULE 2 - RESERVES AND SURPLUS

### CAPITAL RESERVE

|                           |                   |                   |
|---------------------------|-------------------|-------------------|
| As per last Balance Sheet | 10,082,354        | 10,082,354        |
| Total                     | <u>10,082,354</u> | <u>10,082,354</u> |



## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010

|                                                                                                                                                              | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 3 - SECURED LOANS</b>                                                                                                                            |                                 |                                 |
| <b>Term Loans :</b>                                                                                                                                          |                                 |                                 |
| State Bank of India                                                                                                                                          | <b>110,824,903</b>              | 110,523,893                     |
| Indus Ind Bank                                                                                                                                               | <b>30,849,000</b>               | 40,845,000                      |
| (Secured by a charge on the specific items of<br>Fixed Assets acquired out of the Term Loans<br>and a charge on other Fixed Assets on pari passu basis.)     |                                 |                                 |
| <b>Working Capital Facilities:</b>                                                                                                                           |                                 |                                 |
| State Bank of India                                                                                                                                          | <b>75,608,150</b>               | 68,531,889                      |
| Indusind Bank                                                                                                                                                | <b>17,116,206</b>               | 20,462,338                      |
| (Secured by the hypothecation of Stock-in-Trade,<br>receivables and other current assets and by a<br>second charge on the Fixed Assets on pari passu basis.) |                                 |                                 |
| The Holding Company has guaranteed all the<br>above credit facilities.                                                                                       |                                 |                                 |
| Total                                                                                                                                                        | <b>234,398,259</b>              | 240,363,120                     |
| <b>SCHEDULE 4 - UNSECURED LOANS</b>                                                                                                                          |                                 |                                 |
| From a Company                                                                                                                                               | <b>25,288,103</b>               | 22,500,000                      |
| From Directors                                                                                                                                               | <b>88,662,167</b>               | 54,422,850                      |
| Total                                                                                                                                                        | <b>113,950,270</b>              | 76,922,850                      |
| <b>SCHEDULE 5 - DEFERRED TAX LIABILITY</b>                                                                                                                   |                                 |                                 |
| As per last Balance Sheet                                                                                                                                    | <b>10,531,000</b>               | 16,190,000                      |
| Less: During the year Liability / (Asset)                                                                                                                    | <b>2,896,800</b>                | (5,659,000)                     |
| Total                                                                                                                                                        | <b>13,427,800</b>               | 10,531,000                      |

## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010

### Schedule 6 - Fixed Assets

|                                   | GROSS BLOCK             |            |                     |                         | DEPRECIATION       |                 |                                 |                    | NET BLOCK           |                     |
|-----------------------------------|-------------------------|------------|---------------------|-------------------------|--------------------|-----------------|---------------------------------|--------------------|---------------------|---------------------|
| Assets                            | Cost upto<br>31.03.2009 | Additions  | Sales/<br>Transfers | Cost upto<br>31.03.2010 | Upto<br>31.03.2009 | For the<br>year | Withdrawn<br>during<br>the Year | Upto<br>31.03.2010 | As at<br>31.03.2010 | As at<br>31.03.2009 |
|                                   | Rs.                     | Rs.        | Rs.                 | Rs.                     | Rs.                | Rs.             | Rs.                             | Rs.                | Rs.                 | Rs.                 |
| Land                              | 89,924,447              | -          | -                   | 89,924,447              | -                  | -               | -                               | -                  | 89,924,447          | 89,924,447          |
| Buildings                         | 140,707,302             | 674,181    | -                   | 141,381,483             | 6,712,894          | 2,078,901       | -                               | 8,791,795          | 132,589,688         | 133,994,408         |
| Machinery                         | 251,902,282             | 3,335,591  | 1,956,539           | 253,281,334             | 71,929,760         | 21,350,394      | 1,077,997                       | 92,202,157         | 161,079,177         | 179,972,522         |
| Electrical<br>Equipments          | 9,981,138               | 2,352,186  | -                   | 12,333,324              | 2,066,376          | 556,292         | -                               | 2,622,668          | 9,710,656           | 7,914,762           |
| Vehicle                           | 4,121,488               | -          | -                   | 4,121,488               | 1,008,546          | 377,328         | -                               | 1,385,874          | 2,735,614           | 3,112,942           |
| Furniture and<br>Office Equipment | 17,656,300              | 1,248,608  | -                   | 18,904,908              | 3,012,419          | 1,495,162       | -                               | 4,507,581          | 14,397,327          | 14,643,881          |
| Total                             | 514,292,957             | 7,610,566  | 1,956,539           | 519,946,984             | 84,729,995         | 25,858,077      | 1,077,997                       | 109,510,075        | 410,436,909         | 429,562,962         |
| Previous Year                     | 501,465,422             | 15,426,773 | 2,599,238           | 514,292,957             | 59,835,366         | 25,814,581      | 919,952                         | 84,729,995         | 429,562,962         | 441,630,056         |

**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010**

|                                                          | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|----------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 7 - CURRENT ASSETS, LOANS AND ADVANCES</b>   |                                 |                                 |
| <b>a) Inventories</b>                                    |                                 |                                 |
| Raw Materials                                            | 54,054,509                      | 20,034,974                      |
| Work-in-Progress                                         | 31,756,618                      | 18,356,332                      |
| Finished Goods                                           | 8,723,817                       | 23,851,969                      |
| Waste and Scrap                                          | 119,503                         | 50,479                          |
| Stores and Spares                                        | 6,160,727                       | 5,414,909                       |
| Sub Total                                                | 100,815,174                     | 67,708,663                      |
| <b>b) Sundry Debtors</b><br>(Unsecured-considered good)  |                                 |                                 |
| Debts outstanding for a period exceeding six months      | 4,603,593                       | 3,532,076                       |
| Other Debts                                              | 67,680,799                      | 34,425,392                      |
|                                                          | 72,284,392                      | 37,957,468                      |
| Less: Provision for Bad Debts                            | 2,166,762                       | (321,297)                       |
| Sub Total                                                | 70,117,630                      | 37,636,171                      |
| <b>c) Cash and Bank balances</b>                         |                                 |                                 |
| Cash on hand                                             | 655,403                         | 523,512                         |
| Cash with Scheduled Banks - In Current Account           | 161,612                         | 304,719                         |
| - In Deposit Account                                     | 33,057,261                      | -                               |
| Sub Total                                                | 33,874,276                      | 828,231                         |
| <b>d) Loans and Advances (Unsecured-considered good)</b> |                                 |                                 |
| Advances recoverable in Cash or in kind                  | 16,013,784                      | 18,843,885                      |
| Deposits                                                 | 5,586,234                       | 7,821,962                       |
| Prepaid expenses                                         | 507,319                         | 169,669                         |
| Other Receivables                                        | 20,295,872                      | 16,642,650                      |
| Advance Tax and TDS                                      | 4,595,677                       | 6,531,103                       |
| Sub Total                                                | 46,998,886                      | 50,009,269                      |
| Total                                                    | 251,805,966                     | 156,182,334                     |



## SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010

|                                                        | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|--------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 8 - CURRENT LIABILITIES AND PROVISIONS</b> |                                 |                                 |
| <b>a) Current Liabilities :</b>                        |                                 |                                 |
| Liability for supplies and services                    | 16,497,377                      | 32,540,833                      |
| Due to Holding Company                                 | 72,178,256                      | -                               |
| Liability for expenses                                 | 7,620,582                       | 5,770,845                       |
| Liability for other finance                            | 3,240,127                       | 3,092,081                       |
| Advance received against sales                         | 15,320                          | 2,898,739                       |
| Sub Total                                              | <u>99,551,662</u>               | <u>44,302,498</u>               |
| <b>b) Provisions</b>                                   |                                 |                                 |
| Provision for Gratuity                                 | 1,781,948                       | 1,684,894                       |
| Provision for Fringe Benefit Tax                       | -                               | 310,000                         |
| Sub Total                                              | <u>1,781,948</u>                | <u>1,994,894</u>                |
| Total                                                  | <u>101,333,610</u>              | <u>46,297,392</u>               |

## SCHEDULE 9 - MISCELLANESOUS EXPENDITURE AND LOSSES

### Preliminary Expenses

|                           |                   |                   |
|---------------------------|-------------------|-------------------|
| As per last Balance Sheet | 240,000           | 360,000           |
| Less: Written Off         | 120,000           | 120,000           |
|                           | <u>120,000</u>    | <u>240,000</u>    |
| Profit & Loss Account     | 50,829,418        | 38,211,420        |
| Total                     | <u>50,949,418</u> | <u>38,451,420</u> |

Coimbatore  
30.07.2010

As per my report attached  
(Sd/-) **R. GURUBATHAM**  
Chartered Accountant, Auditor

(Sd/-) **V.J. JAYARAMAN**  
Chairman

(Sd/-) **J. ANAND**  
Managing Director

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

|                                                          | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|----------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>SCHEDULE -10 SALES/INCOME FROM OPERATIONS</b>         |                                      |                                      |
| Sale of Finished goods                                   | 358,141,041                          | 254,737,623                          |
| Sale of Waste and Scrap                                  | 10,932,144                           | 6,431,018                            |
| Export Incentives & Benefits                             | 18,934,817                           | 7,799,418                            |
| Wind Energy Income                                       | 13,933,405                           | 13,988,396                           |
| Processing charges                                       | 816,034                              | 4,139,368                            |
| Total                                                    | 402,757,441                          | 287,095,823                          |
| <b>SCHEDULE 11 - INCREASE/DECREASE IN FINISHED GOODS</b> |                                      |                                      |
| Closing Stock - Finished Goods                           | 8,723,817                            | 23,851,969                           |
| Waste and Scrap                                          | 119,503                              | 50,479                               |
| Sub Total                                                | 8,843,320                            | 23,902,448                           |
| Less                                                     |                                      |                                      |
| Opening Stock - Finished Goods                           | 23,851,969                           | 7,984,985                            |
| Waste and Scrap                                          | 50,479                               | 43,538                               |
| Sub Total                                                | 23,902,448                           | 8,028,523                            |
| Total                                                    | (15,059,128)                         | 15,873,925                           |
| <b>SCHEDULE 12 - OTHER INCOME</b>                        |                                      |                                      |
| Interest receipts (TDS Rs. 17,591/- )                    | 1,762,810                            | 321,915                              |
| Miscellaneous Income                                     | 1,729,030                            | -                                    |
| Profit on sale of Assets                                 | 4,797,977                            | 1,054,738                            |
| Exchange Gain                                            | 2,122,763                            | -                                    |
| Total                                                    | 10,412,580                           | 1,376,653                            |
| <b>SCHEDULE 13 - RAW MATERIALS CONSUMED</b>              |                                      |                                      |
| Opening Stock                                            |                                      |                                      |
| Raw materials                                            | 20,034,974                           | 32,381,788                           |
| Work in Progress                                         | 18,356,332                           | 21,674,933                           |
|                                                          | 38,391,306                           | 54,056,721                           |
| Purchases during the year                                | 214,642,295                          | 129,524,557                          |
| Sub Total                                                | 253,033,601                          | 183,581,278                          |
| Less: Closing Stock                                      |                                      |                                      |
| Raw materials                                            | 54,054,509                           | 20,034,974                           |
| Work-in-Progress                                         | 31,756,618                           | 18,356,332                           |
| Sub Total                                                | 85,811,127                           | 38,391,306                           |
| Total                                                    | 167,222,474                          | 145,189,972                          |




**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

|                                                             | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|-------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>SCHEDULE 14 - PAYMENT TO AND PROVISION FOR EMPLOYEES</b> |                                      |                                      |
| Salary, Wages, etc.,                                        | 57,695,835                           | 50,350,293                           |
| Contribution to Provident Fund                              | 3,097,828                            | 2,872,654                            |
| Welfare expenses                                            | 4,085,503                            | 3,663,121                            |
| Total                                                       | <u>64,879,166</u>                    | <u>56,886,068</u>                    |
| <b>SCHEDULE 15 - OTHER EXPENSES</b>                         |                                      |                                      |
| Conversion Charges                                          | 49,072,628                           | 37,208,228                           |
| Power and Fuel                                              | 33,474,710                           | 32,629,058                           |
| Freight                                                     | 3,113,780                            | 1,916,849                            |
| Printing and Stationery                                     | 577,731                              | 458,552                              |
| Postage and Telephone                                       | 1,843,463                            | 1,189,567                            |
| Travelling and Vehicle Maintenance                          | 6,755,535                            | 6,753,568                            |
| Insurance                                                   | 485,972                              | 459,445                              |
| Rent                                                        | 833,803                              | 2,177,384                            |
| Licence and Taxes                                           | 774,610                              | 506,242                              |
| Sales commission                                            | 3,860,196                            | 1,045,780                            |
| Sales expenses                                              | 62,427                               | 64,620                               |
| Subscription and periodicals                                | 78,750                               | 79,947                               |
| Directors' Sitting Fees                                     | 27,000                               | 24,000                               |
| Auditor's remuneration                                      | 20,000                               | 20,000                               |
| Legal and Professional charges                              | 724,445                              | 1,769,090                            |
| Repairs and Maintenance-Buildings                           | 762,028                              | 1,203,434                            |
| Repairs and Maintenance-Machinery                           | 5,250,417                            | 5,811,461                            |
| Repairs and Maintenance-Others                              | 58,481                               | 940,119                              |
| Preliminary Expenses written Off                            | 120,000                              | 120,000                              |
| Foreign Exchange Lose                                       | —                                    | 205,109                              |
| Miscellaneous Expenses                                      | —                                    | 593,576                              |
| Total                                                       | <u>107,895,976</u>                   | <u>95,176,029</u>                    |
| <b>SCHEDULE 16 - FINANCE CHARGES</b>                        |                                      |                                      |
| Interest on Fixed Loans                                     | 11,849,192                           | 7,978,716                            |
| Interest on loan from directors                             | 6,926,634                            | 4,471,357                            |
| Interest on others and Bank charges                         | 8,381,111                            | 12,291,191                           |
| Total                                                       | <u>27,156,937</u>                    | <u>24,741,264</u>                    |

Coimbatore  
30.07.2010

As per my report attached  
(Sd/-) **R. GURUBATHAM**  
Chartered Accountant, Auditor

(Sd/-) **V.J. JAYARAMAN**  
Chairman

(Sd/-) **J. ANAND**  
Managing Director

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****SCHEDULE 17****1 SIGNIFICANT ACCOUNTING POLICIES**

- a. **System of Accounting** : The Financial Statements are prepared under historical cost convention and on accrual basis in accordance with the applicable accounting standards.
- b. **Use of Estimates** : The preparation of the financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known / materialized.
- c. **Recognition of Income and Expenditure** : Revenue from sale transaction is recognized as and when the property in the goods is sold / transferred to the buyer for a definite consideration. Revenue from service transactions and other source is recognized on the completion of the contract. Export incentives are recognized when the right to receive payments / credit is established and there is no uncertainty regarding the amount of consideration or its collectability.
- d. **Fixed Assets / Borrowing Costs**: Fixed Assets are capitalized at cost inclusive of erection expenses and other incidental expenses in connection with the acquisition of the assets and net of Cenvat Credit / TED and VAT, if any, to the extent it could be adjusted against the Excise Duty / VAT liability of the Company. The borrowing cost on the additions to fixed assets is capitalized in accordance with AS 16.
- e. **Depreciation** : Depreciation has been provided on straight- line Method in respect of all the assets in accordance with Schedule XIV of the Companies Act, 1956. Depreciation on additions during the year has been provided on pro-rata for the period for which the assets have been put to use. Wind Turbines have been classified as continuous process plants and depreciated accordingly as has been done in the past. For assets of value less than Rs. 5,000/- acquired during the year, 100% depreciation has been provided.
- f. **Taxation** : Provision for taxation is made as per essential total income after considering various reliefs under the provisions of the Income Tax Act, 1961. The book profit tax paid in accordance with Section 115JB, which is in excess of the normal tax due and which can be adjusted against tax liability for future periods, is treated as advance tax. In accordance with AS 22, the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted as of the balance sheet date

**g. Inventory Valuation:**

| Sl.No | Particulars      | Basis                                                         |
|-------|------------------|---------------------------------------------------------------|
| 1     | Raw Material     | At identified lot costs or market value, whichever is lower   |
| 2     | Finished Goods   | At cost or net realizable value, whichever is lower           |
| 3     | Work-in-progress | At estimated cost or net realizable value, whichever is lower |
| 4     | Waste            | At realizable value                                           |
| 5     | Stock of Stores  | At cost                                                       |



## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010

### Schedule 17 (Contd.)

- h. Employee Benefits:** The provision has been made as required under AS 15. Bonus has been provided as per practice followed in earlier years. Provision for Gratuity, Leave encashment and accumulated compensated absences have been made based on the actuarial valuation.
- i. Foreign Exchange Transactions :** The transactions in respect of import of materials and export sales have been accounted for at the rates of exchange prevailing on the date of the transactions. However, in respect of transactions remaining unpaid / unrealized, exchange rates prevailing at the end of the year have been adopted. Difference arising out of fluctuation in the exchange for the above transaction has been taken to a separate account, which is debited / credited to the Profit and Loss Account.

Wherever Forward Contracts have been entered, the premium or discount has been recognized over the period of the contract and the exchange differences on these contracts have been adjusted during the period in which the differences have taken place. All forward contracts have been entered only for import or export transactions of the Company and no contract has been entered for speculative purposes. The company has no foreign operations.

- j. Impairment of Assets :** The carrying amount of the fixed assets is reviewed for provision for impairment as required under AS 28. In the opinion of the Company, the recoverable amount of the fixed assets of the company will not be lower than the book value of the fixed assets. Hence no provision has been made for impairment.
- k. 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 an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes to financial statements. Contingent assets are neither recognized nor disclosed in the financial statements. Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date and adjusted to reflect the current best estimates.
- l. Earnings Per Share :** Basic Earning per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year
- m. Cash flow Statement :** Cash flows are reported using the indirect method. Closing balances of cash includes cash and cash equivalents in hand and balances in bank in current accounts.
- n. Segment Reporting :** Business segments are identified based on the nature of products and services. For reporting the business has been split into two segments - one representing Textile activities manufacturing textile products and the other representing the generation of power by wind energy.

Power generated from windmills is wheeled through Electricity Board and adjusted against the consumption of power by the company. The entire value of power generated is treated as sale to Electricity Board and included in the sales turnover. The adjustment of self consumption is not considered for Inter Segment Revenue/Adjustments, as has been done in the past.



**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010**  
**Schedule 17 (Contd.)**

**2. LICENCED & INSTALLED CAPACITY**

| Particulars              | 2009-2010 | 2008-2009 |
|--------------------------|-----------|-----------|
| No of Spindles Installed | 12,480    | 12,480    |

**3. FINISHED GOODS**

|                              | 2009-10    |              | 2008-09    |             |
|------------------------------|------------|--------------|------------|-------------|
| <b>COTTON YARN</b>           | Qty in Kgs | Value in Rs. | Qty in Kgs | Value in Rs |
| Opening Stock                | 68,666     | 7,954,219    | 9,697      | 1,128,867   |
| Production                   | 695,427    |              | 687,269    |             |
| Sales                        | 741,598    | 106,735,111  | 628,300    | 80,297,749  |
| Closing Stock                | 22,495     | 2,451,918    | 68,666     | 7,954,219   |
| <b>FABRIC &amp; GARMENTS</b> |            |              |            |             |
| Sales                        |            | 251,405,930  |            | 174,439,873 |
| Closing Stock                |            | 6,271,899    |            | 15,897,750  |
| Sale of Waste                |            | 1,997,392    |            | -           |
| <b>COTTON WASTE</b>          |            |              |            |             |
| Opening Stock                | 6,718      | 49,614       | 4,010      | 43,268      |
| Production                   | 335,397    |              | 219,576    |             |
| Sales                        | 337,699    | 8,934,752    | 216,868    | 5,153,620   |
| Closing Stock                | 4,416      | 119,503      | 6,718      | 49,614      |

\* Net of Yarn / Waste issued for production.

**4. CONSUMPTION OF MATERIALS**

|                                 | 2009-10     |              | 2008-09     |              |
|---------------------------------|-------------|--------------|-------------|--------------|
|                                 | Qty. in Kgs | Value in Rs. | Qty. in Kgs | Value in Rs. |
| Cotton                          | 2,019,010   | 140,012,301  | 1,786,626   | 129,445,201  |
| Yarn, Fabrics and Accessories / |             | 27,210,173   |             | 15,744,771   |
| Total                           |             | 167,222,474  |             | 145,189,972  |

**5. EXPENDITURE IN FOREIGN CURRENCY**

|                                      | 2009-10      |                         | 2008-09      |                        |
|--------------------------------------|--------------|-------------------------|--------------|------------------------|
| A. Value of Imports CIF              | Value in Rs. |                         | Value in Rs. |                        |
| i. Raw Materials & Accessories       | 11,821,726   |                         | 22,548,822   |                        |
| ii. Capital Goods & Machinery Spares | 304,874      |                         | -            |                        |
| B. Consumption                       | Value in Rs. | % of Total consumption. | Value in Rs. | % of Total consumption |
| i. Raw Materials-Imported            | 13,082,487   | 7.82                    | 22,548,822   | 15.53                  |
| ii Raw Materials-Indigenous          | 154,139,987  | 92.18                   | 122,641,150  | 84.47                  |
| Total                                | 167,222,474  | 100.00                  | 145,189,972  | 100.00                 |



## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010

## Schedule 17 (Contd.)

|                                 |             |            |
|---------------------------------|-------------|------------|
| C. Earnings in Foreign Exchange | 2009-10     | 2008-09    |
| Exports of Garments             | 172,371,691 | 81,841,229 |

## 6. AUDITOR'S REMUNERATION

|                                      | 2009-10<br>Rs. | 2008-09<br>Rs. |
|--------------------------------------|----------------|----------------|
| Audit Fees                           | 20,000         | 20,000         |
| Other fees-Taxation matters, etc., * | 33,000         | 33,250         |
| Total                                | 53,000         | 53,250         |

\*Debited to Legal and Professional charges.

## 7. RELATED PARTY DISCLOSURES FOR THE YEAR ENDED 31.03.2010 (Rs. In Lakhs)

|                                                                                                         | Associate<br>Companies/Firms | Holding<br>Company   | Key<br>Managerial<br>Personnel |
|---------------------------------------------------------------------------------------------------------|------------------------------|----------------------|--------------------------------|
| Purchase of Goods and Services-<br>Raw materials & Spares                                               | 54.95<br>(4.39)              | 367.94<br>(6.39)     | -<br>-                         |
| Sale of Goods and Services                                                                              | 0.34<br>-                    | -<br>(8.66)          | -<br>-                         |
| Finance including Loans, Advances and<br>Share Capital Contribution in Cash or kind<br>as on 31.03.2010 | -<br>-                       | 2400.00<br>(2400.00) | -<br>-                         |
| Out standings due from the Company<br>as on 31.03.2010                                                  | 71.24<br>(62.39)             | 721.78<br>-          | -<br>-                         |
| Out standings due to the Company<br>as on 31.03.2010                                                    | -<br>-                       | -<br>-               | -<br>-                         |
| Unsecured Loans                                                                                         | 252.88<br>(225.00)           | -<br>-               | 886.32<br>(544.23)             |
| Interest on Loans                                                                                       | 18.95<br>(8.93)              | -<br>-               | 40.84<br>(35.78)               |

Previous year's figures given in bracket.

There are no doubtful debts from the above parties on the balance sheet date and no amount has been written off or written back from the above parties during the year.

Names of Associate Companies and Firms (Companies and firms in which the Directors are associated as Directors/Partners or Proprietors)

**A. Companies/firms with which the company had transactions during the year.**

1. M/s. Veejay Lakshmi Engineering Works Ltd
2. M/s. Veejay Marketing
3. M/s. Veejay Sales and Services Limited



Approvals have been taken/applied from the Central Government for the transactions with the above parties wherever necessary and no contract is detrimental to the interest of the company.

**B. Companies/firms with which the company had no transactions during the year.**

1. M/s. Veejay Terry Products Limited
2. M/s. Veejay Syntex Private Limited
3. M/s. Veejay Tool & Die Private Limited
4. M/s. Veejay Yarns & Fabrics Private Limited
5. M/s. Lakshmi Electrical Control Systems Ltd.,
6. M/s. The Krishna Mills (P) Ltd.,
7. M/s. The Suguna Mills (P) Ltd.,
8. M/s. Prathishta Weaving & Knitting Co. Ltd.,

**C. Name of the Holding Company**

M/s. Veejay Lakshmi Engineering Works Limited

**D. Name of the Key Managerial Personnel**

- 1) Sri. V.J. Jayaraman, Chairman
- 2) Sri. J. Anand, Managing Director

**E. Relatives of the Key Managerial Personnel**

- 1) Smt. J. Vidya W/o Sri. V.J. Jayaraman
- 2) Smt. Arthi Anand W/o Sri. J. Anand

**8. Earnings per share (Face value Rs.10/- per share)**

| Particulars                                              | 31-03-2010<br>Rs. | 31-03-2009<br>Rs. |
|----------------------------------------------------------|-------------------|-------------------|
| a) Profit/Loss for the year as per Profit & Loss Account | (7.791, 946)      | (51,319,915)      |
| b) Less: Taxes paid                                      | -                 | (310.00)          |
| c) Deferred Tax                                          | 2,896,800         | 5,659,000         |
| d) Other Expenses                                        | -                 | -                 |
| e) Provision after Gratuity for earlier years            | -                 | -                 |
| f) Profit after Taxes & Deferred Tax                     | (4,895,146)       | (45,970,915)      |
| g) Number of equity shares                               | 12,000,000        | 1,20,00,000       |
| EPS / DILUTED EPS                                        | (0.41)            | (3.83)            |

9. The Deferred Tax Liability and Deferred Tax Assets as at 31-03-2010 computed as per AS 22 is given as under.

|                            | 31-03-2010<br>Rs. | 31-03-2009<br>Rs. |
|----------------------------|-------------------|-------------------|
| Deferred Tax Liability     | 42,292,150        | 41,458,220        |
| Deferred Tax Assets        | 28,864,350        | 30,927,220        |
| Net Deferred Tax Liability | 13,427,800        | 10,531,000        |

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)**

Details for Deferred Tax Liabilities / Assets :

| Nature of Item                            | 2009-10             |                      | 2008-09         |                      |
|-------------------------------------------|---------------------|----------------------|-----------------|----------------------|
|                                           | Value<br>in Rs.     | Tax Amount<br>in Rs. | Value<br>in Rs. | Tax Amount<br>in Rs. |
| On account of Depreciation<br>- Liability | <b>12,44,25,270</b> | <b>4,22,92,150</b>   | 12,77,80,000    | 4,14,58,220          |
| On account of Carry over loss<br>- Asset  | <b>8,49,20,120</b>  | <b>2,88,64,350</b>   | 9,53,22,000     | 3,09,27,220          |

10. Contingent Liabilities and claims against the company not acknowledged as debts.
- Claims from workmen not acknowledged as debts Rs. 28.18 lakhs (Previous year Rs.26.88 lakhs)
  - Guarantees given on behalf of Directors or other officers of the Company- Nil (Previous year Nil)
  - LCs/Guarantees executed By Banks Rs. 7.82 lakhs (Previous year Rs. 0.35 lakhs)
  - Guarantee issued on behalf of an associate Company in which Directors are interested. Rs. Nil (Previous Year Rs. Nil)
  - The company has imported cotton against advance licenses with an obligation for exports. The interest liability proportionate on payment of duty for non fulfillment of export obligation pending as at 31-03-2010 is Rs 24.92 lakhs. (Previous Year Rs. 24.92 lakhs)
  - The Company has imported capital goods under EPCG License free of duty against Advance Licenses with an obligation for export. The duty liability proportionate to export obligation pending as at 31.03.2010 is Nil. (Previous year Rs.7.94 lakhs.)
  - Estimated amount of capital contracts remaining to be executed: Nil (Previous year Rs. Nil lakhs)
11. Gain or loss on account of exchange differences is given below:
- The amount of exchange difference included in the net profit or loss for the period- Rs. 21.23 lakhs (Profit) (Previous Year Rs. 2.05 lakhs (Loss)).
  - The Company does not have any foreign operations and no other exchange variation to be disclosed as in the accounting standard 11.

The Company has entered into the following forward contracts that are outstanding as at 31st March 2010 to hedge the foreign currency risks of firms commitments :

| Particulars                    | As at<br>31st March 2010 | As at<br>31st March 2009 |
|--------------------------------|--------------------------|--------------------------|
| Nature of contracts            | Forward Cover            | Forward Cover            |
| Number of contracts            | 5                        | 2                        |
| Foreign Currency Amount in USD | 2,59,000                 | 4,64,000                 |
| GBP                            | 62,000                   |                          |

12. The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, has been determined to the extent such parties have been identified on

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)**

the basis of the information available with the Company. There are no overdues to parties on account of principal amount and or / interest and accordingly no additional disclosures have been made.

**13. Segment Report for the year ended 31 st March 2010**

(Rs. in Lakhs)

| Revenue                                      | 31st March 2010  |                   |       | 31st March 2009  |                   |       |
|----------------------------------------------|------------------|-------------------|-------|------------------|-------------------|-------|
|                                              | Textile Division | Windmill Division | Total | Textile Division | Windmill Division | Total |
| External Sales                               | 3889             | 139               | 4028  | 2652             | 140               | 2792  |
| Inter Segment Transfers                      |                  |                   |       | -                | -                 | -     |
| Total Revenue                                | 3889             | 139               | 4028  | 2652             | 140               | 2792  |
| Result                                       |                  |                   |       | -                | -                 | -     |
| Segment Result                               | 38               | 90                | 128   | -371             | 91                | -280  |
| Un allocated Corporate Expenses              |                  |                   |       | -                | -                 | -     |
| Operating Profit                             | -                | -                 | 128   | -                | -                 | -280  |
| Less: Interest Expense                       | -                | -                 | -272  | -                | -                 | -247  |
| Interest Income                              | -                | -                 | 18    | -                | -                 | 3     |
| Income Taxes                                 | -                | -                 | -     | -                | -                 | -     |
| Unallocable Income                           | -                | -                 | -     | -                | -                 | -     |
| Profit from Ordinary Activities              | -                | -                 | -126  | -                | -                 | -524  |
| Extra Ordinary Items                         | -                | -                 | 48    | -                | -                 | 11    |
| Net Profit                                   | -                | -                 | -78   | -                | -                 | -513  |
| Other Information                            | -                | -                 | -     | -                | -                 | -     |
| Segment Assets                               | 5696             | 755               | 6451  | 4898             | 782               | 5680  |
| Un allocated Corporate Assets                | -                | -                 | 171   | -                | -                 | 177   |
| Total Assets                                 | -                | -                 | 6622  | -                | -                 | 5857  |
| Segment Liabilities                          | 133              | -                 | 133   | 57               | -                 | 57    |
| Un allocated Corporate Liabilities           | -                | -                 | 6489  | -                | -                 | 5800  |
| Total Liabilities                            | -                | -                 | 6622  | -                | -                 | 5857  |
| Capital Expenditure                          | 76               | -                 | 76    | 109              | -                 | 109   |
| Depreciation                                 | 209              | 50                | 259   | 180              | 49                | 229   |
| Non Cash Expenditure other than depreciation | -                | -                 | -     | -                | -                 | -     |

14. The Company has no sole selling agents. The entire sales commission has been paid to other agents.

15. Salary includes provision for Gratuity Rs.0.97 Lakhs (Previous year : Rs.11.38 lakhs)





# NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010

## Schedule 17 (Contd.)

16. The details of employee benefits for the period on account of gratuity, which is funded defined employee benefit plans are as under:

|                                                                                          | Gratuity (Funded)<br>31.03.2010 | Gratuity (Funded)<br>31.03.2009 |
|------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>A. Expense recognised during year ended 31.03.2010</b>                                |                                 |                                 |
| 1. Current Service cost                                                                  | 126535                          | 138904                          |
| 2. Interest Cost                                                                         | 120848                          | 78262                           |
| 3. Expected return on plan assets                                                        | -3614                           | -43568                          |
| 4. Actuarial Losses/Gains during the year                                                | 90714                           | 964402                          |
| 5. Total Expense                                                                         | 334483                          | 1138000                         |
| <b>B. Actual return on Plan assets</b>                                                   |                                 |                                 |
| 1. Expected return on plan assets                                                        | 3614                            | 43568                           |
| 2. Actuarial (Loss)/Gain on Plan assets                                                  | 5286                            | 25952                           |
| 3. Actual return on plan assets                                                          | 8900                            | 69520                           |
| <b>C. Net Asset/(Liability) recognised in the Balance Sheet</b>                          |                                 |                                 |
| 1. Present value of the obligation as on 31.03.2010                                      | 1781948                         | 1784135                         |
| 2. Fair value of plan assets as on 31.3.2010                                             | -                               | 99241                           |
| 3. Funded status (surplus/deficit)                                                       | -1781948                        | -1684894                        |
| 4. Unrecognised past service cost                                                        | -                               | -                               |
| 5. Net Asset/(Liability) recognised in the Balance Sheet                                 | -1781948                        | -1684894                        |
| <b>D. Change in Present value of the Obligation during the year ended March 31, 2010</b> |                                 |                                 |
| 1. Present value of the obligation as at April 1, 2009                                   | 1784036                         | 1493776                         |
| 2. Current service cost                                                                  | 126535                          | 138904                          |
| 3. Interest cost                                                                         | 120848                          | 78262                           |
| 4. Benefits paid                                                                         | -345471                         | -917260                         |
| 5. Actuarial (gain) loss on obligation                                                   | 96000                           | 990354                          |
| 6. Present value of obligation as at March 31,2010                                       | 1781948                         | 1784036                         |
| <b>E. Change in Assets during the year ended March 31,2010</b>                           |                                 |                                 |
| 1. Fair value of plan assets as at April 1, 2009                                         | 99241                           | 946882                          |
| 2. Expected return of plan assets                                                        | 3614                            | 43568                           |
| 3. Contributions made                                                                    | 237330                          | -                               |
| 4. Benefits paid                                                                         | -345471                         | -917161                         |
| 5. Actuarial gain /(loss) on plan assets                                                 | 5286                            | 25952                           |
| 6. Fair value of plan assets as at March 31,2010                                         | -                               | 99241                           |
| <b>F. Major categories of plan assets as a percentage of total plan</b>                  |                                 |                                 |
| Qualifying insurance policies                                                            | -                               | 99241                           |
| Own plan assets                                                                          | -                               | -                               |
| Total                                                                                    | -                               | 99241                           |

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31.3.2010****Schedule 17 (Contd.)**

|                                           | <b>Gratuity (Funded)<br/>31.03.2010</b> | <b>Gratuity (Funded)<br/>31.03.2009</b> |
|-------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>G. Actuarial assumptions</b>           |                                         |                                         |
| 1. Discount rate                          | <b>8.00%</b>                            | 7.50%                                   |
| 2. Salary escalation                      | <b>5.00%</b>                            | 5.00%                                   |
| 3. Expected rate of return on plan assets | <b>8.65%</b>                            | 7.50%                                   |
| 4. Attrition rate                         | <b>No explicit<br/>assumption</b>       | No explicit<br>assumption               |
| 5. Mortality rate                         | <b>LIC 96-98 Rates</b>                  | LIC 94-96 Rates                         |

17. Sundry Debtors and Loans & Advances as at 31st March 2010 does not include any amount due from Companies, firms in which directors are interested. (previous year Rs. Nil)
18. Debts due from Companies under the same management is Rs. Nil. (previous year Rs. Nil)
19. Debts due by Directors or other officers of the Company or any of them either severally or jointly with any other person or debts due by firms or private Companies respectively in which any Director is a partner Companies respectively in which any Director is a Partner or a Director or a Member is Rs. Nil (Previous year Nil)
20. There was no amount due by Directors or other officers of the Company at any time during the year. (Previous year Nil)
21. Figures have been rounded off to the nearest rupee and previous year figures have been regrouped/rearranged wherever necessary.

Coimbatore  
30.07.2010

As per my report attached  
**(Sd/-) R. GURUBATHAM**  
Chartered Accountant, Auditor

**(Sd/-) V.J. JAYARAMAN**  
Chairman

**(Sd/-) J. ANAND**  
Managing Director



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS :

|                     |                       |
|---------------------|-----------------------|
| Registration Number | 181-009829            |
| State Code          | 18                    |
| Balance Sheet Date  | 31.03.2010            |
| CIN No.             | U17111TZ2001PLC009829 |

### II. CAPITAL RAISED DURING THE YEAR (Rs. in lakhs)

|                                       |     |
|---------------------------------------|-----|
| Public Issue                          | Nil |
| Bonus Issue                           | Nil |
| Rights Issue                          | Nil |
| Private Placement (Preference Shares) | Nil |

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS : (Rs. in Thousands)

|                             |        |
|-----------------------------|--------|
| Total Liabilities           | 611859 |
| Total Assets                | 611859 |
| <b>Sources of Funds</b>     |        |
| Paid - up Capital           | 240000 |
| Reserves & Surplus          | 10082  |
| Deferred Tax Liability      | 13428  |
| Secured Loans               | 234398 |
| Unsecured Loans             | 113950 |
| <b>Application of Funds</b> |        |
| Net Fixed Assets            | 410437 |
| Net Current Assets          | 150472 |
| Miscellaneous Expenditure   | 50949  |

### IV. PERFORMANCE OF THE COMPANY : (Rs. in Thousands)

|                    |        |
|--------------------|--------|
| Turnover           | 402757 |
| Profit Before Tax  | -7792  |
| Profit After Tax   | -10689 |
| Earnings per share | -0.65  |
| Dividend           | NIL    |

### V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary Terms)

| Product Description                                  | Item code No. |
|------------------------------------------------------|---------------|
| Cotton Yarn                                          | 52.05         |
| Apparel & Clothing Accessories, Knitted or crocheted | 61.09         |

Coimbatore  
30.07.2010

As per my report attached  
(Sd/-) R. GURUBATHAM  
Chartered Accountant, Auditor

(Sd/-) V.J. JAYARAMAN  
Chairman

(Sd/-) J. ANAND  
Managing Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010**

|                                                        | Year ended<br>31st March 2010 | Year ended<br>31st March 2009 |
|--------------------------------------------------------|-------------------------------|-------------------------------|
| <b>A. Cash Flow from Operating Activities</b>          |                               |                               |
| Net Profit Before Tax and extra ordinary item          | -77.92                        | -512.00                       |
| Adjustments for :                                      |                               |                               |
| Depreciation                                           | 258.58                        | 258.15                        |
| Interest paid                                          | 231.02                        | 247.41                        |
| Profit on sale of Investments/Assets                   | -47.98                        | -10.55                        |
| Interest/Dividend Income                               | -17.63                        | -3.22                         |
| Miscellaneous Income/Exchange Gain                     | -38.52                        | -                             |
| <b>Operating Profit before working capital changes</b> | 307.55                        | -20.21                        |
| Decrease in Trade and Other Receivables                | -307.71                       | 494.33                        |
| Increase/(Decrease) in Payables                        | 556.22                        | -513.49                       |
| Decrease/(Increase) in Inventories                     | -331.06                       | 10.82                         |
| <b>Cash generated from operations</b>                  | 225.00                        | -28.55                        |
| Direct Taxes paid                                      | -                             | -0.54                         |
| <b>Net Cash from Operating Activities</b>              | 225.00                        | -29.09                        |
| <b>B. Cash Flow from Investing Activities</b>          |                               |                               |
| Purchase of Fixed Assets                               | -76.11                        | -154.27                       |
| Sale of Fixed Assets                                   | 56.77                         | 27.34                         |
| Interest received                                      | 56.15                         | 3.22                          |
| <b>Net cash used for Investing Activities</b>          | 36.81                         | -123.71                       |
| <b>C. Cash flow from Financing Activities</b>          |                               |                               |
| Repayment of Long Term borrowings                      | 299.67                        | 360.8                         |
| Interest paid                                          | -231.02                       | -211.95                       |
| Preliminary Expenses                                   | -                             | -                             |
| <b>Net cash from financing activities</b>              | 68.65                         | 148.85                        |
| <b>Net Increase in cash and cash equivalents</b>       | <b>330.46</b>                 | <b>-3.95</b>                  |
| <b>Cash and Cash equivalents as at 31.3.2009</b>       | <b>8.28</b>                   | <b>12.23</b>                  |
| <b>Cash and Cash equivalents as at 31.3.2010</b>       | <b>338.74</b>                 | <b>8.28</b>                   |

Coimbatore  
30.07.2010

As per my report attached  
(Sd/-) **R. GURUBATHAM**  
Chartered Accountant, Auditor

(Sd/-) **V.J. JAYARAMAN**  
Chairman

(Sd/-) **J. ANAND**  
Managing Director



## **AUDITOR'S REPORT TO THE MEMBERS OF M/s. VEEJAY LAKSHMI ENGINEERING WORKS LIMITED ON CONSOLIDATED FINANCIAL STATEMENT**

We have examined the attached Consolidated Balance Sheet of M/s. Veejay Lakshmi Engineering Works Limited and its subsidiary as at 31st March, 2010, the consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended (these are referred to as the financial statements).

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 generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of M/s. Veejay Lakshmi Textiles Limited, a subsidiary whose financial statements reflect total assets of Rs.662,242,875 /- as at 31st March 2010 and total revenues of Rs.413,170,021 /- for the year then ended. These financial statements has been audited by other auditors whose report have been furnished to us and our opinion in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Veejay Lakshmi Engineering Works Limited and its subsidiary which is included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Veejay Lakshmi Engineering Works Limited and its aforesaid subsidiary, we are of the opinion that :

- (a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Veejay Lakshmi Engineering Works Limited and its subsidiary as at 31st March, 2010.
- (b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Veejay Lakshmi Engineering Works Limited and its subsidiary for the year then dated ; and
- (c) The Consolidated Cash Flow Statement of Veejay Lakshmi Engineering Works Limited and its subsidiary for the year ended 31st March 2010 has been prepared in accordance with the generally accepted accounting principles in India.

For **N.R. DORAISWAMI & CO.**  
Chartered Accountants  
(Firm Regn. No.: 000771S)

**(Sd/-) SUGUNA RAVICHANDRAN**  
Partner  
(Membership No. 207893)

Coimbatore  
30.07.2010



**CONSOLIDATED ACCOUNTS  
BALANCE SHEET AS AT 31ST MARCH 2010**

|                                                  | Schedule<br>No. | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|--------------------------------------------------|-----------------|---------------------------------|---------------------------------|
| <b>I. SOURCES OF FUNDS</b>                       |                 |                                 |                                 |
| <b>1. Shareholders' Funds</b>                    |                 |                                 |                                 |
| A. Capital                                       | 1               | 50,719,000                      | 50,719,000                      |
| B. Reserves and Surplus                          | 2               | 608,012,253                     | 603,199,448                     |
| <b>2. Loan Funds</b>                             |                 |                                 |                                 |
| A. Secured Loans                                 | 3               | 417,828,730                     | 405,862,766                     |
| B. Unsecured Loans                               | 4               | 136,118,772                     | 128,722,850                     |
| <b>3. Deferred Tax Liability</b>                 | 5               | 40,704,900                      | 29,499,500                      |
| Total Funds employed                             |                 | <u>1,253,383,655</u>            | <u>1,218,003,564</u>            |
| <b>II. APPLICATION OF FUNDS</b>                  |                 |                                 |                                 |
| <b>1. Fixed Assets</b>                           | 6               |                                 |                                 |
| A. Gross Block                                   |                 | 1,416,823,183                   | 1,384,406,308                   |
| B. Less Depreciation                             |                 | 607,033,848                     | 536,327,938                     |
| C. Net Block                                     |                 | 809,789,335                     | 848,078,370                     |
| <b>2. Investments</b>                            | 7               | 1,985,482                       | 1,985,482                       |
| <b>3. Current Assets, Loans and Advances</b>     | 8               |                                 |                                 |
| A. Inventories                                   |                 | 374,373,479                     | 332,089,654                     |
| B. Sundry Debtors                                |                 | 95,632,379                      | 48,582,295                      |
| C. Cash and Bank Balances                        |                 | 44,609,227                      | 4,994,083                       |
| D. Loans and Advances                            |                 | 167,431,515                     | 135,720,063                     |
|                                                  |                 | <u>682,046,600</u>              | <u>521,386,095</u>              |
| <b>Less : Current Liabilities and Provisions</b> | 9               |                                 |                                 |
| A. Current Liabilities                           |                 | 211,696,984                     | 129,429,659                     |
| B. Provisions                                    |                 | 28,860,778                      | 24,256,724                      |
|                                                  |                 | <u>240,557,762</u>              | <u>153,686,383</u>              |
| Net Current Assets                               |                 | <u>441,488,838</u>              | <u>367,699,712</u>              |
| Preliminary Expenses                             |                 | 120,000                         | 240,000                         |
| <b>Total Application of Funds</b>                |                 | <u>1,253,383,655</u>            | <u>1,218,003,564</u>            |

Schedules 1 to 9 and notes on Schedule 17 form part of this Balance Sheet

|                                                                                                                                                                                                        |                                                                |                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
| As per our report attached<br>For <b>N.R. DORAISWAMI &amp; CO</b><br>Chartered Accountants<br>(Firm Registration No. 0007715)<br><b>(Sd/-) SUGUNA RAVICHANDRAN</b><br>Partner, (Membership No. 207893) | <b>(Sd/-) V.J. JAYARAMAN</b><br>Chairman Cum Managing Director | <b>(Sd/-) J. ANAND</b><br>Managing Director                           |
| Coimbatore<br>30.07.2010                                                                                                                                                                               |                                                                | <b>(Sd/-) D. RANGANATHAN</b><br>Whole Time Director (Finance & Mktg.) |



## CONSOLIDATED ACCOUNTS

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

|                                           | Schedule<br>No. | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|-------------------------------------------|-----------------|--------------------------------------|--------------------------------------|
| <b>I. INCOME</b>                          |                 |                                      |                                      |
| 1. Sales                                  | 10              | 1,084,675,277                        | 634,123,129                          |
| 2. Increase/Decrease in Finished Goods    | 11              | -15,003,923                          | 15,802,125                           |
| 3. Other Income                           | 12              | 20,505,312                           | 2,303,397                            |
| <b>Total</b>                              |                 | <b>1,090,176,666</b>                 | <b>652,228,651</b>                   |
| <b>II. EXPENDITURE</b>                    |                 |                                      |                                      |
| 1. Materials consumed                     | 13              | 593,130,043                          | 338,463,672                          |
| 2. Payment to and Provision for employees | 14              | 159,735,867                          | 196,171,425                          |
| 3. Other expenses                         | 15              | 203,054,152                          | 184,894,700                          |
| 4. Finance Charges                        | 16              | 46,590,196                           | 46,491,518                           |
| 5. Depreciation                           |                 | 71,785,907                           | 65,094,381                           |
| <b>Total</b>                              |                 | <b>1,074,296,165</b>                 | <b>831,115,696</b>                   |
| <b>III. PROFIT</b>                        |                 |                                      |                                      |
| 1. Balance brought forward                |                 | 26,354,628                           | 150,242,057                          |
| 2. Profit for the year                    |                 | 15,880,501                           | -178,887,045                         |
| <b>Amount available for appropriation</b> |                 | <b>42,235,129</b>                    | <b>-28,644,988</b>                   |
| <b>Appropriations</b>                     |                 |                                      |                                      |
| 1. Tax for current year-Current Tax       |                 | -                                    | -                                    |
| Deferred Tax                              |                 | 11,205,400                           | -54,362,800                          |
| 2. Prior year Taxes                       |                 | -137,704                             | -1,508,816                           |
| 3. Fringe Benefit Tax                     |                 | -                                    | 872,000                              |
| 4. Prior year expenses                    |                 | -                                    | -                                    |
| 5. Transfer to General Reserve            |                 | -                                    | -                                    |
| 6. Provision for Dividends                |                 | -                                    | -                                    |
| 7. Dividend distribution tax              |                 | -                                    | -                                    |
| 8. Balance Carried to the Balance Sheet   |                 | 31,167,433                           | 26,354,628                           |
| <b>Total</b>                              |                 | <b>42,235,129</b>                    | <b>-28,644,988</b>                   |

Schedules 10 to 16 and notes on Schedule 17 form part of this Profit and Loss Account

|                                                                                                                                                                                                        |                                                                |                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| As per our report attached<br>For <b>N.R. DORAISWAMI &amp; CO</b><br>Chartered Accountants<br>(Firm Registration No. 0007715)<br><b>(Sd/-) SUGUNA RAVICHANDRAN</b><br>Partner, (Membership No. 207893) | <b>(Sd/-) V.J. JAYARAMAN</b><br>Chairman Cum Managing Director | <b>(Sd/-) J. ANAND</b><br>Managing Director<br><br><b>(Sd/-) D. RANGANATHAN</b><br>Whole Time Director (Finance & Mktg.) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|

Coimbatore  
30.07.2010



**CONSOLIDATED ACCOUNTS**  
**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010**

|                                                                                                                                                                             | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 1 - CAPITAL</b>                                                                                                                                                 |                                 |                                 |
| <b>Authorised:</b>                                                                                                                                                          |                                 |                                 |
| 60,00,000 Equity shares of Rs.10/- each                                                                                                                                     | <b>60,000,000</b>               | 60,000,000                      |
| <b>Issued, Subscribed and Paid up:</b>                                                                                                                                      |                                 |                                 |
| 50,71,900 Equity shares of Rs.10/-each full paid up<br>(of the above 8,70,000 Equity shares have been allotted<br>as fully paid Bonus Shares by capitalisation of Reserves) | <b>50,719,000</b>               | 50,719,000                      |
| <b>Total</b>                                                                                                                                                                | <b>50,719,000</b>               | 50,719,000                      |
| <b>SCHEDULE 2 - RESERVES AND SURPLUS</b>                                                                                                                                    |                                 |                                 |
| Share Premium Account                                                                                                                                                       | <b>211,642,500</b>              | 211,642,500                     |
| Capital Reserve Account                                                                                                                                                     | <b>10,082,354</b>               | 10,082,354                      |
| General Reserve                                                                                                                                                             |                                 |                                 |
| As per last year Balance Sheet                                                                                                                                              | <b>355,119,966</b>              | 355,119,966                     |
| Transfer from Profit and Loss Account during the year                                                                                                                       | -                               | -                               |
| Total                                                                                                                                                                       | <b>355,119,966</b>              | 355,119,966                     |
| Balance in Profit and Loss Account                                                                                                                                          | <b>31,167,433</b>               | 26,354,628                      |
| Total                                                                                                                                                                       | <b>608,012,253</b>              | 603,199,448                     |





**CONSOLIDATED ACCOUNTS**  
**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010**

|                                                                                                                                                                                                                                               | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 3 - SECURED LOANS</b>                                                                                                                                                                                                             |                                 |                                 |
| <b>A. Term Loans</b>                                                                                                                                                                                                                          |                                 |                                 |
| 1. IndusInd Bank Limited                                                                                                                                                                                                                      | 30,849,000                      | 40,845,000                      |
| 2. State Bank of India                                                                                                                                                                                                                        | 110,824,903                     | 110,523,893                     |
| (Secured by a charge on the specific items of fixed assets acquired out of the Term Loans and a charge on other Fixed Assets of the subsidiary and the guarantee of the holding company)                                                      |                                 |                                 |
| 3. Technology Development Board                                                                                                                                                                                                               | 55,000,000                      | 30,000,000                      |
| (Secured by a first charge on the moveable fixed assets of the holding company and guarantee of two Directors and the subsidiary)                                                                                                             |                                 |                                 |
| <b>B. Working Capital Facilities-Cash Credit, Demand Loan, Packing Credit and Bills Discounted (Secured by a first charge on current assets, factory land and buildings of the Holding Company and a second charge on other fixed assets)</b> |                                 |                                 |
| 1. State Bank of India                                                                                                                                                                                                                        | 124,270,198                     | 154,056,117                     |
| 2. Corporation Bank                                                                                                                                                                                                                           | 4,560,792                       | 174,949                         |
| 3. Bank of Baroda                                                                                                                                                                                                                             | 75,207,631                      | 49,800,469                      |
| 4. Indusind Bank                                                                                                                                                                                                                              | 17,116,206                      | 20,462,338                      |
| Total                                                                                                                                                                                                                                         | <u>417,828,730</u>              | <u>405,862,766</u>              |
| <b>SCHEDULE 4-UNSECURED LOANS</b>                                                                                                                                                                                                             |                                 |                                 |
| Loan from a Company                                                                                                                                                                                                                           | 25,288,103                      | 22,500,000                      |
| Loans from Directors                                                                                                                                                                                                                          | 110,830,669                     | 106,222,850                     |
| Total                                                                                                                                                                                                                                         | <u>136,118,772</u>              | <u>128,722,850</u>              |
| <b>SCHEDULE 5-DEFERRED TAX LIABILITY (NET)</b>                                                                                                                                                                                                |                                 |                                 |
| As per last year Balance Sheet                                                                                                                                                                                                                | 29,499,500                      | 83,862,300                      |
| Add: Additions during the year                                                                                                                                                                                                                | 11,205,400                      | -54,362,800                     |
| Total                                                                                                                                                                                                                                         | <u>40,704,900</u>               | <u>29,499,500</u>               |

**CONSOLIDATED ACCOUNTS**  
**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010**

**Schedule 6 - Fixed Assets**

|                                    | GROSS BLOCK             |            |                     |                         | DEPRECIATION       |                 |                                 |                    | NET BLOCK           |                     |
|------------------------------------|-------------------------|------------|---------------------|-------------------------|--------------------|-----------------|---------------------------------|--------------------|---------------------|---------------------|
| Assets                             | Cost upto<br>31.03.2009 | Additions  | Sales/<br>Transfers | Cost upto<br>31.03.2010 | Upto<br>31.03.2009 | For the<br>year | Withdrawn<br>during<br>the Year | Upto<br>31.03.2010 | As at<br>31.03.2010 | As at<br>31.03.2009 |
|                                    | Rs.                     | Rs.        | Rs.                 | Rs.                     | Rs.                | Rs.             | Rs.                             | Rs.                | Rs.                 | Rs.                 |
| Land                               | 112,009,847             | -          | -                   | 112,009,847             | -                  | -               | -                               | -                  | 112,009,847         | 112,009,847         |
| Buildings                          | 256,618,677             | 972,275    | -                   | 257,590,952             | 48,239,203         | 5,433,294       | -                               | 53,672,497         | 203,918,455         | 208,379,474         |
| Machinery &<br>Equipments          | 958,914,876             | 31,854,368 | 1,956,539           | 988,812,705             | 464,542,159        | 61,915,877      | 1,077,997                       | 525,380,039        | 463,432,666         | 494,372,717         |
| Vehicles                           | 9,875,821               | -          | -                   | 9,875,821               | 4,498,143          | 865,662         | -                               | 5,363,805          | 4,512,016           | 5,377,678           |
| Furniture and<br>Office Equipments | 46,987,087              | 1,566,771  | 20,000              | 48,533,858              | 19,048,433         | 3,571,074       | 2,000                           | 22,617,507         | 25,916,351          | 27,938,654          |
| Work In Progress                   | -                       | -          | -                   | -                       | -                  | -               | -                               | -                  | -                   | -                   |
| Total                              | 1,384,406,308           | 34,393,414 | 1,976,539           | 1,416,823,183           | 536,327,938        | 71,785,907      | 1,079,997                       | 607,033,848        | 809,789,335         | 848,078,370         |
| Previous Year                      | 1367761932              | 19243614   | 2599238             | 1384406308              | 472153509          | 65094381        | 919952                          | 536327938          | 848078370           | 895608423           |



**CONSOLIDATED ACCOUNTS**  
**SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010**

|                                                                                                                                                      | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 7 - INVESTMENTS</b>                                                                                                                      |                                 |                                 |
| <b>I. In Government or Trust Securities</b>                                                                                                          |                                 |                                 |
| A. 7 Years National Savings Certificate At Cost                                                                                                      | 10,500                          | 10,500                          |
| B. 5.5% Non Convertible Redeemable Taxable Bonds -<br>Series - VI-180 Face Value of Rs. 10000/- each of<br>Rural Electrification Corporation Limited | 1,800,000                       | 1,800,000                       |
| <b>II. In Shares and Bonds</b>                                                                                                                       |                                 |                                 |
| Non-trade Quoted                                                                                                                                     |                                 |                                 |
| 1500 Equity Shares of Rs.10/- each in<br>M/s. Lakshmi Machines Works Limited<br>fully paid up at cost.                                               | 14,262                          | 14,262                          |
| 10000 Equity Shares of Rs.10/-each in<br>M/S. Precision Fasteners Ltd., fully paid up at cost.                                                       | 500,000                         | 500,000                         |
| 200 Equity Shares of Rs.10/- each In<br>M/s. IFCI Limited fully paid up at cost.                                                                     | 4,500                           | 4,500                           |
| 334 Equity Shares of Rs.10/- Each In<br>State Bank of India, fully paid up at cost.                                                                  | 158,560                         | 158,560                         |
| Total                                                                                                                                                | <u>2,487,822</u>                | <u>2,487,822</u>                |
| Less Investment Flucation Reserve                                                                                                                    | 502,340                         | 502,340                         |
| Total                                                                                                                                                | <u>1,985,482</u>                | <u>1,985,482</u>                |
| Aggregate Value of Quoted Investment - Cost (Rs.)                                                                                                    | 677,322                         |                                 |
| - Market Value (Rs.)                                                                                                                                 | 3,422,881                       |                                 |
| Aggregate Value of Unquoted Investments- Cost Rs.)                                                                                                   | 1,810,500                       |                                 |



**CONSOLIDATED ACCOUNTS SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH, 2010**

|                                                                     | Schedule<br>No. | As at<br>31st March 2010<br>Rs. | As at<br>31st March 2009<br>Rs. |
|---------------------------------------------------------------------|-----------------|---------------------------------|---------------------------------|
| <b>SCHEDULE 8 - CURRENT ASSETS, LOANS AND ADVANCES</b>              |                 |                                 |                                 |
| <b>a) Inventories</b> :                                             |                 |                                 |                                 |
| Raw Materials                                                       |                 | 96,920,624                      | 51,348,974                      |
| Scrap                                                               |                 | 228,828                         | 104,599                         |
| Components and accessories                                          |                 | 24,102,907                      | 23,944,333                      |
| Work-in-Progress                                                    |                 | 225,356,894                     | 214,814,332                     |
| Finished Goods                                                      |                 | 10,340,811                      | 24,697,507                      |
| Stores and spares                                                   |                 | 17,423,415                      | 17,179,909                      |
|                                                                     |                 | <b>374,373,479</b>              | <b>332,089,654</b>              |
| <b>b) Sundry Debtors</b> (Unsecured-considered good)                |                 |                                 |                                 |
| Debts outstanding for a period exceeding six months                 |                 | 7,561,607                       | 10,873,643                      |
| Other Debts                                                         |                 | 88,070,772                      | 37,708,652                      |
|                                                                     |                 | <b>95,632,379</b>               | <b>48,582,295</b>               |
| <b>c) Cash and Bank balances</b>                                    |                 |                                 |                                 |
| Cash on hand                                                        |                 | 976,767                         | 2,708,140                       |
| Cash with Nationalised Banks - In Current Account                   |                 | 6,004,853                       | 508,327                         |
| - In Deposit Account                                                |                 | 36,757,656                      | 900,000                         |
| Investors' Education & Protection Fund - In Unpaid Dividend Account |                 | 869,951                         | 877,616                         |
|                                                                     |                 | <b>44,609,227</b>               | <b>4,994,083</b>                |
| <b>d) Loans and Advances</b> (Unsecured-considered good)            |                 |                                 |                                 |
| Advances recoverable in Cash or in kind- Due from others            |                 | 47,807,558                      | 21,686,921                      |
| Deposits                                                            |                 | 9,900,667                       | 16,832,226                      |
| Duty drawback and other receivables                                 |                 | 60,084,767                      | 52,992,573                      |
| Prepaid expenses                                                    |                 | 1,323,239                       | 712,315                         |
| Advance Tax                                                         |                 | 48,315,284                      | 43,496,028                      |
|                                                                     | Sub Total       | <b>167,431,515</b>              | <b>135,720,063</b>              |
|                                                                     | Total           | <b>682,046,600</b>              | <b>521,386,095</b>              |
| <b>SCHEDULE 9-CURRENT LIABILITIES AND PROVISIONS</b>                |                 |                                 |                                 |
| <b>a) Current Liabilities:</b>                                      |                 |                                 |                                 |
| Liability for supplies and services - MSME                          |                 | -                               | -                               |
| Liability for supplies and services - Others                        |                 | 115,962,300                     | 45,501,847                      |
| Liability for expenses                                              |                 | 24,591,932                      | 16,594,327                      |
| Liability for other finance                                         |                 | 3,479,649                       | 4,143,053                       |
| Investors' Education & Protection Fund - Unclaimed Dividends        |                 | 869,951                         | 877,616                         |
| Advance received against sales                                      |                 | 59,500,807                      | 58,668,172                      |
| Interest accrued but not due                                        |                 | 7,292,345                       | 3,644,644                       |
|                                                                     | Sub Total       | <b>211,696,984</b>              | <b>129,429,659</b>              |
| <b>b) Provisions</b>                                                |                 |                                 |                                 |
| Provision for Incometax                                             |                 | 27,078,830                      | 22,571,830                      |
| Provision for Gratuity                                              |                 | 1,781,948                       | 1,684,894                       |
|                                                                     | Sub Total       | <b>28,860,778</b>               | <b>24,256,724</b>               |
|                                                                     | Total           | <b>240,557,762</b>              | <b>153,686,383</b>              |
| <b>Preliminary Expenses</b>                                         |                 |                                 |                                 |
| As per Last Balance Sheet                                           |                 | 240,000                         | 360,000                         |
| Add incurred/written off during the year                            |                 | 120,000                         | 120,000                         |
|                                                                     | Total           | <b>120,000</b>                  | <b>240,000</b>                  |



**CONSOLIDATED ACCOUNTS**  
**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

|                                                          | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|----------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>SCHEDULE - 10 SALES</b>                               |                                      |                                      |
| Gross Turnover                                           | 1,066,077,119                        | 616,428,562                          |
| Less Excise Duty                                         | 47,993,306                           | 36,432,975                           |
| Sale of Finished goods                                   | 1,018,083,813                        | 579,995,587                          |
| Sale of Power generated                                  | 29,719,975                           | 28,518,005                           |
| Export Incentive and benefits                            | 18,934,817                           | 7,799,418                            |
| Sale of Scrap and waste                                  | 12,395,627                           | 7,792,828                            |
| Labour charges                                           | 5,541,045                            | 10,017,291                           |
| Total                                                    | 1,084,675,277                        | 634,123,129                          |
| <b>SCHEDULE 11 - INCREASE/DECREASE IN FINISHED GOODS</b> |                                      |                                      |
| Closing Stock - Finished Goods                           | 8,723,817                            | 23,851,969                           |
| Scrap and Waste                                          | 228,828                              | 104,599                              |
| Sub Total                                                | 8,952,645                            | 23,956,568                           |
| Less                                                     |                                      |                                      |
| Opening Stock - Finished Goods                           | 23,851,969                           | 7,984,985                            |
| Scrap and Waste                                          | 104,599                              | 169,458                              |
| Sub Total                                                | 23,956,568                           | 8,154,443                            |
| Total                                                    | -15,003,923                          | 15,802,125                           |
| <b>SCHEDULE 12 - OTHER INCOME</b>                        |                                      |                                      |
| Interest receipts (TDS Rs. 29,738/- )                    | 2,122,861                            | 1,203,978                            |
| Dividend Receipts                                        | 34,846                               | 44,681                               |
| Profit on Sale of Assets                                 | 4,797,977                            | 1,054,738                            |
| Foreign Exchange gain and<br>Miscellaneous Income        | 13,549,628                           | —                                    |
| Total                                                    | 20,505,312                           | 2,303,397                            |
| <b>SCHEDULE 13 - MATERIALS CONSUMED</b>                  |                                      |                                      |
| Opening Stock                                            |                                      |                                      |
| Raw materials                                            | 51,348,974                           | 76,655,549                           |
| Components                                               | 23,873,000                           | 28,190,612                           |
| Work in Progress                                         | 214,814,332                          | 232,354,646                          |
|                                                          | 290,036,306                          | 337,200,807                          |
| Add Purchased during the year                            | 602,755,630                          | 262,789,757                          |
|                                                          | 892,791,936                          | 599,990,564                          |
| Less: Closing Stock                                      |                                      |                                      |
| Raw materials                                            | 96,920,624                           | 51,348,974                           |
| Components                                               | 24,102,907                           | 23,873,000                           |
| Work-in-Progress                                         | 225,356,894                          | 214,814,332                          |
|                                                          | 346,380,425                          | 290,036,306                          |
|                                                          | 546,411,511                          | 309,954,258                          |
| Add: Stores consumed                                     | 46,718,532                           | 28,509,414                           |
| Total Materials consumed                                 | 593,130,043                          | 338,463,672                          |
| Total consumption                                        | 593,130,043                          | 338,463,672                          |



**CONSOLIDATED ACCOUNTS**  
**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

|                                                             | Year ended<br>31st March 2010<br>Rs. | Year ended<br>31st March 2009<br>Rs. |
|-------------------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>SCHEDULE 14 - PAYMENT TO AND PROVISION FOR EMPLOYEES</b> |                                      |                                      |
| Salary, Wages, Gratuity, etc                                | 139,121,664                          | 175,152,786                          |
| Contribution to Provident Fund                              | 5,798,876                            | 6,902,338                            |
| Staff and Welfare expenses                                  | 13,670,247                           | 8,872,826                            |
| Managerial Remuneration                                     | 1,145,080                            | 5,243,475                            |
| Total                                                       | <u>159,735,867</u>                   | <u>196,171,425</u>                   |
| <b>SCHEDULE 15 - OTHER EXPENSES</b>                         |                                      |                                      |
| Fabrication Charges                                         | 63,509,700                           | 44,134,641                           |
| Power and Fuel                                              | 52,318,093                           | 48,477,297                           |
| Freight                                                     | 5,108,012                            | 3,073,345                            |
| Printing and Stationery                                     | 2,441,839                            | 1,570,870                            |
| Postage and Telephone                                       | 3,823,399                            | 2,939,657                            |
| Travelling and Vehicle Maintenance                          | 10,500,652                           | 14,144,337                           |
| Insurance                                                   | 841,928                              | 742,401                              |
| Rent                                                        | 2,307,334                            | 3,702,624                            |
| Licences and Taxes                                          | 3,133,249                            | 1,996,126                            |
| Sales commission                                            | 31,637,098                           | 16,224,829                           |
| Sales promotion expenses                                    | 5,557,760                            | 6,345,372                            |
| Subscription and periodicals                                | 366,169                              | 442,942                              |
| Directors' sitting fees                                     | 77,500                               | 84,500                               |
| Auditor's remuneration                                      | 110,000                              | 110,000                              |
| Legal and Professional charges                              | 3,835,521                            | 11,583,245                           |
| Repairs and Maintenance-Buildings                           | 1,321,057                            | 2,205,457                            |
| Repairs and Maintenance-Machinery                           | 13,278,366                           | 9,375,128                            |
| Repairs and Maintenance-Others                              | 660,019                              | 1,854,960                            |
| Bad debts written off                                       | 2,066,956                            | 593,576                              |
| Foreign exchange fluctuation-loss                           | -                                    | 15,156,393                           |
| Donations                                                   | 39,500                               | 17,000                               |
| Preliminary Expenses written off                            | 120,000                              | 120,000                              |
| Total                                                       | <u>203,054,152</u>                   | <u>184,894,700</u>                   |
| <b>SCHEDULE 16 - FINANCE CHARGES</b>                        |                                      |                                      |
| Interest on Fixed Loans                                     | 14,106,726                           | 6,967,086                            |
| Interest on others and Bank charges                         | 20,786,186                           | 31,387,432                           |
| Interest to Directors                                       | 11,697,284                           | 8,137,000                            |
| Total                                                       | <u>46,590,196</u>                    | <u>46,491,518</u>                    |

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants

(Firm Registration No. 0007715)

Coimbatore  
30.07.2010

**(Sd/-) SUGUNA RAVICHANDRAN**  
Partner, (Membership No. 207893)

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director

**(Sd/-) J. ANAND**  
Managing Director

**(Sd/-) D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)



## Schedule 17- Accounting Policies and Notes to Consolidated Profit & Loss Account and Balance sheet as at 31st March 2010

### I. Significant Accounting Policies :

#### A. Principles of Consolidation.

The consolidated financial statements relates to Veejay Lakshmi Engineering Works Limited, the holding company and its subsidiary.

The Subsidiary company considered in the consolidated financial statement is M/s. Veejay Lakshmi Textiles Limited, a company incorporated in India and 100% of the shares of the subsidiary are held by the holding company.

#### B. Accounting policies followed are as set out under "Significant Accounting Policies" of the financial statements of the holding and subsidiary companies.

### II. Notes to Profit and Loss Account and Balance Sheet as at 31st March 2010

- 1) The consolidated financial statements have been prepared in accordance with Accounting Standard 21.
- 2) Notes which are disclosed in separate financial statements holding or subsidiary company have not been disclosed in the consolidated financial statements. However, items which have been considered as material have been duly disclosed.

| 3) Calculation of Earnings per Share (Face Value Rs. 10/- per share) |         | (Rs. In lakhs) |
|----------------------------------------------------------------------|---------|----------------|
| Net Profit after tax available for equity shareholders               | (A) :   | 48.13          |
| Number of shares                                                     | (B) :   | 50,71,900      |
| Basic and diluted EPS                                                | (A/B) : | 0.95           |

- 4) Figures have been rounded off to the nearest rupee.
- 5) The previous year's figures have been regrouped and reclassified wherever necessary to suit this year's presentation.

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants  
(Firm Registration No. 0007715)  
**(Sd/-) SUGUNA RAVICHANDRAN**  
Partner, (Membership No. 207893)

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director

**(Sd/-) J. ANAND**  
Managing Director

**(Sd/-) D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)

Coimbatore  
30.07.2010

**CONSOLIDATED BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. REGISTRATION DETAILS :**

|                     |                       |
|---------------------|-----------------------|
| Registration Number | 181-000705            |
| State Code          | 18                    |
| Balance Sheet Date  | 31.03.2010            |
| CIN No.             | L29191TZ1974PLC000705 |

**II. CAPITAL RAISED DURING THE YEAR (Rs. in Lakhs)**

|              |     |
|--------------|-----|
| Public Issue | Nil |
| Rights Issue | Nil |

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS : (Rs. in Thousands)**

|                        |         |
|------------------------|---------|
| Total Liabilities      | 1253384 |
| Total Assets           | 1253384 |
| Sources of Funds       |         |
| Paid - up Capital      | 50719   |
| Reserves & Surplus     | 608012  |
| Deferred Tax Liability | 40705   |
| Secured Loans          | 417829  |
| Unsecured Loans        | 136119  |
| Application of Funds   |         |
| Net Fixed Assets       | 809789  |
| Investments            | 1986    |
| Net Current Assets     | 441489  |
| Preliminary Expenses   | 120     |

**IV. PERFORMANCE OF THE COMPANY : (Rs. in Thousands)**

|                          |         |
|--------------------------|---------|
| Turnover                 | 1101471 |
| Profit Before Tax        | 15881   |
| Profit After Tax         | 16019   |
| Earnings per share (Rs.) | 0.95    |
| Dividend                 | Nil     |

**V. GENERIC NAMES OF THREE PRINCIPAL SERVICES OF THE COMPANY  
(As per monetary Terms)**

|                     |                   |
|---------------------|-------------------|
| Item code No.       | 84.45             |
| Product Description | Textile Machinery |

|                          |                                                                                                                               |                                                                |                                                                       |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
| Coimbatore<br>30.07.2010 | As per our report attached<br>For <b>N.R. DORAISWAMI &amp; CO</b><br>Chartered Accountants<br>(Firm Registration No. 0007715) | <b>(Sd/-) V.J. JAYARAMAN</b><br>Chairman Cum Managing Director | <b>(Sd/-) J. ANAND</b><br>Managing Director                           |
|                          | <b>(Sd/-) SUGUNA RAVICHANDRAN</b><br>Partner, (Membership No. 207893)                                                         |                                                                | <b>(Sd/-) D. RANGANATHAN</b><br>Whole Time Director (Finance & Mktg.) |
|                          |                                                                                                                               |                                                                |                                                                       |
|                          |                                                                                                                               |                                                                |                                                                       |





### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010

|                                                        | Year ended<br>31st March 2010 | Year ended<br>31st March 2009 |
|--------------------------------------------------------|-------------------------------|-------------------------------|
| <b>A. Cash Flow from Operating Activities</b>          |                               |                               |
| Net Profit Before Tax and extra ordinary item          | 158.81                        | -1787.67                      |
| Adjustments for :                                      |                               |                               |
| Depreciation                                           | 717.86                        | 650.94                        |
| Interest paid                                          | 465.90                        | 464.92                        |
| Loss on sale of Investments                            | -                             | -                             |
| Profit on sale of Investments/Assets                   | -47.98                        | -10.55                        |
| Preliminary Expenses                                   | 1.20                          | -                             |
| Interest/Dividend Income                               | -21.58                        | -12.49                        |
| <b>Operating Profit before working capital changes</b> | <b>1274.21</b>                | <b>-694.85</b>                |
| Increase/Decrease in Trade and Other Receivables       | -739.42                       | 1210.53                       |
| Increase/(Decrease) in Payables                        | 753.86                        | -1050.90                      |
| Decrease/(Increase) in Inventories                     | -422.84                       | 339.82                        |
| <b>Cash generated from operations</b>                  | <b>865.81</b>                 | <b>-195.40</b>                |
| Direct Taxes paid                                      | -1.76                         | -37.49                        |
| <b>Cash flow before extra ordinary items</b>           | <b>864.05</b>                 | <b>-232.89</b>                |
| Donations paid                                         | -                             | -                             |
| Prior year expenses/income                             | -                             | -                             |
| <b>Net Cash from Operating Activities</b>              | <b>864.05</b>                 | <b>-232.89</b>                |
| <b>B. Cash Flow from Investing Activities</b>          |                               |                               |
| Purchase of Fixed Assets                               | -343.94                       | -166.44                       |
| Sale of Fixed Assets                                   | 56.95                         | 1.35                          |
| Investment in subsidiary                               | -                             | -                             |
| Sale of Investments                                    | -                             | 0.25                          |
| Interest received                                      | 21.23                         | 12.04                         |
| Dividend Received                                      | 0.35                          | 0.45                          |
| <b>Net cash used for Investing Activities</b>          | <b>-265.41</b>                | <b>-152.35</b>                |
| <b>C. Cash flow from Financing Activities</b>          |                               |                               |
| Long Term borrowings                                   | 227.01                        | 835.60                        |
| Dividends paid                                         | -0.08                         | -51.42                        |
| Interest paid                                          | -429.42                       | -396.61                       |
| Preliminary Expenses                                   | -                             | -                             |
| <b>Net cash from financing activities</b>              | <b>-202.49</b>                | <b>387.57</b>                 |
| <b>Net Increase in cash and cash equivalents</b>       | <b>396.15</b>                 | <b>2.33</b>                   |
| <b>Cash and Cash equivalents as at 31.3.2009</b>       | <b>49.94</b>                  | <b>47.61</b>                  |
| <b>Cash and Cash equivalents as at 31.3.2010</b>       | <b>446.09</b>                 | <b>49.94</b>                  |

As per our report attached  
For **N.R. DORAISWAMI & CO**  
Chartered Accountants & Auditors  
Coimbatore  
30.07.2010  
**(Sd/-) SUGUNA RAVICHANDRAN**

**(Sd/-) V.J. JAYARAMAN**  
Chairman Cum Managing Director

**(Sd/-) J. ANAND**  
Managing Director  
**(Sd/-) D. RANGANATHAN**  
Whole Time Director (Finance & Mktg.)

## VEEJAY LAKSHMI ENGINEERING WORKS LIMITED

Regd. Office : Sengalipalayam, N.G.G.O. Colony Post, Coimbatore 641 022.

### ADMISSION SLIP

|                    |  |               |  |
|--------------------|--|---------------|--|
| Name of the Member |  | Folio No.     |  |
| Name of Proxy      |  | No. of Shares |  |

I hereby record my presence at the 35th Annual General Meeting of the Company held on Wednesday, the 29th September, 2010, at 11.00 A.M. at Nani Palkhivala Auditorium, Mani Higher Secondary School Premises, Pappanaickenpalayam, Coimbatore 641 037.

.....  
Signature of Member / Proxy

- Notes :** 1. Shareholders / Proxies must bring the Admission Slip to the meeting and hand it over at the entrance, duly signed.  
2. Share holders are requested to advise their change of address as well as request for consolidation of folios, if any, to the above address, quoting folio numbers.

## VEEJAY LAKSHMI ENGINEERING WORKS LIMITED

Regd. Office : Sengalipalayam, N.G.G.O. Colony Post, Coimbatore 641 022.

### PROXY FORM

I / We ..... of ..... being a Member/Members of Veejay Lakshmi Engineering Works Limited, hereby appoint ..... of ..... or failing him/her ..... of ..... as my / our Proxy to attend and vote for me/us on my/our behalf at the 35th Annual General Meeting of the Company held on Wednesday, the 29th September, 2010, at 11.00 A.M. at Nani Palkhivala Auditorium, Mani Higher Secondary School Premises, Pappanaickenpalayam, Coimbatore 641 037 and at any adjournment thereof.

As witness by my/our hand(s) this ..... day of ..... 2009.

Signed by the said .....

|           |               |
|-----------|---------------|
| Folio No. | No. of Shares |
|           |               |
| DP. ID*   | Client ID*    |
|           |               |

AFFIX  
15 PAISE  
REVENUE  
STAMP

\* Applicable to investors holding shares in Electronic Form

**Notes :** The proxy form must be returned so as to reach the Registered Office of the Company Sengalipalayam, N.G.G.O. Colony Post, Coimbatore 641 022 not less than forty-eight hours before the time for holding the aforesaid meeting.