



18th
ANNUAL REPORT
2010 - 2011
(October 2010 to March 2011)

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

BOARD OF DIRECTORS

Sri. G. SURENDER REDDY
Sri. K C VENKATESWARLU
Sri. S. SRIDHAR
Sri SHAILESH SHIVRAM MISTRY
Sri G. RAMESH BABU

Managing Director
Director
Director
Director
Director

Registered Office:

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

Works:

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

Auditors:

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

Bankers:

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

Notice is hereby given that the ***Eighteenth Annual General Meeting*** of the members of **LN INDUSTRIES INDIA LIMITED** (Formerly known as LN POLYESTERS LIMITED) will be held on Friday the **30th of September, 2011 at Swagath-De-Royal**, Kondapur X Roads, Madhapur, Hyderabad – 500 080, at **3 : 30 P. M.**, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and the Profit and Loss account for the Period ended on that date together with the schedules and notes thereon and the Directors' and Auditor's Report thereof.
2. To consider and appoint Sri.K.C.Venkateswarlu who retires by rotation and being eligible offers himself for reappointment.
3. To consider and appoint M/s.Kumar & Giri, Chartered Accountants as Statutory Auditors of the Company to hold office until the conclusion of next Annual General Meeting at such remuneration as may be decided by the Board of Directors.

SPECIAL BUSINESS:

4. To Consider and if thought fit to pass the following Resolution with or without modification(s) as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 257 read with Section 255 & 256 and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Regulation 96 of the Articles of Association of the Company Sri.G.Ramesh Babu be and is hereby appointed as Director to liable to retire by rotation.”

**By order of the Board
for LN INDUSTRIES INDIA LIMITED**

Place: Hyderabad.

Date: 27.08.2011.

**G. SURENDER REDDY
Managing Director**

NOTES:

- 1 **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
- 2 Pursuant to the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from 24th September, 2011 to 30th September, 2011 (both days inclusive).
- 3 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.
- 4 Members holding shares in physical form are requested to intimate the change, if any, in their Registered Address to the Company quoting their Registered Folio.



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

- 5 Members / Proxies should bring the Attendance slips duly filled in for identification for attending the meeting.
- 6 Members desiring any information on the Accounts are requested to write to the Company at least one week before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.

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

PROFILE OF SRI. K.C.VENKATESWARLU:

Sri. K. C. Venkateswarlu, is aged 51 years is a Bachelor of Arts. He has extensive expertise in Finance, Real Estate and Infrastructure Development. He is presently overseeing the Company's Land Development.

PROFILE OF SRI G. RAMESH BABU:

Sri G. Ramesh Babu, is aged 41 years is a Post Graduate in Commerce and he has 18 years of Managerial experience in the areas of finance and accounting. The industry exposure includes Software Services, Hospitality and Manufacturing.

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

Item No. 4:

Sri.G.Ramesh Babu was appointed as Additional Director of the Company with effect from 7th May, 2011 and holds office till the date of the ensuing Annual General Meeting. The management is of the opinion that continuation of Sri.G.Ramesh Babu as Director would immensely benefit the Company. The Company has received a notice from the member of the Company along with a deposit of Rs.500/- under Section 257 of the Companies Act, 1956 proposing the appointment of Sri.G.Ramesh Babu as Director of the Company liable to retire by rotation.

Appointment of Sri.G.Ramesh Babu as Director liable to retire by rotation requires the approval of members by way of Ordinary Resolution. Hence this resolution is placed before you for approval

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

**By order of the Board
For LN INDUSTRIES INDIA LIMITED.**

**Place: Hyderabad.
Date: 27.08.2011.**

**G. SURENDER REDDY.
Managing Director.**

DIRECTORS REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the **18th Annual Report** and the Audited Statement of Accounts of the Company for the 6 (Six) Months Period Ended 31st March '2011.

FINANCIAL RESULTS:

(Rs. In Lakhs)

Sl. No.	Particulars	6 Months Ended 31st March 2011	18 Months Ended 30th Sep 2010
1.	Net Income from Operations	7,460.10	4,139.77
2.	Gross Profit (before Finance Charges, Depreciation, Taxation & Extraordinary Items)	662.07	213.13
3.	Less : Finance Charges	212.46	263.55
4.	Less : Depreciation	115.05	347.77
5.	Less : Provision for Taxation	101.20	0.00
6.	Add : Extraordinary items -		
	Written Back on OTS / Restructuring	0.00	2083.89
7.	Profit / (Loss)	233.36	167.14

OPERATIONS:

During the year the name of the Company is changed from LN Polyesters Limited to "LN INDUSTRIES INDIA LIMITED". The initiative of the Company of venturing in to trading activity in the textiles segment has been encouraging. The Company has during the year issued fully convertible warrants in terms of the approval accorded by the members at the AGM held on 20th November'2010 to fund the diversification and growth plans of the Company. In terms of the said issue of the convertible warrants the Company has allotted 7,43,07,050 equity shares of Rs.10/- each at a premium of Rs.12/- each. The Company would be channelizing the resources mobilized through the said issue for the growth plans of the Company in the ensuing periods. The conversion works undertaken by the Company for the Reliance Industries Limited for the manufacture of the Dyed yarn been registering consistent growth. The real estate development on the land belonging to the Company at Hyderabad has not commenced yet.

MARKETING:

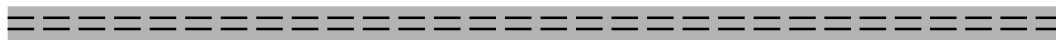
The products dealt by the Company have been witnessing a healthy growth both in the domestic and international markets. There has been stability in the prices of the products marketed by the Company in the various markets it operates. The Company with an enhanced product portfolio has drawn up a detailed plan of expansion of its market reach both in India and overseas which is being rolled out at present.

FIXED DEPOSITS:

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

BOARD OF DIRECTORS:

During the year Sri.K.C.Venkateswarlu, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.



During the year under review Sri.S.Man Mohan Rao, resigned as the Director and Chairman of the Company due to his pre occupations. The Board places on record its appreciation for the services rendered by him during his tenure as the Director of the Company.

During the year under review Sri.Sadashiv Sawrikar and Sri.K.V.Chandrasekhara resigned as Directors of the Company due to their pre occupations. The Board places on record its appreciation for the services rendered by them during their tenure as the Directors of the Company.

IDBI Bank Limited withdrew the nomination of Sri.A.Mallikarjun as Nominee Director of the Company consequent to the assignment of debt due to IDBI Bank Limited to JM Financial Asset Reconstruction Company Private Limited.

Sri.Dhanunjaya Kumar Alla and Sri.G.Ramesh Babu were appointed as Additional Directors of the Company with effect from 7th May, 2011 and hold office till the date of ensuing Annual General Meeting.

However, Sri.Dhanunjaya Kumar Alla resigned as the Director of the Company owing to his personal reasons. The Company has received notice from a member proposing Sri.G.Ramesh Babu for appointment as a Director of the Company.

DIRECTORS RESPONSIBILITY STATEMENT:

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

- (i) **that** in the preparation of the Annual Account for the Financial Year Ended 31st March ' 2011, the applicable accounting standards had been followed along with proper explanation relating to material departure's;
- (ii) **that** the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) **that** the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) **that** the Directors had prepared the accounts for the Financial Year ended 31st March ' 2011, on a "going concern basis".

AUDITORS:

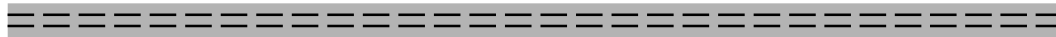
M/s. Kumar & Giri, Statutory Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s. Kumar & Giri to the effect that their appointment as Auditors if made would be within the limits under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

PERSONNEL:

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

REPLIES TO QUALIFICATIONS MADE BY THE AUDITORS:

- a) "The Company has shifted its original manufacturing locations from Patancheru, Hyderabad, Andhra Pradesh to Silvassa and Vapi in Gujarat. After the relocation of the manufacturing locations the Factory Buildings at Patancheru are remaining un-utilised. The land on which the said factory building is located is given for real estate development, though the same has not commenced yet. On account of the same no provision for impairment of the said asset is made. The provision for the impairment in the value of the



Factory Building would be made once the factory building is completely demolished on the commencement of the real estate development activity in term of the agreement of the development entered into by the company on the land on which factory building is situated".

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT AND FOREIGN EXCHANGE:

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

COMPLIANCE CERTIFICATE:

The Company has complied with the provision of Corporate Governance as required under the provisions of Clause 49 of the Listing Agreement.

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

ACKNOWLEDGEMENT:

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

**on behalf of the Board of Directors
for LN INDUSTRIES INDIA LIMITED**

**Place: Hyderabad.
Date: 27.08.2011**

**G. SURENDER REDDY
Managing Director**

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

A) CONSERVATION OF ENERGY:

a) Energy Conservation measures taken:

- Installation of Load Capacitors at junctions in curtailing High Power Load.
- Installation of reduced horsepower motors in line with the load Requirement.
- Installation of efficient Air Handling Units.
- Close supervision on the usage of Coal, Electricity.

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

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

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

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

d) Total energy consumption and energy consumption per unit of production as per Form – A.			
		2010 - 2011	2009 - 2010
		(6 Months)	(18 Months)
1. Electricity:			
a) Purchased:			
Units		23,15,536	70,83,024
Total Amount	Rs.	96,24,638/-	3,11,75,986/-
Rate Per Unit	Rs.	4.16	4.40
b) Own Generation:			
i) Through Diesel Generator			
Units		0.00	18,941
Units Per Ltr.of Diesel		0.00	2.85
Rate Per Unit	Rs.	0.00	14.00
ii) Through Steam turbine / Generator:			
Units			
Units Per Ltr. Of Fuel Oil / Gas		Nil	Nil
Rate Per Unit			
2. Coal for Boiler:			
Quantity (Tons)		740.215	2,052.376
Total Cost	Rs.	34,62,101/-	1,02,86,821/-
Average Rate Per Ton	Rs.	4,677/-	5,012/-
3. Furnace Oil:			
Quantity (K.Ltrs.)			
Total Cost		NIL	NIL
Average Rate			
4. Others / internal generation (please give details):			
Quantity ()			
Total Cost		NIL	NIL
Rate Per Unit			
A) Consumption per unit of production:			
Particulars		2010 - 2011	2009 - 2010
		(6 Months)	(18 Months)
Products (with details) Units:			
Dyed Yarn Production (MT)		928.04	2,149.20
Electricity (Purchased) / MT	Rs.	10,371/-	14,506/-
Coal / MT	Rs.	3,731/-	4,786/-

II. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form – B

- a) Research & Development (R & D)

Specific Areas:

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

Benefits Derived:

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

Plan of Action:

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

b) Technology Absorption, Adoption and Innovation:

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

III. Foreign Earnings and Outgo:

			2010 - 2011 (6 Months)	2009 - 2010 (18 Months)
Earnings	::	Rs.	0.00 Lacs	205.11 Lacs
Outgo	::	Rs.	76.88 Lacs	79.33 Lacs

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,

**The Board of Directors
LN Industries India Limited,**

We have reviewed the implementation of Corporate Governance procedures by LN Industries India Limited during the period ended 31st March ' 2011, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

for KUMAR & GIRI.
Chartered Accountants
FRN 01584S

J. Bhadra Kumar.
Partner.
M. No.025480.
Date: 27th August ' 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture of Texturized Twisted Polyester Dyed Yarn and Nylon Dyed Yarn. It has also significant presence in the trading of various textile products.

One of the major finished products of the Company Polyester Dyed Yarn is used in the manufacturing of Dress Materials, Sarees, Shirting, Suiting and Furnishing Fabrics. Another product Nylon Dyed Yarn is used in the manufacture of Socks, Sports Gear etc.,

The industry offers significant leverage to the Company for scaling up its operations both in terms of the higher volumes of the existing products as well as the scope for setting up new and enhanced facilities which can facilitate back ward integration for the present product line of the Company. Because of the products application and utility across the wide spectrum of the users segment, offers significant opportunities for growth.

REVIEW OF OPERATIONS:

Company has during the period processed materials to the tune of 928 MT's including undertaking job works for the Reliance Industries Limited. The capacities of production of the Company are being improved considering the surge in the demand for the products.

The Company has during the period successfully commenced the trading in textile products.

Considering the growing product profile of the Company and the diverse business verticals including the real estate development and back ward integrations in textile lines the name of the Company is changed from LN POLYESTERS LIMTIED to LN INDUSTRIES INDIA LIMITED

The Company has issued fully convertible Equity Warrants during the period on preferential basis to the investors to fund the growth needs of the Company.

FINANCIAL REVIEW:

The Company has during the year has curtailed the cash losses by achieving a turnover of Rs.7,460 Lakhs.

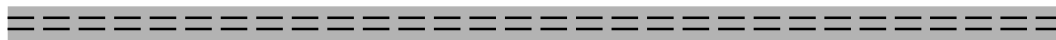
Consequent upon the settlement of the dues with Financial Institutions during the earlier years the interest cost on the Company has come down significantly during the current period resulting in increased profitability. Significant reduction in the interest cost which has resulted in the increased net profit. The contribution levels have also increased resulting in the Company achieving a Gross Profit (Earnings before Interest, Deprecation & Taxes) of Rs.662 Lakhs.

The Company has during the year added new and value added machinery in the production line to enhance the product portfolios by incurring a capital expenditure of Rs.219 Lakhs.

The paid up Equity Share Capital as at 31st March '2011 stood at Rs.8,925.80 Lakhs.

Earning per share for the period was at Rs.1.56.

The Company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs.19 Lakhs.



OPPORTUNITIES:

There has been continuous growth for the products dealt by the Company both at the domestic market and the international market. Due to the cost efficiency of the products the International market offers tremendous growth opportunities for the various value added products produced by the Company. **LNIL** with its high quality and diverse range of products catering to wide segment of market is well poised to capitalize on the growing market for the products.

The present market offers the Company various opportunities to grow both organically and inorganically. The Company is proposing to venture in the investment of its resources in the related products such as Chemicals, engineering equipments etc to de-risk the present business mix.

CHALLENGES:

The high volatile global economic scenario coupled with the possible slow down in the domestic market may impact the earning and growth capabilities of the Company in the near short term. Further the normal market completion in the markets in which the Company operates may effect the operative capability of the Company. However, Company is gearing up for the same by introducing new and innovative products and expanding the market bases, diversifying into new lines of activity and business and adopting appropriate combination of strategies it is keeping itself ahead in the competition.

OUTLOOK:

With a well established presently the Company's majority of the revenues are derived from the sale of Texturized Twisted Polyester Dyed Yarn in the domestic market. The success of the Nylon Dyed Yarn being presently exported by the Company gives it a wide market. The enhanced manufacturing facilities, producing a wide range of quality products would enable the Company to perform better. The Company's proposal of development of the land at Patancheru, Hyderabad after shifting of the facilities to Silvassa and Vapi gives the Company the leverage to enlarge its business operations over the next 3 – 5 years.

RISKS AND CONCERNS:

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

One of the areas of concern in the present line of business for the Company is the fluctuations in the prices of the basic raw material used in the production i.e Partially Oriented Yarn (POY) whose cost is directly proportional to the fluctuations in the international prices of petroleum products which has been witnessing frequent fluctuations in the prices.

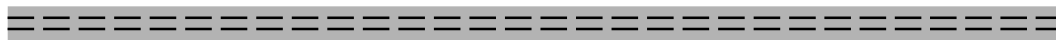
The Company is in the process of diversifying into other related business segments and also the real estate development of the land belonging to it. The progress of these depends on the various market conditions which are not directly under control of the Company.

ADEQUACY OF INTERNAL CONTROLS:

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

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

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



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

QUALITY :

“**Consistency in the Quality of the product & high level of after sales follow up**” are the hall marks of the Company Products.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

LNIL employs **55** people, on full time employment basis.

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

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

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

CORPORATE GOVERNANCE DISCLOSURE:

1. COMPANY PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

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

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

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

2. BOARD OF DIRECTORS:

The **Board** of Directors of the Company consists of 5 Directors, Viz., Managing Director, and 4 Non – Executive Directors.

During the period October, 2010 to March, 2011 the Board has met 5 (Five) times, on the following date namely:

1. 20th October, 2010.
2. 27th October, 2010.
3. 11th February, 2011.
4. 25th March, 2011.
5. 31st March, 2011.

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

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

Name	Category	Attendance Particulars		Number of Committee Member/Chairmanship	
		Board Meetings	Last AGM	Committee Memberships	Committee Chairmanships
Sri S. Man Mohan Rao (Promoter and Chairman)	Chairman	2	Yes	1	1
Sri G. Surender Reddy (Promoter and Managing Director)	MD	5	Yes	1	0
Sri.K C Venkateswarlu (Independent and Non Executive Director)	NED	5	Yes	0	0
Sri Sadashiv Sawrikar (Independent and Non Executive Director)	NED	2	Yes	3	2
Sri S. Sridhar (Non Executive Director)	NED	0	No	1	0
Sri K. V. Chandrasekhara (Independent and Non Executive Director)	NED	3	No	2	0
Sri.A.Mallikarjun (Nominee Director - IDBI)	NED	0	No	0	0
Sri Shailesh Shivram Mistry (Independent & Non Executive Member)	NED	3	No	1	0

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

1. AUDIT COMMITTEE:

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

1. Sri. Sadashiv Sawrikar Upto 23rd November ' 2010
2. Sri. K. V. Chandrasekhara Upto 20th March ' 2011
3. Sri. A. Mallikarjun Upto 29th March ' 2011
4. Sri.G.Surender Reddy From 24th November ' 2011
5. Sri.Shailesh Shivram Mistry From 20th November ' 2011

Sri.Sadashiv Sawrikar is the Chairman of the Audit Committee (Upto 23rd November, 2010).

Sri.K.V.Chandra Sekhara is the Chairman of the Audit Committee (From 24th November, 2010).

The Audit Committee reviews the adequacy of Internal Control Systems and the Internal Audit Reports, and their compliance thereof as well as the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible. The Committee recommends



the appointment of External Auditors and fixation of their audit fee and approves the payment for any other services rendered by them. The Committee also monitors and reports on the status of implementation of agreed internal and statutory audit recommendations. The Statutory and Internal Auditors attend as invitees to the meetings of the Audit Committee.

Two meetings were held during the period October, 2010 to March, 2011. The dates on which the meetings were held are:

1. 20th October, 2010.
2. 11th February, 2011.

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

Sl. No.	Name of the Director	No. of Meetings Attended
1.	Sri.Sadashiv Sawrikar	1
2.	Sri.G.Surender Reddy	1
3.	Sri.K.V.Chandrasekhara	2
4.	Sri.Shailesh Shivram Mistry	1

2. REMUNERATION COMMITTEE:

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

The members of the Committee are:

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

Consequent to the resignation of Sri.Sadashiv Sawrikar, the Committee was reconstituted in the Board Meeting held on 11th February, 2011 with the following directors as members:

1. Sri.K.C.Venkateswarlu
2. Sri.K.V.Chandrasekhara
3. Sri.S.S.Mistry

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

3. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

The Committee comprises of:

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

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

Consequent to the resignation of Sri S. Man Mohan Rao and Sri Sadashiv Sawrikar the Committee was reconstituted in the Board Meeting held on 11th February, 2011 with the following directors as members:

1. Sri.G. Surender Reddy
2. Sri.K.C.Venkateswarlu
3. Sri.S.S.Mistry

Sri.S.S.Mistry was appointed as the Chairman of the committee. The committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the securities transfer. The Committee also looks into redressing of shareholders / investor's complaints like transfer of shares, non – receipt of balance sheet, etc., The Committee oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement of the quality of investor's services.

During the year under review the Company has not received any complaints from the shareholders. And as on 31st March, 2011, no requests for transfer are pending.

1. GENERAL BODY MEETINGS:

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

Year	Location	Date	Time
2007 – 2008	Surana Auditorium, FAPCCI, Red Hills, Hyderabad – 500 004.	22 nd November ' 2008	11:00 A.M.
2008 – 2009	Surana Auditorium, FAPCCI, Red Hills, Hyderabad – 500 004.	27 th August ' 2009	4:00 P.M
2009 – 2010	Bhaskara Auditorium, B.M.Birla Science Centre, Near Birla Mandir, Adarsh Nagar, Hyderabad – 500 063.	20 th November ' 2010	11:00 A.M

2. DISCLOSURES:

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

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

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

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

3. MEANS OF COMMUNICATION:

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

Sr. No.	Quarter Ended	English Daily	Telugu (Vernacular) Daily	Date of Publication
1.	December 2010	Business Standard	Andhra Prabha	2 nd Feb '2011.
2.	March 2011	Business Standard	Andhra Prabha	16 th May '2011

9. GENERAL SHAREHOLDER INFORMATION:

9.1 Annual General Meeting:	
Date and Time	30th September, 2011 at 3.30 P.M
Venue	Swagath-De-Royal, Kondapur X Roads, Madhapur, Hyderabad - 500 080.

9.2 Financial Report for the Quarter Ending (subject to change):		
1	June 2011	12 th August ' 2011.
2	September ' 2011	15 th November ' 2011.
3	December ' 2011	15 th February, 2012
4	March '2012	15 th May, 2012

9.3 Book Closure Date:	
Dates	24th September, 2011 to 30th September 2011

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

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

9.6 Stock Market Data:			
	Month	High	Low
1	Oct ' 2010	32.50	20.30
2	Nov ' 2010	38.90	27.60
3	Dec ' 2010	36.50	23.90
4	Jan ' 2011	36.15	27.20
5	Feb ' 2011	31.15	24.50
6	Mar ' 2011	36.90	24.05

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

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

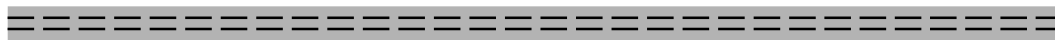
9.9 Share Holding Pattern:	
Category	% of Total Capital
Promoters & Associates	08.24%
Bodies Corporate	60.84%
Banks	00.00%
NRI's	00.24%
Others	30.68%

9.10 Distribution of Share Holding (As of 31st March ' 2011)	
Range in No. of Shares	% of Total Capital
Up to 5000	63.81%
5001 10000	13.01%
10001 20000	06.34%
20001 30000	04.46%
30001 40000	01.97%
40001 50000	01.83%
50001 100000	02.48%
100001 & above	06.06%

9.11 Dematerialization of Shares:	
Status:	Approximately 15.29% of the shares issued by the Company have been dematerialized up to 31 st March 2011.

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

9.13 Address for Investor Correspondence:	
Address:	The Compliance Officer, LN INDUSTRIES INDIA LIMITED, (Formerly known as LN Polyesters Limited) Plot No.424/A, Road No.18 Jubilee Hills, HYDERABAD – 500 033.



Other Disclosures:

Code of Conduct for the Board Members and Senior Management Personnel

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

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

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

G.SURENDER REDDY
Managing Director

CEO CERTIFICATION

I, **G. Surender Reddy**, Managing Director of L N Industries India Limited (Formerly known as LN Polyesters Limited) hereby certify that:

- i. I had reviewed financial statements and the cash flow statement for the period ended 31st March, 2011, to the best of my knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- ii. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- iii. I accept responsibility for establishing and maintaining internal controls and I had evaluated the effectiveness of internal control systems of the Company and I had disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- iv. I had indicated to the Auditors and the Audit Committee:
 - (a) Significant Changes in internal controls during the year;
 - (b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
 - (c) That there have been no instances of significant fraud of which we have become aware, involving the management or an employee having a significant role in the Company's internal control system.

Place: Hyderabad.
Date: 27th August, 2011.

G.SURENDER REDDY
Managing Director

AUDITOR'S REPORT

To,
The Members of
LN INDUSTRIES INDIA LIMITED,
Hyderabad – 500 033.

We have audited the attached Balance Sheet of LN Industries India Limited, Hyderabad as on 31st March ' 2011, and also the Profit and Loss Account for the Year Ended on that date annexed thereto and Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we consider appropriate and according to the information and explanations given to us. We give in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Our comments on the accounts are as under:
 - a) **Reference is invited to Note No.4 under Notes on Accounts under Schedule P regarding confirmation and / or reconciliation of balances.**
 - b) **According to the information and the explanations given to us, the Company does not have any over – dues to SSI units and hence no provision for interest is made in accounts.**
 - c) **The Company has not provided for the impairment in the value of the factory building situated at Patancheru, Hyderabad consequent to shifting of the manufacturing facilities from there to the present location at Silvassa and Vapi in Gurajat. In the absence of any engineering estimate on the utility and value of the asset we are unable to quantify the impact of the value of the impairment of the Building on the financial statements for the period.**
3. Subject to our observations in the annexure referred to in paragraph (1) and our comments in paragraph (2) above, We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the Books of Account.
 - d) In our opinion the Balance sheet and Profit and Loss Account are in compliance with the Accounting Standards referred to in Sec. 211 (3C) of the Companies Act, 1956, excepting in relation to Accounting Standard 22 on Accounting for Taxes on Income and reference is invited to Note No.8 under Notes on Accounts under Schedule P.



- e) In our opinion, and based on the information and explanations given to us, none of the Directors of the Company are disqualified as on 31st March ' 2011, from being appointed as a Director under clause (g) of sub – section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
- i) In so far as it relates to the Balance sheet, of the state of affairs of the Company as on 31st March ' 2011 and
 - ii) In so far as it related to the Profit and Loss Account, of the Profit of the Company for the period ended on that date.
 - iii) In the case of Cash Flow Statement, of the Cash Flows for the period ended on that date.

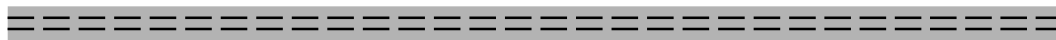
for M/s.KUMAR & GIRI
CHARTERED ACCOUNTANTS
FRN 01584 S

Place: Hyderabad.
Date: 27th August ' 2011.

J.BHADRA KUMAR
Partner.
M.No.025480

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

- (i) (a) The Company is compiling the Fixed Assets Register consequent to the relocation and merging of the facilities at the new locations.
- (b) The Company has conducted physical verification of the fixed assets at one of its two manufacturing locations. The Company has detailed a plan of physical verification of the fixed asset in relation to the assets at the second manufacturing location.
- (c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected. Reference is invites to Clause C of our comments on the main Audit Report.
- (ii) (a) The stocks of raw materials ,consumables, stores, work in progress and finished goods have been physically verified during the year by the management of the Company.
- (b) The procedure of the physical verification of the Inventories followed by the management are to be strengthened so as to be reasonable and commensurate with the size of the Company and the nature of its business.
- (c) The discrepancies noticed on verification of inventories as compared to the books were not material and it has been property dealt with in the books of account of the Company.
- (iii) In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - (a) The Company has outstanding loans from three parties. The maximum amount outstanding during the year in relation to the loans taken aggregate to Rs.941.05 Lakhs.



- (b) In our opinion and according to the information and explanations given to us, no rates of interests are specified for the loans taken. The other terms and conditions for these loans are not prima facie prejudicial to the interest of the Company.
- (c) The loan taken from Directors (three parties) are interest free and subordinate to the debts of the Financial Institutions so as to the repayment of principal.
- (d) There are no overdue amounts in respect of loans taken by the Company and also in relation to the loans given by the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in the internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provision of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public excepting loans taken from others.
- (vii) The Company has an internal audit system. Keeping in view the growth in the business and future expansions, the scope of the internal audit needs to be enlarged so as to be commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us no undisputed amounts payable in respect of wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March ' 2011, for a period of more than six months from the date they became payable, excepting the Sales Tax deferred amount which stand payable for Rs.118.63 Lacs, which has become due on account of the Unit being shifted from Andhra Pradesh.
- (c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any



dispute.

- (x) The Company has no accumulated losses as on 31st March'2011.
- (xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
- (xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order'2003 is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanation given to us the Company is not dealing in shares and securities. In the case of investments held by the Company in shares the same are in the name of the Company.
- (xv) In our opinion and according to the information and explanations given to us the Company has not given guarantees for the loans taken by others from Banks or Financial Institutions.
- (xvi) The Company has not raised any new term loans during the year.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the Company has not utilized any amount out of short terms sources for long term uses and vice versa.
- (xviii) During the year the Company has issued 1,95,00,000 fully convertible equity warrants of Rs. 10/- each at a premium of Rs.12/- per warrants to two parties covered in the Register maintained under Section 301 of the Companies Act'1956. Out of the 1,95,00,000 fully convertible warrants a total number of 1,20,75,750 equity shares are allotted as at 31st March'2011 to the parties referred to above .
- (xix) The Clause 4(xix) of the Companies (Audit Report) Order '2003 relating to the creation of security for the Debentures is not applicable to the Company as no debentures are raised by the Company.
- (xx) The Company has not raised any money by way of public issue during the year excepting issue of 11,46,00,000 Fully Convertible Equity Warrants.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that caused the financial statements to be materially misstated.

for M/S.KUMAR & GIRI.
CHARTERED ACCOUNTANTS.
FRN 01584 S

Place: Hyderabad.
Date: 27th August '2011.

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

BALANCE SHEET AS AT 31st MARCH, 2011

Particulars	Schedule	As at 6 Months Period Ended 31st March 2011		As at 18 Months Period Ended 30th Sep 2010	
SOURCES OF FUNDS					
1. Shareholders' Funds					
Capital					
Equity Share Capital	A		892,579,000		147,009,000
Share Application Money (Pending Allocation)			0		58,150,000
Convertible Warrants Monies			128,229,900		0
Reserves and Surplus	B		981,934,577		66,913,592
2. Loan Funds					
Secured Loans	C		174,472,927		167,815,349
Unsecured Loans	D		148,676,979		196,504,475
TOTAL			2,325,893,883		636,392,417
APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	E	701,941,052		688,288,507	
Less : Depreciation		258,063,717		246,558,732	
Net Block			443,877,335		441,729,775
2. Investments					
	F		357,778,310		1,128,310
3. Current Assets, Loans and Advances					
Less : Current Liabilities and Provisions	G	1,630,765,908		251,903,318	
Net Current Assets	H	106,527,670		58,368,986	
			1,524,238,238		193,534,331
TOTAL			2,325,893,883		636,392,417
SIGNIFICANT ACCOUNT POLICIES & NOTES TO ACCOUNTS					
	P				

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI

Chartered Accountants
FRN : 01584 S

J. BHADRA KUMAR

Partner
M.No. 025480
Hyderabad.
Date : 27th August, 2011.

G. SURENDER REDDY

Managing Director

K.C.VENKATESWARLU

Director

**Profit & Loss Account for the
Period ended 31st March, 2011**

Particulars	Schedule	As at 6 Months Period Ended 31st March 2011		As at 18 Months Period Ended 30th Sep 2010	
INCOME					
Sales	I	746,009,991		413,977,204	
Less : Excise Duty & Sales Tax	M	1,943,654		8,470,701	
Net Sales			744,066,337		405,506,503
Other Income			830,424		702,182
Accre. / (Decre) in Stocks	J		8,589,359		(20,090,362)
			753,486,120		386,118,323
EXPENDITURE					
Material Consumption	K		638,013,610		239,114,483
Manufacturing Costs	L		35,951,105		91,348,527
Admin. & Selling Costs	N		13,313,943		34,342,427
Finance Costs	O		21,246,092		26,355,437
Depreciation	E		11,504,985		34,777,246
			720,029,735		425,938,120
Net Profit / (Loss) for the Period			33,456,385		(39,819,797)
Less : Provision for Taxation			10,120,000		0
Profit / (Loss) after Taxation			23,336,385		(39,819,797)
Add : Amount Written Back on OTS/Restructuring			0		208,388,878
Net Profit / (Loss) for the Year after Extraordinary Items			23,336,385		168,569,081
Profit / (Loss) brought forward from previous year			16,713,592		(151,855,489)
Net Profit / (Loss) Carried to Balance Sheet			40,049,977		16,713,592
Earnings Per Share of Rs.10 each (Rupees)			1.56		11.47
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS			P		

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI
Chartered Accountants
FRN : 01584 S

J. BHADRA KUMAR
Partner
M.No. 025480
Hyderabad.
Date : 27th August, 2011.

G. SURENDER REDDY
Managing Director

K.C.VENKATESWARLU
Director

SCHEDULES TO THE BALANCE SHEET

Particulars	As on 6 Months ended 31-March-11	As at 18 Months ended 30-Sep-10
SCHEDULE : A		
SHARE CAPITAL		
Authorised		
14,50,00,000 Equity Shares of Rs.10/- each (Previous Year 1,50,00,000 Equity Shares of Rs.10/- each)	1,450,000,000	215,000,000
Preference Shares (Previous Year 40,00,000 Preference Shares of Rs.10/- each)	0	40,000,000
	1,450,000,000	255,000,000
Issued, Subscribed & Paid-up		
8,92,57,950Nos. Equity Shares of Rs.10/- each fully paid up (Previous Year 1,47,00,900 Equity Shares of Rs.10/- each)	892,579,500	147,009,000
	892,579,500	147,009,000
SCHEDULE : B		
RESERVES AND SURPLUS		
a. Share Premium	940,384,600	48,700,000
b. Central Subsidy	1,500,000	1,500,000
c. Profit / (Loss)	40,049,977	16,713,592
	981,934,577	66,913,592
SCHEDULE : C		
SECURED LOANS		
Loans from :		
J M Financial Asset Reconstruction Co. Pvt. Ltd.	106,103,684	102,500,000
Cash Credit with S B H	67,901,028	64,679,568
Hire Purchase Loans	468,215	635,781
	174,472,927	167,815,349
SCHEDULE : D		
UNSECURED LOANS		
From Directors	94,104,654	98,092,149
From Bodies Corporate & Others	39,908,951	83,448,951
Trade Deposits	2,800,000	3,100,000
Interest Free Sales Tax Loan	11,863,374	11,863,374
	148,676,979	196,504,475
SCHEDULE : F		
INVESTMENTS		
Unquoted Equity Shares (at Cost)	25,000	25,000
Quoted Equity Shares (at Cost)	1,103,310	1,103,310
Advance towards Equity	356,650,000	0
	357,778,310	1,128,310

FIXED ASSETS SCHEDULE FOR THE YEAR 2010 - 2011

SCHEDULE : E

(Fig. in Rs.)

Sl. No.	Depreciation of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 1st Oct 10	Additions During Oct 10 - Mar 11	As on 31st Mar 11	As on 1st Oct 10	For the Period Oct 10 - Mar 11	As on 31st Mar 11	As on 31st Mar 11	As on 30th Sep 10
1	Land & Site Development	28,542,431	0	28,542,431	0	0	0	28,542,431	28,542,431
2	Factory Building	121,450,406	0	121,450,406	22,200,125	715,241	22,915,365	98,535,040	101,403,863
3	Plant & Machinery	433,340,312	21,825,000	455,165,312	196,251,481	10,193,475	206,444,956	248,720,356	267,781,274
4	Electrical Installation	24,912,612	0	24,912,612	12,451,041	0	12,451,041	12,461,571	12,461,572
5	Borewell	2,069,219	0	2,069,219	536,476	0	536,476	1,532,743	1,532,743
6	Office Equipment	1,620,277	0	1,620,277	1,063,808	50,507	1,114,315	505,962	555,421
7	Computers	6,133,172	49,700	6,182,872	5,895,871	34,549	5,930,419	252,453	231,843
8	Furniture & Fixtures	1,871,566	0	1,871,566	1,367,921	53,303	1,421,224	450,342	674,476
9	Vehicles	12,056,069	0	12,056,069	6,792,010	457,910	7,249,920	4,806,149	6,398,412
	TOTAL	631,996,065	21,874,700	653,870,765	246,558,732	11,504,985	258,063,717	395,807,047	419,582,035
10	Capital Work in Progress	56,292,443	(8,222,155)	48,070,288	0	0	0	48,070,288	40,661,527
	Grand Total	688,288,507	13,652,545	701,941,052	246,558,732	11,504,985	258,063,717	443,877,335	460,243,562
	Previous Year	643,189,887	100,446,891	672,025,048	193,549,931	18,231,555	211,781,486	460,243,562	449,639,957

SCHEDULES TO THE BALANCE SHEET

Particulars	As on 6 Months ended 31-March-11	As at 18 Months ended 30-Sep-10
SCHEDULE : G		
CURRENT ASSETS, LOANS AND ADVANCES		
1. Inventories (As valued & Certified by the Management)		
Raw Materials	31,821,794	25,328,773
Stocks in Process	41,362,448	38,444,980
Finished Goods	14,478,003	8,806,112
	87,662,245	72,579,865
2. Sundry Debtors (Considered Good)		
Debts Outstanding for a period exceeding Six Months	32,915,809	37,691,785
Other Debts	123,555,377	103,410,112
	156,471,186	141,101,897
3. Cash and Bank Balances		
Cash on Hand	17,712	14,904
Balances with Scheduled Banks :		
in Current Accounts	9,064,554	1,786,920
in Deposit Accounts (Inc. Margin Money)	14,116,159	11,346,431
	23,198,424	13,148,256
4. Loans and Advances (Unsecured and Considered Good)		
Other Advances	1,339,908,106	2,758,402
Advances for Materials	5,534,791	5,049,252
Interest Receivable	221,267	221,267
TDS Receivable	7,367,989	6,642,480
Deposits	10,401,899	10,401,899
	1,363,434,052	25,073,300
TOTAL (1+2+3+4)	1,630,765,908	251,903,318
SCHEDULE : H		
CURRENT LIABILITIES AND PROVISIONS		
Creditors for Materials / Expenses	49,928,142	11,872,470
Creditors for Capital Works	415,999	344,520
Land Development Deposit from Developers	43,000,000	43,000,000
Outstanding Liabilities	3,063,529	3,151,996
Provision for Taxation	10,120,000	0
	106,527,670	58,368,986

SCHEDULES TO PROFIT & LOSS A\C

Particulars	As at 6 Months Period Ended 31-March-11		As at 18 Months Period Ended 30-Sep-10	
<u>SCHEDULE : I</u>				
1. Sales				
Sales of Poly & Nylon. (Text/Twisted/Dyed Yarn)				
I) Domestic Sales		58,196,452		170,583,519
II) Export Sales		1,671,724		22,838,423
III) Conversion Charges		33,246,464		83,157,272
IV) Trading Sales		652,895,351		137,397,990
		746,009,991		413,977,204
<u>SCHEDULE : J</u>				
1. Accretion/Deceretion to Stocks				
i) Opening Stocks				
a) Finished Goods	8,806,112		15,963,253	
b) Work in Progress	38,444,980	47,251,092	51,378,201	67,341,454
ii) Closing Stocks				
a) Finished Goods	14,478,003		8,806,112	
b) Work in Progress	41,362,448	55,840,451	38,444,980	47,251,092
		8,589,359		(20,090,362)
<u>SCHEDULE : K</u>				
MATERIALS CONSUMPTION				
2. Materials Consumed				
Opening Stock		25,178,294		26,417,299
Purchases		644,357,997		237,875,478
		669,536,291		264,292,777
Less : Closing Stock		31,522,681		25,178,294
		638,013,610		239,114,483
<u>SCHEDULE : L</u>				
MANUFACTURING COSTS				
Power and Fuel		12,976,448		41,728,125
Factory Salaries & Wages		13,628,580		30,035,021
Repairs & Maintenance		9,346,077		19,585,381
		35,951,105		91,348,527
<u>SCHEDULE : M</u>				
EXCISE DUTY AND SALES TAX				
Excise & Custom Duty		103,184		60,647
Sales Tax		1,840,470		8,410,054
		1,943,654		8,470,701

SCHEDULES TO PROFIT & LOSS A\C

Particulars	As at 6 Months Period ended 31-Mar-11	As at 18 Months Period ended 30-Sep-10
SCHEDULE : N		
ADMINISTRATIVE AND SELLING COSTS		
Salaries & Benefits to Employees	1,213,903	2,760,147
Rent / Rates / Taxes	1,207,112	1,771,690
Consultancy Charges	1,261,598	2,146,741
Traveling Expenses	604,030	1,583,202
Conveyance	260,709	717,787
Telephone Expenses	205,116	463,125
Postage / Printing and Stationery	237,044	675,575
Office Maintenance	354,190	906,910
Security Charges	568,657	1,179,300
Insurance	255,241	389,920
Remuneration to Auditors	275,750	579,072
Business Promotion	285,750	193,510
Carriage Outwards	2,491,466	6,201,789
Discounts / Commission & Oth. Selling Exp.	3,564,472	10,527,279
Miscellaneous Expenses	528,905	1,043,300
Loss On Exchange Fluctuation	0	729,437
Product Development Exp. Written Off	0	2,473,643
	13,313,943	34,342,427
SCHEDULE : O		
FINANCE COSTS		
Interest on Term Loans	12,312,930	0
Interest on Working Capital Loan	5,483,792	15,619,257
Interest on Unsecured Loan	3,257,248	9,201,850
Interest on Hire Purchase Loans	42,590	165,319
Bank & Other Financial Charges	149,532	1,369,011
	21,246,092	26,355,437

SCHEDULE: P

SIGNIFICANT ACCOUNTING POLICES AND NOTES TO ACCOUNTS:

I) SIGNIFICANT ACCOUNTING POLICES:

1. Basis of Preparations of Financial Statements:

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

2. Use of Estimates:

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

3. Revenue Recognition:

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

4. Fixed Assets:

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

5. Depreciation:

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

6. Impairment of Assets:

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

7. Investments:

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

8. Inventories:

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

9. Employee Retirement Benefits:

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

10. Foreign Currency Transactions:

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

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

11. Borrowing Costs:

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

12. Provisions, Contingent Liabilities and Contingent Assets:

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

II) NOTES TO ACCOUNTS:

1. CONTINGENT LIABILITIES:

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

- The Unexecuted portion of Letter of Credit opened by Bank is Rs. –nil- (Previous Year – Rs.-nil- Lacs)
- Capital Commitments: Estimated amount of contracts remaining to be executed on capital account (net of advances) not provide for, amounts to Rs.1,400 Lacs - (previous Year Rs.1,000 Lacs).

2. Secured Loans:

- Dues to IDBI Bank Ltd. of Rs.2,852 Lakhs have been assigned to JMF ARC Pvt. Ltd.

As per the Terms of Restructuring, Company has to pay Rs. 1,000 Lakhs over a period of time along with interest. Apart from the dues, Company has to issue 2,50,000 full paid up Equity Shares at Face Value of Rs.10/- each to JMF ARC Pvt. Ltd., in lieu of conversion of part of the total dues.

Dues to JMF ARC Pvt. Ltd., are secured by Joint – Equitable mortgage of tile deeds relating to the Company's immovable properties and are further secured by the personal guarantees of the Directors of the Company, and pledge of Shares of the Promoters.

- The Credit facilities from the Bank on Cash Credit Account are secured by way of hypothecation of present and future stock of raw materials, work – in – process, all finished and manufactured goods, stores, component and spares (not relating to Plant and Machinery) and book debts of the Company. The Working Capital facility from State Bank of Hyderabad is further secured by Second charge on the fixed assets of the Company to the extent of Rs.840 Lakhs and the personal guarantees of the Directors of the Company.
- Vehicles acquired under Hire – Purchase agreement from, ICICI Bank Limited are secured by hypothecation of the respective vehicles. The Loans are further secured by the personal guarantee of the Directors.

3. Unsecured Loans:

- The Government of Andhra Pradesh, Commissariate of Industries, has vide its letter no. 20/2/6/01826, dated 16th February ' 1996, fixed eligibility towards Sales Tax Deferment on the Sales Tax Payable by the Company for a period of 10 years with effect from July ' 28, 1995. As the Company has shifted its Manufacturing Facilities from Andhra Pradesh, the Company has to repay the said Sales Tax Deferment unsecured loan in full. As at 31st March ' 2011 out of the total Rs. 502.84 Lacs availed an amount of Rs. 384.21 is paid back. The Sales Tax amount due as at March, 31st 2011 is shown under the head of account Unsecured Loans.

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

5. REMUNERATION TO AUDITORS: (Including Service Tax)

	2010 – 2011 6 Months	2009 - 2010 18 Months
As Auditors	2,20,600	4,49,815
In Other Capacity:		
i) Tax Audit & Tax Consultancy	33,090	77,553
ii) Certification	22,060	51,704
	2,75,750	5,79,072

- The Convertible Warrants Monies, represents Monies Received against Fully convertible Warrants to be issued.
- The Company has only one segment of activity of dealing in textile products during the period, hence segment wise reporting as defined in Accounting Standard – 17 is not furnished.
- The benefit of tax losses has not been brought to account, as the related benefits are not considered virtually certain. Hence the value of Deferred Tax is not determined and accounted as per the Provisions of Accounting Standard – 22 on Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India.

SCHEDULES TO THE BALANCE SHEET

9. Quantitative Information

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

CLASS OF GOODS, CAPACITY & PRODUCTION

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

(Per

Particulars	2009 - 2010 (6 Months)		2008-2009 (18 Months)	
	Quantity (Tonnes)	Value (Rs.)	Quantity (Tonnes)	Value (Rs.)
a) Capacity				
Registered/Licensed (As per letter of intent)	3,600.000	—	3,600.000	—
b) Installed - Annualised				
Polyester / Nylon Texturised & Twisted Yarn @	3,483.000	—	3,483.000	—
Polyester / Nylon Dyed Yarn (@ Capacities arrived at as per the product mix)	3,483.000	—	3,483.000	—
c) Actual Production				
Polyester / Nylon Dyed Yarn (Includes - Conversion of Dyed Yarn of 602.76 MT for Reliance. Previous Year Conversion of 593.71 MT)	928.037	—	2,149.200	—
d) Particulars in respect of Sales				
Polyester / Nylon Dyed Yarn *	320.929	59,868,176	1,014.550	193,421,942
Conversion Sales of Dyed Yarn	592.839	32,503,496	1,229.030	70,692,561
Conversion Sales of Text Yarn	26.208	742,968	519.390	12,464,711
Trading Sales of Grey Yarn (*Includes - Waste Yarn Sale of 18 MT, Previous Year Waste Yarn Sale of 21 MT)	0.000	652,895,351	0.000	137,397,990
e) Details of Stock-in-trade				
Opening stock				
Polyester / Nylon Texturised & Twisted Yarn	199.300	38,693,795	279.630	52,879,391
Polyester / Nylon Dyed Yarn	51.010	8,806,112	85.310	15,963,253
Closing Stock				
Polyester / Nylon Texturised & Twisted Yarn	240.787	46,639,606	199.300	38,693,795
Polyester / Nylon Dyed Yarn	96.327	14,478,003	51.010	8,806,112
f) Details of Raw Materials Consumed				
Partially Oriented Yarn and Trading Grey Yarn		48,791,112		62,587,298
Dyes & Chemicals		568,395,657		126,062,667
Others		10,749,196		24,494,130
		10,077,645		25,970,388
g) Value of Raw Materials, Spare parts and Components consumed				
Imported	1%	4,001,311	6%	13,464,511
Indigenous	99%	634,012,299	94%	225,649,972
h) Exports and Imports				
a) Value of imports calculated on CIF basis				
i. Raw material	—	3,835,561	—	7,933,479
ii. Components & Spare Parts	—	—	—	—
iii. Capital goods	—	—	—	—
b) Expenditure in foreign currency				
Travelling	—	—	—	—
l) Technical know-how Fees	—	—	—	—

SCHEDULES TO THE BALANCE SHEET

10	Additional information pursuant to the Part IV of Schedule VI of the Companies Act, 1956.	
a)	Registration details	
	Registration Number	15268
	State Code Number	01
	Balance Sheet date	31-Mar-11
b)	Capital raised during the year (Rupees)	
	Public Issue	-
	Right Issue	-
	Bonus Issue	-
	Private Placement (Firm allotment to the Promoters and their associates)	-
c)	Position of mobilisation and development of funds (Rupees)	
	Total Liabilities	2,325,893,883
	Total Assets	2,325,893,883
	Sources of Funds	
	Paid-up Capital	892,579,500
	Convertible Warrants Monies	128,229,900
	Reserves & Surplus	981,934,577
	Secured Loans	174,472,927
	Unsecured Loans	148,676,980
	Application of Funds	
	Net Fixed Assets	443,877,335
	Investments	357,778,310
	Net Current Assets	1,524,238,238
	Miscellaneous Expenditure	-
	Accumulated losses	-
d)	Performance of the Company (Rupees)	
	Turnover	744,896,761
	Total Expenditure	711,440,376
	Profit Before Tax & Extraordinary Items	33,456,385
	Profit After Tax & Extraordinary Items	23,336,385
	Earning Per Share (Rs.)	0.26
e)	Generic name of the Principal product of the Company	
	Item Code Number	5402209
	Product Description	Polyester & Nylon Texturised, Twisted, Dyed Yarn
11.	Figures have been rounded off to the nearest rupee.	
12.	Previous year figures have been regrouped where necessary. The previous year figures and current year figures are not comparable since financial year 2009-10 data represents operations for 18 (Eighteen) Months, whereas current year data is for a period of 6 (Six) Months.	
13.	Schedules A to O form an integral part of the Balance Sheet and Profit & Loss account.	

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI

Chartered Accountants
FRN : 01584 S

J. BHADRA KUMAR

Partner
M.No. 025480
Hyderabad.
Date : 27th August, 2011.

G. SURENDER REDDY

Managing Director

K.C.VENKATESWARLU

Director

CASH FLOW STATEMENT

For the period 1st October, 2010 - 31st March, 2011

Particulars	For the Year ended 31 Mar 11	For the Year ended 30 Sep 10
A. Cash flow from operating activities:		
Net Profit/(Loss) before Tax and Extraordinary items	23,336,385	(39,819,797)
Adjustments for:		
Depreciation	11,504,985	34,777,246
Misc. Expenses	0	2,473,643
Sales Tax Deferment	0	(17,482,906)
Interest & Finance Charges	21,246,092	26,355,437
Operating Profit before Working Capital Changes	56,087,462	6,303,623
Adjustments for:		
Trade and other receivables	(1,353,730,041)	(37,380,766)
Inventories	(15,082,380)	21,579,091
Trade Payables	51,380,142	(2,598,030)
Cash generated from operations	(1,261,344,817)	(12,096,082)
Interest paid	(21,246,092)	(85,456,592)
Direct Taxes paid	0	0
Cash flow before extra-ordinary items	(1,282,590,909)	(73,360,510)
Extra ordinary items	0	208,388,878
Net Cash flow operating activities	(1,282,590,909)	122,932,286
B. Cash flow from investing activities:		
Purchase of Fixed Assets	(13,652,545)	(16,263,459)
Purchase of Investment	(356,650,000)	0
Net Cash used in investing activities:	(370,302,545)	(16,263,459)
C. Cash flow from financing activities:		
Proceeds from Share Capital (Pending Allocation)	687,420,500	24,707,040
Share Premium	891,684,600	0
Convertible Warrants Monies	128,229,900	0
Repayment of Long Term Liabilities	3,603,684	(174,284,778)
Proceeds from long term borrowings	(47,995,061)	30,221,599
Net Cash Used in Financing Activities:	1,662,943,623	(119,356,139)
Net increase in Cash and Cash Equivalents	10,050,169	(12,687,312)
Cash and Cash equivalents as at 01-10-2010 (Opening balance)	13,148,256	25,835,567
Cash and Cash equivalents as at 31-03-2011 (Closing balance)	23,198,424	13,148,256

Note:

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

As per our report of even date

For and behalf of the Board

For M/s KUMAR & GIRI

Chartered Accountants
FRN : 01584 S

J. BHADRA KUMAR

Partner
M.No. 025480
Hyderabad.
Date : 27th August, 2011.

G. SURENDER REDDY

Managing Director

K.C.VENKATESWARLU

Director



LN INDUSTRIES INDIA LIMITED

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

ATTENDANCE SLIP

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

DP. Id*	Name & Address of the Registered Share Holder
Client Id*	
Reg. Folio No.	

I here by record my presence at the 18th ANNUAL GENERAL MEETING of the company at **Swagath-De-Royal, Kondapur X Road, Madhapur, Hyderabad-500080.**, on **30th September 2011 at 3.30 P.M.**

* Applicable if shares are held in electronic form

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

LN INDUSTRIES INDIA LIMITED

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

PROXY FORM

I / We _____ of being the member / members of LN Plyesters Limited here by appoint _____ of _____ of falling him/her _____ of _____ as my/our Proxy to vote for me / us and on my / our behalf, at the 18th Annual General Meeting of the Company to be held at **Swagath-De-Royal, Kondapur X Road, Madhapur, Hyderabad-500080.**, on **30th September 2011 at 3.30 P.M.**

DP. Id*	Signature	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> 1.00 One Rupee Revenue Stamp </div>
Client Id*		
Reg. Folio No.		

Note : (a) Proxy need not be a member

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

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