

**ANNUAL REPORT
2007 - 2008**

UNDER CERTIFICATE OF POSTING

PRINTED MATTER

BOOK-POST

To

M/s. GNSA INVESTOR SERVICES P LTD.,
(Unit : Loyal Textile Mills Limited)

GR Mansion

No. 11, Srinivasa Road, Pondy Bazar,

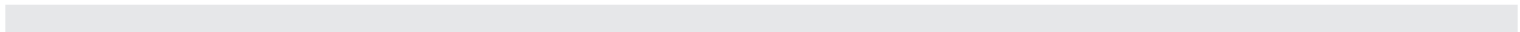
T. NAGAR,

CHENNAI - 600 017.



LOYAL TEXTILE MILLS LTD

ANNUAL REPORT 2007 - 2008



LOYAL TEXTILE MILLS LIMITED

- BOARD OF DIRECTORS** : Mr. MANIKAM RAMASWAMI,
(As on 23rd May 2008) Chairman & Managing Director
- : Mr. K.J.M. SHETTY I.A.S. (Retd.)
- : Mr. C. NALLAKRISHNAN
- : Mr. S. VENKATARAMANI
- : Mr. R. POORNALINGAM I.A.S. (Retd)
- : Mr. SHRIDHAR SUBRAHMANYAM
- BANKERS** : CENTRAL BANK OF INDIA
- : CANARA BANK
- : EXIM BANK
- : INDIAN BANK
- : KARUR VYSYA BANK LTD
- : STATE BANK OF INDIA
- : STATE BANK OF MYSORE
- AUDITORS** : MESSRS. SURI & CO., MADURAI.
- REGISTERED OFFICE** : 21/4, MILL STREET, KOVILPATTI - 628 501.
- : PHONE : 04632 - 220001
- : E-mail:investors@loyaltextiles.com
- REGISTRAR AND SHARE** : GNSA INVESTOR SERVICES (P) LIMITED
TRANSFER AGENTS GR MANSION
NO. 11, SRINIVASA ROAD
PONDY BAZAR
T. NAGAR
CHENNAI - 600 017
PHONE : (044) 4212 1428 / 29
FAX : (044) 42121430
E-mail:info@gnsaindia.com

LOYAL TEXTILE MILLS LTD.

REGD. OFFICE : 21/4 MILL STREET,
KOVILPATTI 628 501.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty Second Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at 21/4, Mill Street, Kovilpatti : 628 501 at 10.30 A.M. on Thursday, the 04th day of September, 2008 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in the place of Mr. C. Nallakrishnan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Mr. R. Poornalingam who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. Suri & Co., Chartered Accountants, Madurai, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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** pursuant to the provisions of section 149 (2A) of the Companies Act, 1956, the consent of the members of the company be and is hereby accorded to carry on the business activities as covered under the Objects Clause No.III 5 of the Memorandum of Association of the company i.e. carrying on the business of the acquisition of land and cultivation of cotton and other crops and the Board of directors of the company be and is hereby authorized to take all such effective steps to implement the decision of the members of the company as they may consider appropriate in the interest of the company and to do all such acts, deeds and things from time to time for and on behalf of the company.

By order of the Board
For Loyal Textile Mills Ltd.,

Place: CHENNAI

Date : 23rd May, 2008.

MANIKAM RAMASWAMI
Chairman & Managing Director

NOTES :

1. The relevant explanatory Statement pursuant to Section 173 of the Companies Act, 1956, setting out material facts relating to the special business at Item No. 6 of the Notice as set out above, is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS, IN ORDER TO BE VALID, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Register of Members and Share Transfer Books of the Company will be closed from 21st August, 2008 to 04th September, 2008 (both days inclusive).

4. The Dividend declared at the Annual General Meeting will be paid to the shareholders whose name appear in the Company's Register of Members as on 04th September, 2008 in respect of shares held in Physical form. In respect of shares held in electronic form, the dividend for the year ended 31st March, 2008 will be payable to the Beneficial owners of shares as at the closing hours of 04th September 2008 as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose. The dividend warrants will be sent on or before 03rd October, 2008.

5. Members are requested to notify to the Company's Registrars and Transfer Agents (R&TA) M/s GNSA Investor Services (P) Limited, G.R. Mansion, No. 11, Srinivasa Road, Pandy Bazar, T. Nagar, Chennai - 600 017. Phone : 044-42121428/42121429 Fax : 044-42121430 E-mail : info@gnsaindia.com

- a) any change in their registered address along with PIN code number.
- b) details about their bank account number, name of the bank, bank's branch name and address to enable the Company to print the same on the dividend warrants.

Please quote your Ledger Folio No./DP and Client Id in all correspondence with the Company / R&TA.

6. Members holding shares in the same name or same order of names under different Ledger Folios are requested to apply for consolidation of such Folios, to the Company's R&TA, at the address stated in Note No. 5 above.

7. As per the amended provisions of the Companies Act, 1956, dividends remaining unclaimed for a period of 7 years has to be transferred to the Investor Education and Protection Fund established by the Government of India. Members who have not encashed the dividend warrants for the year ended 31st March 2001 and/or any subsequent years are requested to write to the Company, giving necessary details.

Notice

8. Members may avail themselves of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the prescribed form a person to whom their shares in the Company shall vest in the event of their death. The prescribed form can be obtained from its R&TA at the aforesaid address.

9. As required in terms of paragraph VI(A) of Clause 49 of the Listing Agreement, the details of the Directors retiring by rotation and eligible for reappointment are furnished below :

Mr. C. Nallakrishnan

Mr.C. Nallakrishnan is a Chartered Accountant aged 66 years, He has over 27 years experience in accounting and administration. He is also the Chairman of the Shareholders' / Investors' Greivance Committee and Audit Committee of the Board of Directors of our Company. The Board recommends the reappointment of Mr. C. Nallakrishnan as Director of the Company.

Names of other Companies in which Mr. C. Nallakrishnan holds Directorship and membership in committees of the Board is given below :

S.No.	Name of the Company	Nature of the office	Name of Committee
1.	Loyal Industrial Gears Ltd	Director	Nil
2.	Shri Teyem Processors Ltd	Director	Nil

Mr.C. Nallakrishnan holds 50 equity shares in the Company as a second holder.

Mr. R. Poornalingam

Mr. R. Poornalingam, a retired I.A.S. Officer has left his distinctive mark in a variety of challenging assignments in his career. His contributions to the field of public administration encompass the State of Tamil Nadu as well as the Central Government. A Honours graduate in electrical engineering, he also holds a Master degree in Economics and a Bachelors in Law; he is also a Hubert Humphrey Scholar.

Names of other Companies in which Mr. R. Poornalingam holds Directorship and membership in Committees of the Board is given below :

S.No.	Name of the Company	Nature of the office	Name of Committee
1.	Tidel Park Limited	Director	Nil
2.	C-Dot Alcatel Research Centre	Director	Nil

Mr. R. Poornalingam does not hold any share in the Company.

By order of the Board
For Loyal Textile Mills Ltd.,

Place: CHENNAI
Date : 23rd May, 2008.

MANIKAM RAMASWAMI
Chairman & Managing Director

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following explanatory Statement sets out all material facts relating to the Special Business mentioned under item No. 6 of the Notice dated 23rd May, 2008.

Item No. 6 :

Clause III 5 of the Memorandum of Association of the company authorize the company to acquire land capable of producing cotton and other crops and also to cultivate cotton and any other crops. The Board of Directors propose to commence and carry on the business of cultivation of cotton and other crops.

As per Section 149(2A) of the companies Act, 1956 commencement and carrying on any new business not germane to the existing business activities of the company requires the approval of the member by passing a special resolution.

Hence, the above resolution.

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

By order of the Board
For Loyal Textile Mills Ltd.,

Place: CHENNAI
Date : 23rd May, 2008.

MANIKAM RAMASWAMI
Chairman & Managing Director

Directors' Report

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have great pleasure in presenting their 62nd Report on the Business and Operations of the Company and the financial accounts for the year ended 31st March 2008.

WORKING RESULTS

Financial results for the year under review are as follows :
(Rs. in Crore)
For Year ended 31st March 2008

GROSS PROFIT	65.25
Less : Interest	15.24
OPERATING PROFIT	<u>50.01</u>
Less : Depreciation	42.26
PROFIT BEFORE TAX	<u>7.75</u>
Less : Provision for Current Tax	0.90
Provision for Fringe Benefit Tax	0.15
PROFIT AFTER CURRENT TAX AND FBT	<u>6.70</u>
Less : Provision for Deferred Tax	1.96
PROFIT AFTER DEFERRED TAX	<u>4.74</u>
Add : Surplus brought forward from previous year	3.31
Amount available for appropriation	<u>8.05</u>

After transferring Rs.1 Crore to General Reserve, your Directors recommend the balance of Rs. 7.05 Crore be appropriated as under :

	(Rs. in Crore)
	For Year ended 31 st March 2008
Proposed Dividend on Equity Shares (39%)	1.84
Provision for tax on distributed profits	0.31
Balance carried to next year	4.90

DIVIDEND

Your Directors recommend a Dividend of Rs. 3.90 (39%) per equity share of Rs.10/- each for the financial year ended 31st March 2008.

PERFORMANCE REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS REPORT AND OUTLOOK FOR THE CURRENT YEAR :

During the year under review, the turnover of the Company grew by 10%. Gross Profit before depreciation decreased from Rs. 53.07 crore to Rs. 50 crore and net profit from Rs.20.20 crore to Rs. 7.75 crore on account of the following factors:

- Unit Price realization of all products dropped due to the unprecedented appreciation of Indian Rupee against USD. Appreciation was over 12%

- Evacuation of power generated by our wind mills was severely affected during the peak generating season due to lack of grid availability resulting in a loss of about Rs. 2 crore.

- Power supply from the grid was erratic with frequent power failures and poor quality of power causing production loss besides damaging sophisticated electronic devices resulting in a loss of over Rs. 3 crores.

- Delay in disbursement of reimbursement of subsidy under TUFs causing an additional interest burden of over Rs. 1.00 crore. Over Rs. 13 crore are due from various institutions as on 31st March, 2008.

During the year, the company installed 4 more windmills and continued modernization and expansion as a result of which the long term loans increased by Rs. 38.75 crore.

Industrial relations have been cordial during the year. The company has a total employee strength of about 3700.

Signs of pick up in the demand and depreciation of Indian Rupee against USD are positive signs and hence the performance is expected to improve during the current year.

The company has an established internal control, systems and procedures to take care of its requirements.

Statement in this Management Discussion and Analysis describing the Company's objectives, Projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries in which the Company conducts business and other incidental factors.

INVESTMENT

During the year, the Company has invested in the shares of M/s. Loyal Textiles (UK) Ltd and has a stake of 49%.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

All amounts which are due to be transferred to the Investor Education and Protection Fund are regularly monitored and transferred. During the year, the Company has transferred a sum of Rs. 2,85,842.50 being the amount due and payable and remaining unpaid for a period of 7 years, as required under Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (awareness and protection of investors) Rules, 2001. Dividend declared for the year 2000-2001 is to be transferred to the Fund on or before 30th October 2008.

Directors' Report

EXPORTS

During the Year under review, the company exported to the tune of Rs. 292.32 crore.

MODERNISATION :

A sum of Rs.79.94 crore (Previous year Rs.71.65 crore) was spent on modernisation / replacement of plant and machinery and installation of windmills.

FINANCE :

During the year the Company had availed term loans to the tune of Rs. 65.40 crore. The Company repaid loans to the extent of Rs. 27.58 crore to banks and financial institutions during the year 2007 -2008

FIXED DEPOSITS :

6 fixed deposits aggregating to Rs. 2.67 lacs remained unclaimed as on 31st March 2008. 1 deposit amounting to Rs.0.40 lacs has since been renewed/repaid

DIRECTORS :

Mr. M.S. Ram who was a Director on the Board of the Company resigned with effect from 01st July, 2007. The Directors place on record the valuable contribution of Mr. M.S. Ram as Director of the Company.

In accordance with the provisions of the Companies Act, 1956, Mr.C. Nallakrishnan and Mr.R. Poornalingam, Directors, retire by rotation and being eligible offer themselves for reappointment.

DIRECTOR'S RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

The Directors hereby state :-

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures.
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 the year;
- that the directors have 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;
- that the directors have got prepared the annual accounts on a going concern basis.

COMPANY SECRETARY :

The Company has been taking all such necessary efforts to comply with section 383A of the Companies Act.

COMPLIANCE CERTIFICATE :

A compliance certificate issued by a practicing Company Secretary under sec. 383(A) of the Company Act 1956 has been obtained.

LISTING :

The Company's equity shares continue to be listed on the Bombay Stock Exchange Limited, Mumbai. The listing fees for the year 2008-2009 has been paid.

AUDITORS :

M/s. Suri & Co., Chartered Accountants, Auditors of the Company retire at this Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s. Suri & Co to the effect that their appointment as auditors, if made, would be within the limits of Section 224(1-B) of the Companies Act, 1956.

The Auditors Report to the shareholders does not contain any qualification.

REPORT ON CORPORATE GOVERNANCE

A detailed report on Corporate Governance is annexed to this report. The Company has complied with the conditions of Corporate governance as stipulated in clause 49 of the listing agreement. The certificate obtained from the auditors of the Company regarding compliance of conditions is annexed to this report.

PARTICULARS OF EMPLOYEES :

As required by Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, a statement of information relating to the employees has been given in the Annexure, which forms part of this Report.

PARTICULARS OF ENERGY CONSUMPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required as per Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is given in the annexure, which forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to acknowledge the co-operation and assistance extended by Exim Bank, Central Bank of India, State Bank of India, Karur Vysya Bank Ltd., Indian Bank, State Bank of Mysore and Canara Bank. Your Directors appreciate the continued co-operation extended by staffs and workers of the company and look forward to the same cordial relationship in the forthcoming years.

For and on behalf of the Board of Directors

Place: CHENNAI

MANIKAM RAMASWAMI

Date : 23rd May, 2008.

Chairman & Managing Director

Directors' Report

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2008.

A) Employed throughout the year and in receipt of remuneration in aggregate of not less than Rs.24 lacs per annum.

Name	Designation	Nature of Duties	Age	Remuneration (Rs.)	Qualification	Date of appointment	Experience	Last employment
Manikam Ramaswami	Chairman & Managing Director	Management of affairs of the company	54 Years	33,98,747	B. Tech. (Hons)	01.06.1979	29 Years	NIL

B) Employed for part of the year and in receipt of remuneration of more than Rs. 2 lacs per month.

_____ NONE _____

Note :

- 1) Remuneration includes Salary, allowances, value of perquisites and Company's contribution to provident and superannuation funds but excludes contribution to gratuity fund on the basis of actuarial valuation as separate figures are not available.
- 2) The nature of employment is contractual.
- 3) Mr. Manikam Ramaswami belongs to the promoter group and holds 1,09,315 shares in the Company which comprises of 2.32% of the total paid up share capital of the Company. Along with his wife and dependent child he holds 1,96,011 shares in the company which comprises of 4.17% of the total paid up share capital of the Company.

STATEMENT OF PARTICULARS PURSUANT TO THE PROVISIONS OF SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 ANNEXED TO AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2008.

(a). Energy conservation measures taken

Some of the measures our company had undertaken / continued to implement during the year under report in the high priority area of energy conservation are given below.

- ⌘ Installation of Power Capacitors.
- ⌘ Installation of energy saving fan
- ⌘ Optimisation of suction motor

(b). Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Replacement of existing Tube lights with energy efficient lights is under evaluation, and if fruit successful, it will be done.

(c). Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.

Due to above energy saving measures the Company is saving on its power cost, the impact of which as a percentage are given below :

- ⌘ Installation of Power capacitors. - 2.0 %
- ⌘ Installation of energy saving fan)
- ⌘ Optimisation of suction motor) - 4.5 %

ANNEXURE

FORM A

(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

(A) POWER AND FUEL CONSUMPTION	2007-2008	2006-2007
1. Electricity		
a) Purchased		
Units	94,992,358.80	57,963,963.00
Total Amount Rs.	400,881,702.97	253,068,577.12
Rate/ Unit Rs.	4.22	4.37
b) Generation		
i) Through Diesel etc./ Generator Units		
Units	2,87,531.00	1,117,176.00
Units per Ltr of Oil	3.04	3.42
Cost/unit Rs.	13.93	10.05
ii) Through Furnace Oil /Generator Units		
Units	3,650,672.00	24,449,560.00
Units per Ltr of Oil	4.05	4.10
Cost / unit Rs.	5.30	4.65
iii) Through Wind /Generator Units		
Units	36,414,814.00	25,659,201.00
Value	127,451,849.00	89,807,203.50
Cost / unit Rs.	3.50	3.50
iv) Through Steam Turbine/ Generator	Not applicable	Not applicable
2. Coal (specify quantity and where used)		
Qty. (Tonnes)		
Total Cost	Not Applicable	Not Applicable
Average cost		
3. Furnace oil		
Qty (Ltrs)	--	176,079.00
Total Cost Rs.	--	3,833,524.33
Average Cost Rs.	--	21.77
4. Others / Internal Generation		
Fire wood (for boiler)		
Quantity (Kgs)	17,945,216.00	15,665,339.00
Total cost Rs.	43,222,014.58	31,347,770.68
Rate/unit Rs.	2.41	2.00
(B) Consumption per unit of production products with details unit (per kg/mtr)		
Electricity		
Yarn	4.25	4.03
Cloth	2.98	2.75
Garments	0.18	0.28

FORM B
(See Rule 2)

Form for disclosure of particulars with respect to Absorption.

Research and Development :

Research and Development is being carried out by South India Textile Research Association (SITRA). Being a Member of SITRA, we get latest information on Research.

Foreign Exchange earnings and outgo :

The Company is one of the leading exporters of Textiles.

Initiatives are constantly undertaken to improve exports to various Countries.

	(Rs. in Lakhs)	
	2007 - 2008	2006 - 2007
Total Foreign Exchange Earned	25,958.16	25,975.34
Total Foreign Exchange Used	8,458.44	6,114.64

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Corporate Governance is about promoting Corporate fairness, transparency and accountability. Loyal Textile Mills Limited (LTML) believes that, the Corporate Governance Code will protect the shareholder's rights, minimise risk and enhance value in the investment process. The ultimate purpose thus is to create a self driven, self assessed and self regulated organisation in a competitive business environment.

The following is a report on the status and progress on major aspects of Corporate Governance.

2. BOARD OF DIRECTORS :

The Company's Board is headed by the Executive Chairman, Mr.Manikam Ramaswami and is composed of eminent persons with considerable professional experience in diverse fields and comprises majority of Independent Non-Executive Directors. The Board functions directly or through focused committees such as Audit Committee and shareholders/Investors grievances Committee. The Board and its committee met at regular intervals. The Board is vested with functions related to goal-setting, performance evaluation and control.

i) The composition of the Board of Directors as on 31st March, 2008 is as follows :

S.No	Name of the Director	Executive/Non Executive/ Independent	No. of directorships in other companies*	Committee Membership in other companies**
1.	Mr.Manikam Ramaswami Chairman & Managing Director	Promoter & Executive	1	Nil
2.	Mr.KJM. Shetty	Independent & Non-Executive	8	8
3.	Mr.C.Nallakrishnan	Independent & Non-Executive	2	Nil
4.	Mr.S.Venkataramani	Independent & Non-Executive	2	1
5.	Mr.R.Poornalingam	Non-Executive	2	1
6.	Mr.Shridhar Subrahmanyam	Independent & Non-Executive	Nil	Nil

★ Directorship in Private Limited Companies, Section 25 Companies and Foreign Companies are excluded.

★★ Only Audit Committee, Shareholders' / Investors' Grievance Committee and Remuneration Committee considered.

Annexure

The information on the Directors retiring by rotation and eligible for reappointment at the ensuing AGM is furnished in the AGM notice

ii) Board Meetings & AGM

During the year under review four Board meetings were held i.e. on 23rd May, 2007, 30th July, 2007, 29th October, 2007, and 28th January, 2008. The Company regularly furnishes all the relevant information, as recommended by the Securities and Exchange Board of India / Stock Exchange, to the Board.

The AGM was held on 27th August, 2007.

Details of attendance of each Directors at the Board Meetings and AGM are given below :

Directors	No.of Board Meetings Attended	Whether attended last AGM
Mr.Manikam Ramaswami	4	No
Mr.K.J.M. Shetty	4	No
Mr.C.Nallakrishnan	2	Yes
Mr.S.Venkataramani	2	No
Mr.R. Poornalingam	4	No
Mr.Shridhar Subrahmanyam	2	No
Mr.M.S. Ram*	Nil	No

* Mr. M.S. Ram resigned from the Board with effect from 1st July, 2007.

iii) Remuneration to Directors

No remuneration other than the sitting fees and other expenses (travelling, boarding and lodging incurred for attending the Board / Committee Meetings) were paid to the non-executive Directors in 2007-2008.

a) Details of Remuneration paid to the Managing Director during the year 2007-2008 is given below.

NAME OF DIRECTOR	SALARY	PERKS	COMMISSION	PF&SUPER ANNUATION FUND	(in Rupees) TOTAL
	Rs.	Rs.	Rs.	Rs.	Rs.
Mr. Manikam Ramaswami	12,00,000	4,98,747	14,00,000	3,00,000	33,98,747

b) Details of payments made to Non-Executive Directors during the year 2007-2008 is given below :-

Directors	Sitting Fees (in Rupees)		Total No. of Shares held in the Company as on 31 st March 2008.
	Board Meeting	Committee Meeting	
Mr.K.J.M. Shetty	20,000	25,000	50*
Mr.C.Nallakrishnan	10,000	15,000	50*
Mr.S.Venkataramani	10,000	10,000	Nil.
Mr.R. Poornalingam	20,000	-	Nil.
Mr.Shridhar Subrahmanyam	10,000	-	Nil.

* Shares held as second holder.

3. BOARD COMMITTEES

In accordance with the Code of Corporate governance, the Board has set up the following Committees. All Directors have confirmed that the number of committee memberships they hold across all Companies is within the limits prescribed as per stock exchange regulations.

(i) Audit Committee

The Audit Committee consists of three Non-Executive directors with Mr.C. Nallakrishnan (as Chairman), Mr.S.Venkataramani and Mr.KJM Shetty as members. Mr. S. Venkataramani replaced Mr. M.S. ram, who resigned during the year 2007-2008.

During the year the Committee met four times i.e. on 23rd May, 2007, 30th July, 2007, 29th October, 2007 and 28th January, 2008.

Annexure

The terms of reference of the Audit Committee are in tandem with those laid down by stock exchange regulations and *inter-alia* include the following :

- Overseeing the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- Recommending appointment and removal of external / internal auditors and fixing their fees;
- Reviewing with management the annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements; and
- Reviewing the adequacy of the Audit and compliance function, including their policies, procedures, techniques and other matters specified under Clause 49 of the Listing Agreement.

The details of attendance of members of the Audit Committee are as follows :

Name of the Member	No. of Meetings Attended
Mr. C. Nallakrishnan	2
Mr. K.J.M. Shetty	4
Mr. S. Venkataramani	2
Mr. M.S. Ram*	Nil

*Mr. M.S. Ram resigned from the committee with effect from 1st July, 2007.

The Statutory Auditor, Vice President (Operations) and other concerned executives of the Company attended the Committee Meetings.

ii) Shareholders' / Investors' Grievance Committee

This Committee (a) approves and monitors share transfers, transmissions, splitting and consolidation of Shares and issue of duplicate share certificates and share certificates in the case of rematerialisation of shares. All these requests are approved by the Committee once in a fortnight by way of circular resolutions. (b) looking into redressal of shareholders / investors complaints viz. transfer of shares, non receipt of balance sheet, non receipt of declared dividends etc. and deciding on any other matter as may be required in connection with the shareholders/investors' servicing or redressal of their grievances and (c) carries out functions envisaged under the Code of conduct for prevention of Insider Trading adopted in terms of Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992.

The Committee consists of 3 Non-Executive Directors namely :- Mr.C.Nallakrishnan, Mr. S. Venkataramani, Mr. KJM Shetty, Mr.S. Venkataramani, replaced Mr. M.S. Ram, who resigned during the year 2007 - 2008.

The Committee met once during the year, on 23rd May 2007.

Name of the Member	No. of Meetings Attended
Mr.C.Nallakrishnan	1
Mr. K.J.M. Shetty	1
Mr. S. Venkataramani**	Nil
Mr. M.S. Ram*	Nil

* Mr. M.S. Ram resigned from the committee with effect from 1st July, 2007.

** Mr. S. Venkataramani became a member only on 1st July, 2007.

23 shareholders' complaints in the nature of non-receipt of dividend warrants, non - receipt of share certificates after transfer, non - receipt of Annual Report etc were received during 2007 - 2008.

To monitor investor servicing on a continuous basis the Committee has directed the Company Secretary / Compliance officer to forward to the Committee members a report on investors servicing on a periodical basis. All the complaints received from the shareholders during the year under review were resolved to the satisfaction of the shareholders.

The Company has designated an exclusive E-Mail ID for the purpose of registering complaints by investors and necessary follow up action by the company / compliance officer in compliance with Clause 47(f) of the Listing Agreement. The Mail ID is : investors@loyaltextiles.com

4. MANAGEMENT DISCUSSION & ANALYSIS REPORT :

The Management and Discussion & Analysis Report forms part of the Annual Report.

5. OTHER DISCLOSURES

a) There were no materially significant related party transactions made by the Company with its Promoters, Directors or Management or relatives etc., during the year, that may have potential conflict with the interests of the Company. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.

Transactions with related parties are disclosed in Note No. 19 of Schedule 21 to the Accounts in this annual report.

b) The Company has complied with the statutory provisions, rules and regulations relating to the capital markets during the last three years and Stock Exchanges or SEBI or any statutory authority has not imposed any penalty or stricture on the Company.

6. GENERAL SHAREHOLDER INFORMATION

a) Annual General Meeting

Day : Thursday
Date : 04th September, 2008
Time : 10.30 a.m
Venue : 21/4, Mill Street, Kovilpatti : 628 501

Annexure

Last three AGMs were held :

Date & Time	Location	Special Resolution passed
11 th July, 2005, 10.15.A.M.	21/4, Mill Street, Kovilpatti - 628 501. Tamil Nadu	Amendment to Articles of Association namely "The Directors need not hold any qualification shares"
27 th September, 2006, 10.15.A.M.		Nil
27 th August, 2007,10.00.A.M.		Re-Appointment of Mr.Manikam Ramaswami as Chairman and Managing Director and payment of Remuneration

- ⊛ No Special Resolution was passed last year through postal ballot.
- ⊛ No Special Resolution is proposed to be passed through postal ballot this year.

b) Financial Calendar (tentative calendar of events and subject to change) for the 2008 - 2009.

Financial reporting for the quarter ending 30th June 2008 : End of July 2008

Financial reporting for the quarter ending 30th September 2008 : End of October 2008

Financial reporting for the quarter ending 31st December 2008 : End of January 2009

Financial reporting for the quarter ending 31st March 2009 : End of June, 2009

Annual General Meeting for the year ending 31st March, 2009: Last week of August 2009.

c) Book Closure period :

21st August, 2008 to 04th September, 2008.

d) Share Capital :

The Paid up Share capital of the Company comprises of 47,03,946 equity shares of Rs. 10/- each. No shares were issued / allotted during the year.

e) Dividend :

The dividend recommended by the Directors, after the same is approved by the shareholders at the AGM, will be paid to those shareholders whose names appear on the Company's Register of Members as on the date of AGM and in case of shares in dematerialized form, as per the details furnished by NSDL/CDSL. The warrants will be posted on or before by 3rd October 2008.

f) Listing on Stock Exchange and stock code :

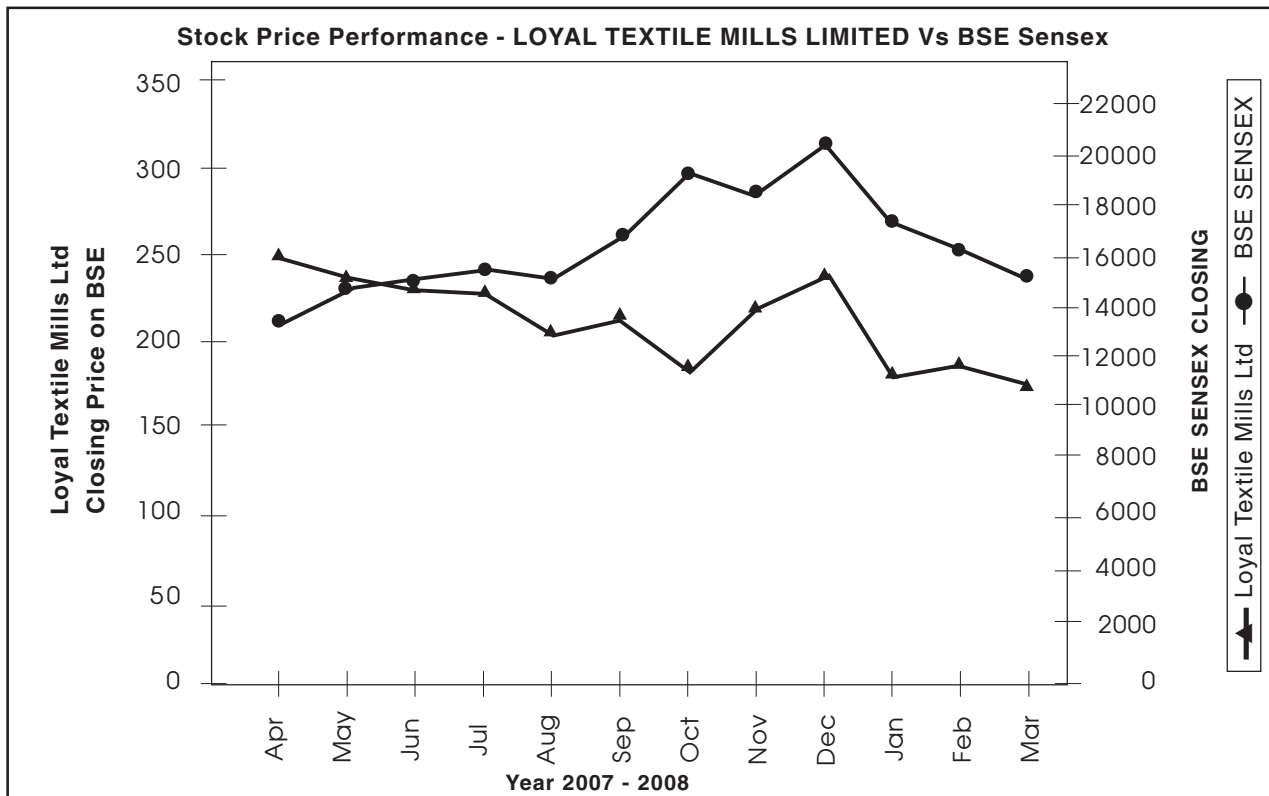
The Company's equity shares are listed on the Bombay Stock Exchange Limited, Mumbai. The address of the Stock exchange and the stock code is given below :

Stock Exchange	Stock code
Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001	514036

g) Market price Data :

MONTH	COMPANY'S SHARE PRICE			BSE SENSEX		
	HIGH	LOW	CLOSE	HIGH	LOW	CLOSE
Apr 07	306.00	216.25	249.10	14,383.72	12,425.52	13,872.37
May 07	304.00	240.00	245.65	14,576.37	13,554.34	14,544.46
June 07	297.00	214.00	240.55	14,683.36	13,946.99	14,650.51
July 07	271.00	208.00	232.00	15,868.85	14,638.88	15,550.99
Aug 07	263.00	195.00	211.50	15,542.40	13,779.88	15,318.60
Sept 07	266.90	201.30	214.00	17,361.47	15,323.05	17,291.10
Oct 07	261.00	183.00	195.30	20,238.16	17,144.58	19,837.99
Nov 07	279.00	161.00	214.55	20,204.21	18,182.83	19,363.19
Dec 07	278.00	200.00	242.95	20,498.11	18,886.40	20,286.99
Jan 08	299.90	170.15	194.35	21,206.77	15,332.42	17,648.71
Feb 08	223.00	156.00	194.90	18,895.34	16,457.74	17,578.72
Mar 08	204.80	140.00	171.50	17,227.56	14,677.24	15,644.44

Chart Comparing the Company's closing share price movement with that of BSE SENSEX :



h) Share Transfer System :

M/s. GNSA Investor Services (P) Ltd, Chennai is the Share Transfer Agent of the Company. The share transfer process is reviewed by the Shareholders' / Investors' Grievance Committee. The share transfer requests in physical form and other shares related issues are processed and despatched to the respective lodgers within the statutory period, provided the documents are complete in all respects. To ensure better investor servicing, share transfers/transmissions are processed every fortnight. The total number of shares transferred during the year was :

	No.of Transfers	No.of shares
Transfers	13	2910
Transmissions	12	17452

ii) Dematerialisation of shares :

The Company has entered in to an agreement with both NSDL & CDSL to have electronic depository facilities for the shares of the Company. As on 31st March, 2008, **8,09,237** shares were in dematerialised form representing 17.20% of the total shares. The Demat ISIN code Number of our share is INE970D01010.

j) Shareholding Pattern (As on 31st March, 2008) :

S. No.	Category	No.of Shares	% to total capital
1	Promoter Group	3427345	72.86
2	NationalizedBanks	5200	0.11
4	Non Residents	37330	0.79
5	Others	1234071	26.24
	TOTAL	4703946	100.00

k) Distribution of shareholding of the Company as on 31st March 2008 :

Nominal value (in Rs.)	Shareholders		Share Amount	
	Number	% to Total	In Rs.	% to Total
up to 5000	1932	83.13	27,72,720	5.89
5001 - 10000	183	7.87	14,59,110	3.10
10001 - 20000	102	4.39	15,95,340	3.39
20001 - 30000	29	1.25	7,24,160	1.54
30001 - 40000	22	0.95	8,03,530	1.71
40001 - 50000	8	0.34	3,68,750	0.78
50001 - 100000	19	0.82	13,72,700	2.92
100001 and above	29	1.25	3,79,43,150	80.67
Total	2324	100.00	470,39,460	100.00

Annexure

l) The Company has not issued any GDRs/ ADRs/ Warrants or any convertible Instruments during the year under review.

m) Plant locations :

Spinning, Weaving and Garments

● 21/4, Mill Street, Kovilpatti - 628 501.

● N. Venkateswarapuram, N.Subbiahpuram, Sattur Taluk - 626 205.

Processing :

● C7-1, SIPCOT Industrial Complex, Kudikadu, Cuddalore - 607 005.

n) Means of Communication :

The Quarterly financial results, as taken on record by the Board of Directors, are communicated to the Stock Exchange where the shares of the Company are listed. These results are also published in English dailies like Business line & vernacular dailies like the Tamil Murasu. Further these results are also available in the Company's website www.loyaltextiles.com and also on SEBI's website www.sebidedifar.nic.in.

The annual reports are sent to all the shareholders. The shareholding pattern is also available on the Company's website and the SEBI website.

o) Address for Communication :

1. Compliance Officer

Mr.R.Kannan

Vice-President (Operations)

Loyal Textile Mills Ltd.

No. 83, (Old No.41) First Main Road,

R A Puram, Chennai - 600 028

Phone : (044) 42277374 Fax : (044) 43060622

Email : investors@loyaltextiles.com

(or)

2. Registrar and Share Transfer Agent

GNSA Investor Services (P) Limited

G.R. Mansion, No. 11, Srinivasa Road

Pondy Bazar, T. Nagar, Chennai - 600 017

Phone : (044) 4212 1428 / 4212 1429

Fax : (044) 42121430 E-mail : info@gnsaindia.com

Contact person : Mr. Krishna Kumar, Director

INSIDER TRADING POLICY

As per the SEBI Guidelines on Insider Trading, all listed companies were required to setup an appropriate mechanism for regulating transactions in the shares of the Company by insiders. Your

To

The Members of Loyal Textile Mills Limited

Sub : Declaration by the CEO under Clause 49 (I) (D) (ii) of the Listing Agreement

I, Manikam Ramaswami, Chairman & Managing Director of Loyal Textile Mills Limited, to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the code of conduct of the Company for the year ended 31st March 2008.

Place : CHENNAI

Date : 23rd May 2008

company has framed a Code of Conduct for Prevention of Insider Trading for Promoters, Directors, Designated Employees & their dependant family members. Mr.R.Kannan, Vice President (Operations) has been appointed as the Compliance Officer for monitoring insider trading.

EXTENT OF COMPLIANCE WITH NON MANDATORY REQUIREMENTS

Remuneration Committee :

The Company has not constituted any Remuneration Committee. The remuneration to the Managing Director is approved by the Members subject to the provisions of the Companies Act, 1956 and the Articles of Association of the Company and powers granted to the Board of Directors to fix and vary the terms of employment.

Circulation of Quarterly / Half-yearly results :

The Company's Quarterly / half yearly results are published in the newspapers and also posted on its website and are, therefore, not sent to the shareholders. However, the Company furnishes the quarterly / half yearly results on receipt of a request from the shareholders.

Audit qualifications :

The auditors have not made any qualifications on the financial statements of the Company.

Postal Ballot :

During the year no resolutions were passed by postal ballot.

Training of Board Members and their evaluation

Majority of the Board members have been associated with the Company for a number of years and are well aware of the business model of the company as well as the risk profile of the business parameters of the company, their responsibilities as directors, and the best ways to discharge them.

Whistle Blower Policy :

The Company is yet to implement a Whistle Blower Policy.

MANIKAM RAMASWAMI

Chairman & Managing Director

MANIKAM RAMASWAMI

Chairman & Managing Director

Report of the auditors

AUDITOR'S REPORT TO THE MEMBERS OF M/S. LOYAL TEXTILE MILLS LIMITED, KOVILPATTI

1. We have audited the attached Balance Sheet of M/s. Loyal Textile Mills Limited, Kovilpatti as at 31st March, 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date.
2. 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.
3. 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.
4. 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.
5. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
6. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
7. 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.
8. On the basis of written representations received from the Directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
9. As per information furnished, pending notification from the Central Government, the company is not required to pay any cess under Section 441A of the Companies Act 1956, as on the date of Balance Sheet.
10. 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.
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008.
 - ii) In the case of the profit and Loss Account, of the PROFIT for the year ended on that date, and
 - iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

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 as we considered appropriate, we further state that:

- 11.a) The Company has maintained proper records to show full particulars including quantitative details and situation of Fixed Assets.
 - b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed on such verification.
 - c) No substantial part of fixed assets have been disposed off during the year.
- 12.a) As explained to us, the inventories have been physically verified by the management at regular intervals during the year.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The company has maintained proper records of inventory. As explained to us, the discrepancies noticed on physical verification of stocks, as compared to book records were not material and the same have been properly dealt with in the books of accounts.
- 13.a) In our opinion and according to the information and explanations given to us, the Company has not granted advances, secured or unsecured to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
 - b) In our opinion and according to the information and explanations given to us, the Company has not taken loans, secured or unsecured from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956 on the usual terms and conditions applicable to other deposits, was repaid during the year, on which the payment of interest was regular.
14. 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, fixed assets and for the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no major weakness in internal control which requires correction.
- 15.a) The particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained in pursuance of section 301 of the Act.
 - b) As explained to us there have been transactions made in pursuance of such contracts or arrangements in respect of each such party entered in the register maintained under Section 301 of the Companies Act, 1956 during the year and the same have been made at prices which are reasonable having regard to the prevailing market prices.
16. In our opinion and according to the information and explanations given to us, the Company has complied with directives of Reserve Bank of India and the provisions of Sections 58A and 58 AA of the Companies Act, 1956 and the rules framed thereunder or any other relevant provisions of the Act with regard to the deposits accepted from the public.

Report of the auditors

- As per information furnished, the company has not received any order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
17. In our opinion, the Company has an Internal Audit system which is commensurate with the size of the company and the nature of its business.
 18. We have broadly reviewed the cost records maintained by the company in respect of products where pursuant to the Rules made by the Central Government, the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
 - 19.a) According to the information and explanations given to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-tax, Sales-tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year.
 - b) According to the information and explanations given to us, there are no undisputed statutory dues payable in respect of above which are outstanding as at 31-3-2008 for a period of more than six months from the dates they became payable.
 - c) According to the information and explanations furnished to us there are no dues of Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited with appropriate authorities on account of any dispute. In respect of income tax and sales tax which are pending payment on account of dispute, the information of which is given below :
 20. The company has neither any accumulated losses nor has incurred any cash losses in the financial year or in the immediately preceding financial year.
 21. According to the information and explanations given to us the company has not defaulted in repayment of dues to financial institutions or banks. The Company has no outstanding debentures.
 22. The company has not granted any loans / advances on the basis of security by way of pledge of shares, debentures and other securities.
 23. The company not being a Chit fund, Nidhi or mutual benefit Society, the requirements of item (xiii) of paragraph 4 of the Order is not applicable to the company.
 24. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. In respect of shares held as investments, the same are held in the name of the Company.
 25. According to the information and explanations given to us, the company has given a guarantee for loans taken by another company, from a bank and the terms and conditions are not prejudicial to the interest of the company.
 26. As per information and explanations given to us, term loans were applied for the purpose of which loans were obtained.
 27. According to the information and explanations given to us, no fund raised on short-term basis have been used for long-term investment.
 28. The company has not made any allotment of shares during the year.
 29. The company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order regarding creation of securities for debentures issued is not applicable to the company.
 30. The Company has not raised any amount by public issues.
 31. According to the information and explanations given to us, a fraud on or by the Company has not been noticed or reported during the year.

FOR SURI & CO.,

(R.KRISHNAMOORTHY)
PARTNER

CHARTERED ACCOUNTANTS
M.No. 20695

Place : CHENNAI

Date : 23rd May 2008

ANNEXURE TO REPORT OF THE AUDITORS FOR THE YEAR ENDED 31st MARCH 2008 STATEMENT OF UNPAID DISPUTED DUES

Name Statute / Dues	Unpaid Disputed Liability (Rs. in '000s)	Period to which the amount relates	Forum where dispute is pending
Income Tax	159,71	2004-2005 and 2003 -2004	Commissioner of Income Tax (appeals)
Sales Tax - TNGST	16,34	2002 - 2003	Appellate Assistant Commissioner of Sales Tax
Sales Tax - GST	6,06	2002 - 2003	Appellate Assistant Commissioner of Sales Tax
Total	182,11		

FOR SURI & CO.,

(R.KRISHNAMOORTHY)
PARTNER
CHARTERED ACCOUNTANTS

Place : CHENNAI

Date : 23rd May 2008

Report of the Auditors

AUDITOR'S CERTIFICATE IN COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

To the Members of Loyal Textile Mills Ltd., KOVILPATTI.

We have examined the Compliance of conditions of Corporate Governance by M/s.Loyal Textile Mills Ltd. Kovilpatti for the year ended on 31st March 2008, as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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 the 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 according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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.

FOR SURI & CO.,

(R.KRISHNAMOORTHY)
PARTNER
CHARTERED ACCOUNTANTS
M.No. 20695

Place : CHENNAI

Date : 23rd May 2008

Operating Results Summary

(Rs. in Lakhs)

Year Ended	31.3.2008	31.3.2007	31.3.2006	31.3.2005	31.3.2004
Turnover	39256.82	36099.38	30283.50	29075.24	22288.62
Export Incentives / Duty Drawback	1614.33	1000.31	723.21	1188.92	944.41
Other income	557.39	564.04	349.67	294.10	330.82
Increase / (Decrease) in Stock	787.33	520.69	280.94	182.19	386.78
	<u>42215.87</u>	<u>38184.42</u>	<u>31637.32</u>	<u>30740.45</u>	<u>23950.63</u>
Raw Material Consumed	18159.97	16526.39	12354.34	12867.32	9779.80
Conversion / Processing Charges	1467.27	1646.85	2074.14	2172.90	1251.54
Stores Consumed	1839.16	1844.05	1799.20	1654.06	1300.86
Purchase of Finished Goods for Processing / Sales	4220.12	2208.41	1277.64	1377.66	618.74
Power and Fuel	3269.91	3472.45	3264.39	2159.90	1958.11
Salaries, Wages, Bonus & Amenities	2185.08	1915.93	1649.59	1456.96	1321.97
Repairs & Maintenance	1272.39	1287.00	1534.49	1724.57	1358.12
Interest	1524.30	893.13	649.75	457.30	834.92
Other Expenses	3277.22	3083.15	2493.82	2594.84	2197.77
Depreciation	4225.95	3286.71	2832.20	2098.07	1638.78
	<u>41441.37</u>	<u>36164.07</u>	<u>29929.56</u>	<u>28563.58</u>	<u>22260.61</u>
Pre Tax Profit	774.50	2020.35	1707.76	2176.87	1690.02
Export (C & F Value)	27618.55	26635.27	21748.72	24538.78	18534.41
Production of yarn in Lakh Kgs.	178.33	150.61	127.23	83.54	73.63
Production of Cloth in Lakh Mtrs.	252.10	234.13	234.49	175.96	138.39

Balance Sheet Summary

(Rs. in Lakhs)

As at	31.3.2008	31.3.2007	31.3.2006	31.3.2005	31.3.2004
Gross Block	50928.62	43287.43	37004.15	28567.41	19799.93
Depreciation	17734.87	14364.28	12710.76	10354.68	8448.33
Net Fixed Assets	33193.75	28923.15	24293.39	18212.73	11351.60
Investments	186.29	192.58	214.92	221.62	178.30
Current Assets	17836.75	13156.81	13293.85	11042.01	10810.77
Loans and Advances	3927.53	3594.50	2950.79	2898.05	2152.11
	55144.32	45867.04	40752.95	32374.41	24492.78
Secured & Unsecured Loans	37561.91	30219.32	25413.97	19096.81	13017.02
Current Liabilities & Provisions	4824.02	3344.20	4565.18	3815.38	3761.23
Deferred Tax Liability	3015.28	2819.28	2360.28	1940.28	1440.28
	45401.21	36382.80	32339.43	24852.47	18218.53
Net Worth	9743.11	9484.24	8413.52	7521.94	6274.25
Represented By :					
Share Capital	470.40	470.40	470.40	470.40	470.40
Reserves and surplus	9272.71	9013.84	7943.12	7051.54	5803.85
Pre Tax Profit	774.50	2020.35	1707.76	2176.87	1690.02
Dividend paid on Equity shares	183.45	183.45	183.45	183.45	150.53
% of Dividend on Equity Shares	39.00	39.00	39.00	39.00	32.00

SCHEDULE : 13 - FIXED ASSETS

(Rs. '000)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01-04-2007	Addition	Sales	Cost as on 31-03-2008	Acc. Dep. as On 01-04-2007	For the year	Withdrawal	Acc. Dep. as On 31-03-2008	W.D.V. AS ON 31-03-2008	W.D.V. AS ON 31-03-2007
1. LAND*	5,62,07	35,61	1,15	5,96,53	—	—	—	—	5,96,53	5,62,07
2. BUILDINGS	26,82,17	14,52,07	—	41,34,24	8,76,05	1,47,03	—	10,23,08	31,11,16	18,06,12
3. FURNITURE	1,92,38	62,27	15	2,54,50	1,38,15	34,81	12	1,72,84	81,66	54,23
4. PLANT AND MACHINERY	361,26,25	94,45,14	9,41,03	446,30,36	132,38,01	40,19,37	8,48,35	164,09,03	282,21,33	228,88,24
5. VEHICLES	2,00,19	18,08	8,08	2,10,19	1,12,07	24,74	6,89	1,29,92	80,27	88,12
TOTAL	397,63,06	110,13,17	9,50,41	498,25,82	143,64,28	42,25,95	8,55,36	177,34,87	320,90,95	253,98,78
PREVIOUS YEAR TOTAL	365,76,43	54,08,34	22,21,71	397,63,06	127,10,76	32,86,71	16,33,19	143,64,28	253,98,78	238,65,67

* Include Lease Land Rs. 5,87,588/-.

WORK IN PROGRESS	31.03.2008	31.03.2007
LEASE LAND PENDING ALLOTMENT	1,19,88	1,19,88
BUILDINGS	—	9,70,43
PLANT AND MACHINERY	9,82,92	24,34,06
Total	11,02,80	35,24,37

SCHEDULE 14 - INVESTMENTS

(Rs. '000)

	BALANCE AS ON 01.04.2007		PURCHASES		SALES / ADJUSTMENTS		BALANCE AS ON 31.03.2008	
	No. of Shares	Cost Rs.	No. of Shares	Cost Rs.	No. of Shares	Cost Rs.	No. of Shares	Cost Rs.
1. NON-TRADE (QUOTED) IN EQUITY SHARES								
CENTRAL BANK OF INDIA			762	78			762	78
1. INVESTMENT IN GOVERNMENT SECURITIES :								
(Market value Rs. 66332/-)			762	78			762	78
NON-TRADE - UN QUOTED :								
i) 12 Year National Plan Certificate*		7						7
ii) 12 Year National Defence Certificate*		1						1
iii) 5 Year Postal Deposit*		1						1
iv) 6 Year National Savings Certificate**		1						1
		10						10
Investment value of Rs.9.000/- deposited with Central Excise Dept.								
** Investment value of Rs. 1000/- deposited with Andhra Sales Tax Dept.								
2. INVESTMENT IN EQUITY SHARES :								
TRADE UNQUOTED (FULLY PAID UP)								
i) Uniloyal Expotex Ltd.	24700	2,47	—	—	—	—	24700	2,47
ii) Shri Teyem Processors Ltd.	24808	2,48	—	—	—	—	24808	2,48
iii) Gruppo P&P Loyal Spa (Joint Venture 47.5%)	3325	1,49,30	—	—	—	—	3325	1,49,30
iv) Cuddalore Sipcot Industries Association	4665	4,67	—	—	—	—	4665	4,67
v) Loyal Dimco Group A.E.B.E. (Joint Venture 50%)	50000	31,56	—	—	—	8,96*	50000	22,60
vi) SIMA Textile Processing Centre Ltd.	20000	2,00	—	—	—	—	20000	2,00
vii) Loyal Textile (UK) Ltd.	—	—	2450	1,89	—	—	2450	1,89
	127498	1,92,48	2450	1,89	0	8,96	129948	1,85,41
GRAND TOTAL	127498	1,92,58	3212	2,67	—	8,96	130710	1,86,29
	31.03.2008	31.03.2007						
Aggregate Cost of Un-quoted investments	1,85,51	1,92,58						
Aggregate Cost of quoted investments	78	----						
	1,86,29	1,92,58						

* Represents provision for diminution in the value of investments

Schedules to Balance Sheet

	(Rs. '000)	
Particulars	As at 31.03.2008	As at 31.03.2007
SCHEDULE 15 - INVENTORIES (As Certified by Management)		
1. Stores and Spares	4,43,06	4,40,90
2. Stock-in-Trade		
i) Raw Materials	30,33,99	24,92,82
ii) Yarn, Cloth and Garments	26,48,66	24,09,14
iii) Stock in Process	21,52,11	16,22,05
iv) Waste Cotton	24,49	6,74
TOTAL	<u>83,02,31</u>	<u>69,71,65</u>
SCHEDULE 16 - SUNDRY DEBTORS		
a) Exceeding Six Months		
(i) Unsecured - Good	5,83,47	5,70,27
(ii) Considered doubtful	31,76	33,12
LESS : Provisions	31,76	33,12
	<u>5,83,47</u>	<u>5,70,27</u>
b) Other Debts - Unsecured Good	72,75,00	46,44,61
TOTAL	<u>78,58,47</u>	<u>52,14,88</u>
SCHEDULE 17 - CASH AND BANK BALANCES		
1. Cash and Stamps on hand	26,34	5,63
2. Bank Balances (With Scheduled Banks)		
i) In Current Accounts	90,18	1,07,62
ii) In Deposit Accounts (Deposit Receipts for Rs.20239277/- lodged with Bank and are in Margin Money Account)	2,13,39	2,40,00
TOTAL	<u>3,29,91</u>	<u>3,53,25</u>
SCHEDULE 18 - LOANS AND ADVANCES (Unsecured Good)		
i) Advance recoverable in cash or in kind or for services to be rendered	30,97,50	28,75,62
ii) Deposits with Government Departments	6,09,16	5,21,04
iii) Tax payments pending adjustments	16,78,40	
Less : Provision for tax	<u>14,57,53</u>	1,97,84
TOTAL	<u>39,27,53</u>	<u>35,94,50</u>
SCHEDULE 19 - CURRENT LIABILITIES		
i) Sundry Creditors	44,96,34	30,38,63
ii) Due to Micro and small Enterprises / SSI	--	57
iii) Due to Managing Director	15,18	14,31
iv) Unclaimed Dividend	26,49	24,07
TOTAL	<u>45,38,01</u>	<u>30,77,58</u>

Note : There is no amount due and outstanding to be credited to Investors Education and Protection Fund.

Schedules to Balance Sheet

(Rs.'000)		
Particulars	As at 31.03.2008	As at 31.03.2007
SCHEDULE 20 - PROVISIONS		
a) Proposed Dividends	1,83,45	1,83,45
b) For Provident Funds and other Funds	20,47	20,32
c) Gratuity	62,29	45,04
d) Un availed earned Leave Encashment	19,80	17,81
TOTAL	2,86,01	2,66,62

SCHEDULE 21 - NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

- A) The accounts have been prepared to comply, in all material aspects, the generally accepted accounting principles under the historical cost convention, on the accrual basis and in line with the applicable accounting standard specified in Companies (Accounting Standard) Rule 2006, the provisions of Companies Act 1956. The disclosure and other requirements under the Micro Small and Medium Enterprises Development Act, 2006 have been considered.
- B) Use of estimates :
- The preparation of financial statement requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as at the date of financial statement and reported amount of income and expenses during the year.
- C) Fixed Assets and Depreciation :
- a) Land including lease is stated at cost except for a portion revalued. Other Fixed Assets are stated at cost less depreciation. The cost include borrowing cost of Rs. 7.95 lacs for the year and in respect of imported machinery, the cost include the value portion of customs duty credit availed as granted by the government under export incentive schemes. Assets under erection are stated at value incurred.
- b) Depreciation in respect of all assets at Loyal division excepting Plant and Machinery has been provided on Written Down value basis at the rates specified in schedule XIV to the Companies Act 1956.
- c) Depreciation in respect of all assets at Valli Division, Processing Division and Plant and Machinery of Loyal division (except as stated specifically elsewhere) has been provided at the rates specified in schedule XIV to the Companies Act, 1956 on straight line basis. Depreciation in respect of all assets at Garment division has been provided on written down value basis at the rates specified in schedule XIV. Rate of depreciation is determined on certain assets as per the internal assessment on the useful life of such assets.
- d) Depreciation in respect of additions / sales has been provided pro-rata from the date of commissioning or till the date of sale as rounded off to the nearest month.
- e) The increase in long term liability due to fluctuation in foreign currency in respect of imported Plant and Machinery is added to the cost of the respective assets and depreciation has been provided from the date of commissioning. The assets identified as obsolete and held for disposal are stated at their estimated net realisable values.
- D. Foreign Currency Transactions :
- a) Foreign currency transactions are recorded at the negotiated rates prevailing on the dates of transactions. Exchange difference on foreign currency transactions covered by specific forward contracts are recognised over the period of the contract.
- b) Foreign exchange assets and liabilities are converted at the year end exchange rates. However non-monetary assets i.e., investments are stated at the rate prevailing on the date of transaction.
- E. Duty draw back claims :
- a) Duty draw back claims are accounted on completion of exports on complying with the scheme governing it.
- b) Sale of import entitlements are accounted on completion of transfer. Cost of inputs are accounted net of duty concessions availed.
- c) Duty portion of capital goods availed against Target plus licences recognised under income approach method.

Notes Forming Part of Accounts for the year ended 31st March 2008

(Rs.'000)

Particulars	As at 31.03.2008	As at 31.03.2007
F. Retirement benefits :		
a) Short term benefits		
<p>The gross amounts are recognized as expense and to the extent unpaid it is recognized as liability. Short term compensated absences are provided for based on internal assessment. Long term compensated absences are provided for based on actuarial valuation.</p>		
b) Post employment benefits		
<p>Provident fund and other funds, being defined contribution schemes, the contributions are charged to the Profit and Loss Account of the year when the contributions, for the covered employees, to the respective Government administered funds are due.</p> <p>Gratuity, being a defined benefit plan, the defined benefit obligations are provided for on the basis of an actuarial valuation made at the end of each financial year.</p>		
c) Other long term benefits		
<p>Deferred employee benefits/deferred compensation and termination benefits are recognized as an expense as and when incurred. Payments made under the Voluntary Retirement scheme are charged to the Profit and Loss account in the year incurred. Actuarial gains/losses are immediately taken to the Profit and Loss account and are not deferred.</p>		
G. Valuation of inventories		
<p>Inventories are valued at lower of cost or net realisable value, cost being ascertained on the following basis.</p>		
a) Stores and spares, raw-materials on weighted average basis.		
b) Stock-in-process, Finished goods cost includes applicable production overheads.		
c) Obsolete / non-moving inventories are provided for to the extent of requirement.		
H. Investment being long term are valued at Cost. Provision for permanent diminution in value is made, when considered necessary.		
I. Taxes on Income - Current Tax is determined on the basis of taxable income for the year. Deferred tax is recognised for all timing differences, subject to the consideration of prudence.		
J. Cash Flow Statement		
i) Cashflow are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future operating cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.		
K. Impairment of Fixed Assets :		
<p>Consideration is given at each Balance Sheet date to determine whether there is any impairment of the carrying amount of the company's fixed assets. Impairment loss is recognised as and when required.</p>		
L. Earnings per share :		
<p>In determining earnings per share, the company considers the net profit after tax and includes the post tax effect on any extraordinary items. The number of shares used in computing basic and diluted equity shares is the weighted average number of shares outstanding during the year.</p>		
M. Provisions and contingent liabilities :		
<p>The Company creates a provision when there is a present obligation as a result of an event that requires an outflow of resources and a reliable estimate can be made of the amount. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources.</p>		

Notes Forming Part of Accounts for the year ended 31st March 2008

	(Rs.'000)	
Particulars	As at 31.03.2008	As at 31.03.2007
N. SEGMENT REPORTING :		
SEGMENT INFORMATION :		
a) The company has identified three reportable business segments as primary segments viz:yarn, cloth and garments.		
b) The secondary segment information are identified on the basis of geographical segments viz. Europe, Asia and Others.		
c) The Accounting policies adopted for segment reporting are in line with the accounting policy of the company with the following additional policies for segment reporting.		
i) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Expenses incurred on behalf of other segments and not directly identifiable to each reportable segment have been allocated to each segment on the basis of associated revenues of each segment.		
ii) Pricing for Inter segment transfers have been made, considering the normal internal business reporting system of the company at estimated realisable value.		
iii) Operating assets and liabilities represent assets / liabilities in respective segments.		
2. Estimated amount of Contracts remaining to be executed on Capital Accounts and not provided for	5,73,17	53,24,76
3. Contingent Liabilities :		
i) On Account of Bills discounted	40,85,12	40,41,51
ii) Counter Guarantee given to Banks	9,36	22,18
iii) Guarantee to a third party	32,98	--
iv) Claim against the Company not acknowledged as debts	27,13	27,13
iv) Disputed Income tax demand not provided for-Appeals filed before Appellate Authorities are pending	2,42,00	2,25,00
v) Disputed Sales tax demand not provided for	22,40	--
vi) On account of export obligation covered by letter of undertaking	45,18,92	41,82,34
4. The Company has already preferred a petition before the High Court of Mumbai through the Indian Exporters Grievances Forum challenging the validity of the retrospective amendment of the provisions of section 80HHC of the Income Tax Act. The company based on the information given by the legal counsel expects no tax liability and therefore has not made any provision for the sum of Rs. 449 Lakhs. The amount of liability if any arise, relates to earlier years and could be met out of the opening reserves of the Company.		
5. Confirmation of balances have not been received from certain parties.		
6. There is no Excise duty collection on sales as the Company has opted out of the duty payment scheme.		
7. a) Managing Director's remuneration and perquisites included under the various heads in the profit and loss a/c		
1. Salaries	12,00	12,00
2. Contribution to provident fund - Defined contribution plan	1,44	1,44
3. Contribution to Super annuation fund - defined benefit plan	1,56	1,56
3. Perquisites and other allowances	4,99	5,21
4. Commission	14,00	20,00
	33,99	40,21

Notes Forming Part of Accounts for the year ended 31st March 2008

	(Rs.'000)	
Particulars	As at 31.03.2008	As at 31.03.2007
b) Computation of net profit as per section 349 read with 309(5) and Section 198 of the Companies Act. 1956 for Commission payable to the Managing Director.		
Net Profit as per profit and Loss Account (Before Tax)	7,74,50	20,20,35
Add :		
1. Remuneration and perquisites to Managing Director under various heads	33,99	40,21
2. Capital loss on sale of assets	28	48,54
3. Provision for Diminution in value of Investment	8,96	22,34
4. Provision for bad and doubtful debts	---	21,73
	8,17,73	21,53,17
Less : Capital Profits on sale of assets	6,93	14,69
Net profit on which commission is payable	8,10,80	21,38,48
Maximum permissible limit under the companies Act 1956 @ 5%	40,54	1,06,92
Commission approved by the Board	14,00	20,00
8. Previous year's figures have been regrouped/reclassified wherever necessary and figures have been rounded off to the nearest thousand.		
9. Considering the remaining useful life of certain machinery, the rates of depreciation on straight line is adopted as follows as earlier year		
1) On Machinery taken on foreclosure of lease		16.66%
2) On compact conversion machinery of spinning division (upto 2005)		35.00%
3) On the addition of Humidification Plant		35.00%
4) On certain electrical installations of Building		25.00%
5) On the dust collection attachment to Ring Frames added after 2002		95.00%
6) On the spectrocolour matching machine		95.00%
7) On Interior decorations of office buildings after 2007		35.00%
6) On addition of card cans and simplex bobbins (2007 - 08)		33.33%
10. a) Amount of capital commitments / contingencies incurred in respect of jointly controlled entities		NIL
b) No significant restriction is attached on investment held outside India.		
c) The Cash and Cash equivalents in the cash flow statement include foreign currency balances, which does not include any amount of which is of restrictive realisability.		
11. Provision for current tax for the year has been made on the book profits as per the provisions of section 115JB of the Income tax Act. Deferred tax liability mainly represent timing difference relating to depreciation of Rs. 19.39 Crore and Deferred asset mainly represent timing difference on account of carried forward depreciation permissible under Income tax Act 1961 amounting to Rs. 15.30 Crore and MAT credit of Rs. 84.30 Lakhs.		
12. Disclosure regarding Derivative Instruments :		
The Company enters into forward contracts and options either to hedge its foreign exchange exposure or to reduce costs and not for any speculative purposes. The Company has not entered into any derivative deals during the year and the company has no outstanding derivative exposure as on 31st March 2008.		
13. Earnings per share		
(a) Opening / Closing number of shares	47,03,946	47,03,946
(b) Profit after Tax (Rs.000)	4,73,50	12,85,35
(c) Earnings per share (Rs.)	10.07	27.32
(d) Face value of shares (Rs.)	10	10

Notes Forming Part of Accounts for the year ended 31st March 2008

(Rs.'000)

Particulars	As at 31.03.2008	As at 31.03.2007
14. The Company has initiated the process of obtaining confirmation from suppliers who have registered under Micro, Small & Medium Enterprises development Act 2006. Based on the information available with the Company, the Principal amount due to Micro and small enterprises on 31.03.2008 is Rs. NIL. There has been no overdue principal amount and therefore no interest is paid / payable.		
15. Employee Benefits:		
(a) The Company has adopted the Accounting Standard (AS) 15 (Revised) with effect from 01.04.2007		
(b) Post employment benefits Provident fund and other funds Being a defined contribution plan, the company makes fixed monthly contributions, in respect of covered employees, to the Government managed funds and the company has no legal obligation to pay any further sum beyond the contribution made towards the claims settled. The company has during the year recognised Rs. 117.57 lacs as expense towards contribution towards these plans.		
(c) Gratuity The Company provides for gratuity, a defined benefit plan, covering eligible employees. The provision for the accrued liability as at the balance sheet date is made as per actuarial valuation, using the Projected unit credit method. Based on the valuation the incremental liability is contributed to the gratuity trust. Trustees administer the contributions made, by investing the funds in approved securities. The company has an obligation to make good the short fall, if any, between the contributions and the settlements.		
	Gratuity (Funded Plan)	
(d) Present Value of the Obligation as on 01.04.2007	2,54,67	
Current Service Cost	24,73	
Interest Cost	18,47	
Benefits Paid	(17,15)	
Actuarial Loss (gain)	35,83	
Present Value of the Obligation as on 31.03.2008	3,16,55	
(e) Reconciliation of changes in the fair value of plan Assets :		
Fair Value of Plan Asset as on 01.04.2007	2,09,63	
Expected return / on plan assets	17,24	
Contribution by the Company	45,04	
Benefits Paid	(17,15)	
Actuarial gain/(loss)	(50)	
Fair Value of Plan Assets as on 31.03.2008	2,54,26	
(f) The total expenses recognised in the profit and loss account is as follows :		
Current Service Cost	24,73	
Interest Cost	18,47	
Expected return on plan assets	(17,24)	
Net Actuarial (gain) / loss recognised in the year	36,33	
	62,29	
(g) Reconciliation of Net Liability recognised in the balance sheet		
Net Liability as at the beginning of the year	45,04	
Add : Expenses as (d) above	62,29	
Less : Employers Contribution / Payment	45,04	
Net Liability as at the end of the year	62,29	

Notes Forming Part of Accounts for the year ended 31st March 2008

Particulars	(Rs.'000)	
	As at 31.03.2008	As at 31.03.2007
(h) Constitution of Plan Assets :		
In Government approved securities / deposits / Bonds	2,54,26	
(i) Principal actuarial assumptions used as at the Balance Sheet date :		
Discount Rate	7.50%	
Salary Escalation Rate	8.00%	
Attrition Rate	5.00%	
Expected rate of return on plan assets	7.00%	
(j) The expected contribution to the defined benefit during the annual period beginning or after the Balance Sheet date		Rs. 62.29 Lacs
a) Actual return on plan assets		Rs. 17.40 Lacs
(k) The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The expected rate of return on assets are estimated as per the return on government of India bonds.		
(l) Percentage of each category of plan assets to total fair value of plan assets as at 31.3.2008		
a) Government Securities	49.00%	
b) Bank deposits (Special deposit scheme)	9.00%	
c) Others / approved securities	42.00%	

Notes Forming Part of Accounts for the year ended 31st March 2008

16. ADDITIONAL INFORMATION REQUIRED UNDER CLAUSE 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

(Rs.'000)

	Units	31.03.2008		31.03.2007	
		Qty. ('000)	Value Rs.	Qty. ('000)	Value Rs.
1. SALES					
A) Yarn	Kgs.	92,32	133,34,50	67.00	118,98,69
B) Cloth	Mtrs.	2,32,33	111,79,43	2,09.60	116,08,25
C) Hosiery Cloth	Kgs.	73,69	100,76,82	53.19	78,58,91
D) Garments	Nos.	20,90	43,32,51	18.83	44,76,49
E) Cotton waste	Kgs.	12,05	1,13,49	11.06	89,01
F) Miscellaneous sales			1,64,22		1,41,33
Total			392,00,97		360,72,68
2. RAW MATERIALS CONSUMED					
i) Cotton, Staple Fibre and cotton waste	Kgs.	1,94,11	122,60,34	1,75.78	104,46,22
ii) Yarn (including excise duty on yarn own consumption)	Kgs.	51,20	53,98,66	43.97	52,52,09
iii) Cloth	Mts.	2,68	1,79,64	4.55	4,47,69
iv) Hosiery cloth	Kgs.	----	17	----	----
v) Dyes (consumed in processing division)	Kgs.	40	1,56,59	39	2,36,94
vi) Reflective band (Consumed in Garments Division)	Mtrs.	7,42	1,64,57	7.19	1,43,45
Total			181,59,97		165,26,39
3. OPENING STOCK OF FINISHED GOODS					
i) Yarn	Kgs.	2,92	3,65,64	1.58	1,93,54
ii) Cloth	Mtrs.	16,72	8,72,12	15.84	9,28,45
iii) Hosiery Cloth	Kgs.	2,29	2,45,19	2.49	3,01,45
iv) Garments	Nos.	8,07	9,26,19	4.84	4,66,68
v) Waste Cotton	Kgs.	65	6,74	59	8,37
Total			24,15,88		18,98,49
4. PURCHASE OF ITEMS TRADED/PROCESSED					
i) Yarn	Kgs.	35,63	42,20,12	15.80	20,99,86
ii) Hosiery cloth	Kgs.	----	----	93	1,08,27
iii) Garments	Nos.	----	----	12	28
Total			42,20,12		22,08,41

Notes Forming Part of Accounts for the year ended 31st March 2008

(Rs.'000)

	Units	31.03.2008		31.03.2007	
		Qty. ('000)	Value Rs.	Qty. ('000)	Value Rs.
5. CLOSING STOCK OF FINISHED GOODS					
i) Yarn	Kgs.	5,42	6,67,45	2,92	3,65,64
ii) Cloth	Mtrs.	16,30	7,23,92	16,72	8,72,12
iii) Hosiery cloth	Kgs.	3,37	4,11,87	2,29	2,45,19
iv) Garments	Nos.	6,57	8,45,42	8,07	9,26,19
v) Waste Cotton	Kgs.	2,04	24,49	65	6,74
Total			26,73,15		24,15,88

6. CAPACITY INSTALLED

(As certified by Managing Director)

i) Ring Spindles	Nos.	125,760	105,552
ii) Rotors	Nos.	1,680	1,200
iii) Automatic Looms	Nos.	230	222
iv) Cloth processing	Mtrs.	14,400,000	14,400,000
v) Hosiery Processing	Kgs.	5,400,000	5,400,000
vi) Sewing Machines	Nos.	445	521
vii) Knitting Machines	Nos.	71	32

Note :

Licensed capacity not stated in view of abolition of licensing requirements as per Notification No. 477(E) dt. 25.07.91 of Ministry of Industry, Government of India.

7. ACTUAL PRODUCTION

	Units	Qty. ('000)	Qty. ('000)
i) Yarn (2210316.27 Kgs manufactured by outsiders) (previous year 1368302.52 kgs) of which 19682.20 kgs were processed (previous year 16486 kgs)	Kgs.	1,78,33	1,50,61
ii) Cloth net of shrinkage (including 1759873.00 mtrs by outsiders) (previous year 1416026 mtrs)manufactured by others and NIL Mtrs Manufactured for others) of which 4393445.60 mtrs were processed (Previous year 5014797.52 mtrs)	Mtrs.	2,52,10	2,34,13
iii) Hosiery Cloth (including produced by others) of which 1261264.67 kgs were processed (Previous year 1193104.76 kgs.)	Kgs.	76,72	53,56

Notes Forming Part of Accounts for the year ended 31st March 2008

(Rs.'000)

	Units	31.03.2008		31.03.2007	
		Qty. (‘000)	Value Rs.	Qty. (‘000)	Value Rs.
iv) Cotton Waste (including loss on reprocessing waste)	Kgs.	50,66		42,19	
v) Garments (including produced by others 750218 Nos.) (previous year 1267111 Nos.) and 29428 Nos. Produced for others (Previous year NIL)	Nos.	19,41		21,97	
8. CIF VALUE OF IMPORTS					
i) Raw Materials (Staple Fibre, cotton, dyes, reflective band)			28,70,59		25,62,16
ii) Capital Goods			40,29,10		29,26,24
iii) Spare Parts			11,34,43		1,41,19
Total			80,34,12		56,29,59
9. EXPENDITURE IN FOREIGN CURRENCY (Equivalent Indian Rupees)					
i) On Account of Travel			12,93		12,11
ii) Commission on export sales			3,98,75		4,06,63
iii) Professional Charges			5,00		54,98
iv) Others			7,64		11,33
			Value Rs.	%	Value Rs.
					%
10. CONSUMPTION OF RAW MATERIALS					
i) Indigenous		154,80,66	85.25	136,08,32	82.34
ii) Imported		26,79,31	14.75	29,18,07	17.66
Total		181,59,97	100.00	165,26,39	100.00
11. CONSUMPTION OF STORES AND SPARES					
i) Indigenous		19,56,24	70,47	20,36,90	74.41
ii) Imported		8,19,59	29,53	7,00,54	25.59
Total		27,75,83	100.00	27,37,44	100.00
12. Amount remitted in foreign currency on account of dividend					
			Nil		Nil
13. Earnings in foreign exchange					
a) on export of goods, including export through Merchant Exporters calculated on F.O.B. basis.			258,85,73		253,55,45
b) Dividends received			72,43		34,21
c) Sale of Machinery			---		5,85,68

Notes Forming Part of Accounts for the year ended 31st March 2008

17. PRIMARY SEGMENT REVENUES, RESULTS AND OTHER INFORMATION

	Yarn		Cloth		Garments		Total	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Revenue								
External Sales	140,77,58	123,66,25	221,40,89	200,61,99	46,52,68	46,71,45	408,71,15	370,99,69
Inter-segment transfer	29,61,83		29,61,83	33,60,30			29,61,83	33,60,30
Results								
Segment Results	140,77,58	123,66,25	251,02,72	234,22,29	46,52,68	46,71,45	438,32,98	404,59,99
Less : Unallocated expenses less income	10,43,23	13,31,48	4,24,24	7,88,51	2,96,20	3,07,71	17,63,67 (5,35,13)	24,27,70 (4,85,78)
Profit from Operations								
Interest Expenses							22,98,80	29,13,48
Profit before tax							15,24,30	8,93,13
Tax							7,74,50	20,20,35
Profit after tax							1,05,00	2,76,00
OTHER INFORMATION							6,69,50	17,44,35
Segment Assets (Including CWIP)	152,32,44	118,23,24	338,29,54	283,82,16	36,08,87	37,81,14	526,70,85	439,86,54
Unallocable Assets							24,73,47	18,80,50
Total Assets							551,44,32	458,67,04
Segment Liabilities	24,20,97	12,65,40	21,00,71	17,35,77	87,83	1,31,31	46,09,51	31,32,48
Unallocable Liabilities							2,14,51	2,11,72
Total Liabilities							48,24,02	33,44,20
Segment Capital Expenditure	23,35,44	22,36,37	96,37,00	61,72,99	---	37,42	119,72,44	84,46,78
Unallocable Capital Expenditure							1,43,53	4,85,93
Total Capital Expenditure							121,15,97	89,32,71
Segment Depreciation	12,17,67	8,22,42	29,32,16	23,77,34	67,69	84,20	42,17,52	32,83,96
Unallocable Depreciation							8,43	2,75
Total Depreciation							42,25,95	32,86,71

18. Secondary Segment - Geographical (Rs., 000)

- An analysis of the sales by geographical market is given below :
- All fixed assets of the company are located in India
- Carrying amount of segment assets
- Carrying amount of segment liabilities

Region	Amount		Amount		Amount	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Europe	132,96,24	117,12,53	29,54,70	24,50,75	84,14	77,88
Asia	201,89,57	201,74,00	489,75,85	411,78,36	32,86,26	30,26,39
Others	57,15,16	41,86,15	7,40,30	3,57,43	12,39,11	28,21
	392,00,97	360,72,68	526,70,85	439,86,54	46,09,51	31,32,48

Notes Forming Part of Accounts for the year ended 31st March 2008

19. RELATED PARTY DISCLOSURES FOR THE FINANCIAL YEAR ENDED 31.03.2008

NAME OF THE PARTY	RELATIONSHIP
1. Shri Teyem Processors Ltd., N. Venkateswarapuram	Substantial interest in Voting Power (48.86%)
2. Uniloyal Expotex Ltd., Chennai	Substantial interest in Voting Power (49%)
3. Loyal Textiles (UK) Ltd	Substantial interest in Voting Power (49%)
4. Gruppo P&P Loyal Spa, Italy	Joint Venture Company
5. Loyal Dimco Group A.E.B.E., Greece	Joint Venture Company
6. Mr. Manikam Ramaswami Chairman and Managing Director	Key Management Personnel

(`000)

i) The name of the transacting related party	Gruppo P&P Loyal Spa Italy	Loyal Textiles (UK) Ltd.
ii) Description of the relationship between the parties	Joint Venture	Substantial Interest in Voting Power
iii) Description of the nature of transactions	Sale of Garments Purchase of Raw Materials	Sale of Knitted Fabrics
iv) Volume of the transactions	Sale value - Rs. 35,83,49 Purchases - Rs.1,75,20	Sale value Rs.5,41,37
v) Purchase of Fixed Assets & Leases	Nil	Nil
vi) Finance (including loans and equity contributions in cash or in kind)	During the year - Nil As on 31/3/08- Rs.1,49,30	During the year - Nil As on 31/03/08 -Rs.1.89
vii) Management contracts including for deputation of employees	Nil	Nil
viii) Any other elements of the related party transaction necessary for an understanding of the financial statements	Nil	Nil
ix) The amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date	Rs. 16,04,50 Considered good	Rs. 5,41,37 Considered good
x) Amounts written back in the period of debts due from or to related parties	Nil	Nil
xi) Dividend Received	Rs. 72,43	Nil
xii) Guarantee given	Nil	Rs. 32,98

- Notes :**
1. Mr. Manikam Ramaswami, Chairman and Managing Director is the key management personnel of the enterprise and his remuneration particulars are disclosed in the notes on accounts.
 2. There is no transaction with Loyal Dimco, Greece. Uniloyal Expotex Limited, Chennai and Shri Teyem Processors Ltd., during the year. In respect of Shri Teyem Processors Ltd, the equity contribution is Rs. 2.48 Lakhs 31.3.2008 (Rs.2.48 Lakhs - 31.03.2007). Provision for diminution in value is required for Investment with Loyal Dimco Group A.E.B.E., Greece and Rs. 8.96 Lakhs is provided for the year.
 3. The information regarding applicable transactions as given in clause 24 of AS 18 is given above.

Balance Sheet Abstract and Company's General Business Profile

(Particulars required under Part IV of Schedule VI to Companies Act, 1956)

I. REGISTRATION DETAILS

Registration No.

0	1	3	6	1
---	---	---	---	---

 State Code No. :

1	8
---	---

Balance Sheet Date

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. '000)

Public Issue

N	I	L
---	---	---

 Rights Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

 Private Placement

N	I	L
---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. '000)

Total Liabilities

5	0	3	2	0	3	0
---	---	---	---	---	---	---

 Total Assets

5	0	3	2	0	3	0
---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid up Capital

4	7	0	4	0
---	---	---	---	---

 Reserves & Surplus

1	2	2	8	7	9	9
---	---	---	---	---	---	---

Secured Loans

3	7	5	1	0	2	2
---	---	---	---	---	---	---

 Unsecured Loans

	5	1	6	9
--	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

3	3	1	9	3	7	5
---	---	---	---	---	---	---

 Investments

1	8	6	2	9
---	---	---	---	---

Net Current Assets

1	6	9	4	0	2	6
---	---	---	---	---	---	---

 Misc. Expenditure

N	I	L
---	---	---

Accumulated Losses

N	I	L
---	---	---

IV. PERFORMANCE OF COMPANY (Amount in Rs. '000)

Turnover

4	2	2	1	5	8	7
---	---	---	---	---	---	---

 Total Expenditure

4	1	4	4	1	3	7
---	---	---	---	---	---	---

Profit / (Loss) Before Tax

	7	7	4	5	0
--	---	---	---	---	---

 Profit/ (Loss) After Tax

	4	7	3	5	0
--	---	---	---	---	---

Earnings per share in Rs.

1	0
---	---

 Dividend Rate %

3	9
---	---

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY

(As per monetary terms)

ITEM CODE NO. (ITC CODE) : 5202, 5203, 5204, 5205, 5206, 5207, 5208, 5209, 5210, 5211, 5212, 5301, 5306, 5308, 5309, 5311, 5503, 5504, 5505, 5506, 5507, 5509, 5510, 5511, 5512, 5513, 5514, 6001, 6203, 6204

Major Product Description : Textiles falling within the above Code Nos.

MANIKAM RAMASWAMI
Chairman & Managing Director

K.J.M. SHETTY
S. VENKATARAMANI
SHRIDHAR SUBRAHMANYAM
R.POORNALINGAM
Directors

Vide our Report of even date attached
For **SURI & CO.,**
R. KRISHNAMOORTHY
Partner
Chartered Accountants

Date : 23rd May 2008
Place : Chennai.

Date : 23rd May 2008
Place : Chennai.

Cash Flow Statement

(Rs. '000)

	31.03.2008	31.03.2007
OPERATING ACTIVITIES		
PROFIT BEFORE TAX	7,74,50	20,20,35
ADJUSTMENTS FOR :		
Depreciation	42,25,95	32,86,71
Interest paid	17,58,25	10,63,94
Interest Received	(233,95)	(1,70,81)
Dividend Received	(72,43)	(34,21)
(Profit)/Loss on disposal of Fixed Assets	(3,20,57)	(3,95,08)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	61,31,75	57,70,90
ADJUSTMENTS FOR CHANGES IN :		
Inventories	(13,30,66)	5,39,65
Debtors	(26,43,59)	(45,94)
Advances	(9,65,26)	(2,02,57)
Current Liabilities and Provisions	7,29,74	(10,99,01)
CASH FLOW FROM OPERATING ACTIVITIES	19,21,98	49,63,03
Dividend Receipts	0	0
Interest Receipts	2,32,09	1,56,10
Income tax (Paid)/Refund	(1,59,21)	(2,63,92)
NET CASH FLOW - (A)	19,94,86	48,55,21
INVESTING ACTIVITIES		
Payments for Assets acquisition	(72,35,33)	(91,23,75)
Proceeds on Sale of Fixed Assets	4,15,62	9,83,60
Investments	(2,67)	0
Joint Venture Investment	8,96	22,34
Dividend received from Joint venture	72,43	34,21
NET CASH FLOW - (B)	(67,40,99)	(80,83,60)
FINANCING ACTIVITIES		
Interest paid	(23,45,34)	(12,45,29)
Borrowings		
Raised	100,36,11	68,70,89
Repaid	(27,84,53)	(21,11,72)
Dividend paid	(1,83,45)	(1,83,45)
NET CASH FLOW - (C)	47,22,79	33,30,43
NET CASH INFLOW / (OUTFLOW)	(23,34)	1,02,04
OPENING CASH AND CASH EQUIVALENTS (D)	3,53,25	2,51,21
CLOSING CASH AND CASH EQUIVALENTS (E)	3,29,91	3,53,25
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,34)	1,02,04

MANIKAM RAMASWAMI
Chairman & Managing Director

K.J.M. SHETTY
S. VENKATARAMANI
SHRIDHAR SUBRAHMANYAM
R.POORNALINGAM
Directors

Vide our Report of even date attached
For **SURI & CO.,**
R. KRISHNAMOORTHY
Partner
Chartered Accountants

Date : 23rd May 2008
Place : Chennai.

Date : 23rd May 2008
Place : Chennai.

LOYAL TEXTILE MILLS LIMITED

Registered Office :
21/4, Mill Street, Kovilpatti - 628 501.

PROXY FORM

Ledger Folio No. / Client Id :

I/We of
in the district of being a member / members of
LOYAL TEXTILE MILLS LIMITED hereby appoint of
..... in the district of or failing him
of in the district of as my / our Proxy, to attend and vote
on my/our behalf at the Sixty Second Annual General Meeting of the Company to be
held at 10.30 a.m. on Thursday, 4th day of September 2008 and at any adjournment
thereof.

Dated this day of 2008.

Signed by the said

Affix Revenue Stamp

NOTE : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.
