THE LAKSHMI MILLS COMPANY LIMITED

HUNDRED AND SECOND ANNUAL GENERAL MEETING

Proceedings of the Hundred and Second Annual General Meeting of the Members of the Company held on Monday, the 3rd September 2012 at 2.35 P.M at Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore – 641 037.

Members Present : 185
Members Present in Proxy : 31

Sri S.Pathy, Chairman occupied the chair.

Sri R.Santharam-Vice Chairman, Sri Satish Ajmera Chairman of the Audit Committee, Sri D.Rajendran, Sri V.S.Velayutham, Sri Sanjay Jayavarthanavelu, Directors and Sri Aditya Krishna Pathy, Whole Time Director were present.

The requisite quorum being present the proceedings commenced.

Sri S.Pathy, Chairman and Managing Director, welcomed the shareholders and delivered his speech as summarized herein:

The Chairman briefed about the economic overview and industry review, power, operations, personnel and outlook for the current year.

The Chairman informed that during the year 2010-11 due to the high volatility in Raw material prices and global recession, the Indian textiles and Clothing industry faced an unprecedented crisis and the Textile industry's contribution to national GDP came down during the financial year 2011-12 and still the economy continues to experience high inflation due to unstable policy frameworks. The unprecedented sharp increase in Cotton prices within a period of six months (October 2010 to March 2011) and a premature announcement of Cotton exports of 55 lakh bales in 45 days and the lower stock to use ratio pushed up the domestic prices. This situation lead to around 65 lakh bales of high value Cotton getting stuck with mills as inventory and losses on account of deflation of these stocks are estimated at around Rs.6000 Crores. On the Yarn front, a restriction of Cotton Yarn exports to 7.2 lakh tonnes in 2010-11 as against a potential of 11 lakh tonnes only added misery. Nearly 5 lakh tonnes of unsold Cotton yarn was stuck with various mills. Following a crash in Cotton prices in May 2011, Cotton yarn prices also crashed both in global and domestic markets. Domestic markets crashed over Rs.90/- per kg. leading to a loss of Rs.4500 Crores. On account of MMF it amounted to Rs.500 Crores. Levy of 10% Central Excise Duty on branded garments and made-ups also reduced the domestic demands. In addition the Government allowed 48 items from Bangladesh on duty free basis which contributed to further poor performance.

The investments under TUF has become almost dormant from April 2011 due to the precarious financial condition of the industry. In the absence of debt restructuring, several textile units would become NPA's.

The Chairman informed that due to the exhorbitant Raw material prices and unremunerative yarn price realization during the year, the Company posted a Turnover of around Rs.149 Crores as against Rs.176 Crores during the previous

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year. The capacity utilization was also affected due to unprecedented power cuts through the year. Hence a net loss of Rs.13.17 Crores and this was an industry wide phenomenon. The outsourcing of export fabric to the tune of Rs.29 Crores has only marginally contributed to the performance. The spindleage operated at both Palladam and Kovilpatti stands at 1.31 lakhs.

The Chairman informed that as mentioned earlier, the Company's profitability was severely affected due to the high raw material prices. The Cotton prices still seem to be volatile and with the delay in monsoon the prices are looking bullish.

The Chairman informed that during the year, the labour strength was 1665 as against 2042 during the previous year. The reduction is due to the lower operating levels. The acute labour shortage and lack of skilled labour added to the exodus of North East workers has only mitigate the scenario.

The Chairman informed that during the year, the Company faced power cuts which affected the utilization and thereby the operations. There is still no improvement in the TNEB Power supply as the Hydro units have also been affected to the lack of monsoon, and the wind power is only seasonal. So the power situation in the State will continue to be the same or even worse in the days to come.

The Chairman informed that the cost has gone up to 15% on Working Capital and Term Loans and the Working Capital has eroded during the year 2011-12. The entire industry is seeking Debt restructuring package to address the erosion of Working Capital and repayment of term loans. As per the directives of the Reserve Bank of India, Banks have been advised to restructure the term loans and Working Capital erosion on a case to case basis.

The Chairman informed that the working in the first quarter was positive and the Company has posted a Turnover of Rs.28 Crores. To be competitive the industry needs to be cost effective and stable policies by the Government in Exports, Power and Labour which will help the industry regain its lost glory.

The Chairman informed that considering the severe recession and losses incurred during the year 2011-12, the Directors were not able to recommend any dividend and hoped the coming years would yield better results.

He thanked the shareholders, Directors, Banks, Financial Institutions, customers and employees of the company for their valuable support.

The Notice calling for the Meeting dated 01.08.2012 containing the Agenda, which was already sent to the shareholders, was taken as read.

Then the items in the Agenda were taken up in seriatim for consideration.

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SUBJECT – Adoption of Accounts

1. To consider and adopt the Statement of Profit and Loss for the year ended 31st March 2012, the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.

RESOLUTION

The Auditors Report was read and taken on record.

The Chairman invited questions / clarifications if any from the members on the Company's Accounts.

Proposed By : Sri. S.Pathy, Chairman
Seconded By : Sri. V.S.Palaniappan

The following resolution was carried unanimously:

"Resolved that the Directors' Report, Auditors' Report, Statement of Profit and Loss for the year ended 31st March 2012 and the Balance Sheet as at that date be and are hereby adopted".

SUBJECT – Re-appointment of retiring Director– Sri Satish Ajmera

2. To appoint a Director in the place of Sri Satish Ajmera who retires by rotation and being eligible offers himself for re-appointment.

RESOLUTION

Proposed By : Sri. S.A.Sreedharan
Seconded By : Sri. R.Murali

The following Resolution was carried unanimously:

"Resolved that the retiring Director Sri Satish Ajmera be and he is hereby re-appointed as a Director liable to retirement by rotation."

SUBJECT–Re-appointment of retiring Director– Sri Sanjay Jayavarthanavelu

4. To appoint a Director in the place of Sri Sanjay Jayavarthanavelu who retires by rotation and being eligible offers himself for re-appointment.

RESOLUTION

Proposed By : Sri. Suresh Babu

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Seconded By : Sri. Damodarasamy

The following Resolution was carried unanimously:

"Resolved that the retiring Director Sri Sanjay Jayavarthanavelu be and he is hereby re-appointed as a Director liable to retirement by rotation."

SUBJECT –Appointment of Auditors and fixing of their Remuneration

5. To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

The Chairman informed that the Audit Committee of the Company has recommended the appointment of M/s.Subbachar & Srinivasan, Chartered Accountants, as Auditors of the Company.

RESOLUTION

Proposed By : Sri S.M.Siva
Seconded By : Sri Balachander

The following Resolution was carried unanimously:

"Resolved that M/s.Subbachar & Srinivasan, Chartered Accountants be and are hereby re-appointed 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 at a remuneration of Rs.2,00,000/- plus reimbursement of out of pocket expenses incurred in connection with the Audit and payment to other services as may be rendered by them."

With a vote of thanks by the Chairman, the meeting concluded.

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