



SHRI P.A.C. RAMASAMY RAJA



Founder
Shri N.K. RAMARAJU

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.**Board of Directors**

Shri P.R. RAMASUBRAHMANEYA RAJHA
Chairman

Smt. R. NALINA RAMALAKSHMI
Managing Director

Shri M. VELUCHAMY
(Nominee of Govt. of Tamilnadu)

Shri P.R. VENKETRAMA RAJA

Smt. R. SUDARSANAM

Shri N.R.K. RAMKUMAR RAJA

Shri N.K. SHRIKANTAN RAJA

Shri P.J. ALAGA RAJA

Shri S. KANTHIMATHINATHAN

Bankers

Canara Bank

Citi Bank, N.A.

IDBI Bank Ltd

Indian Bank

Karur Vysya Bank

Punjab National Bank

State Bank of India

Tamilnad Mercantile Bank Ltd

Registered Office

The Ramaraju Surgical Cotton Mills Premises,
119, P.A.C. Ramasamy Raja Salai,
RAJAPALAIYAM - 626 117,
Tamil Nadu.

Factories**Surgical Division:**

1. Rajapalaiyam
2. Perumalpatti

Spinning Division:

Sudarsanam Spinning Mills

1. Rajapalaiyam
2. Silvassa
3. Subramaniapuram
4. Thirumalagiri Village, A.P.

Auditors

M/s. M.S. JAGANNATHAN & N. KRISHNASWAMI,
Chartered Accountants,
27, Premier Flats, Karur Bypass Road,
Tiruchirapalli - 620 002,
Tamil Nadu.

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THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTICE TO THE MEMBERS

Notice is hereby given that the 69th Annual General Meeting of the Company will be held at 9.30 A.M. on Thursday the 6th August, 2009 at P.A.C.Ramasamy Raja Centenary Community Hall, P.A.C.Ramasamy Raja Salai, Rajapalayam to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. a) To appoint a Director in the place of Shri P.R. Venketrama Raja who retires by rotation and is eligible for re-appointment.
b) To appoint a Director in the place of Shri N.R.K. Ramkumar Raja who retires by rotation and is eligible for re-appointment.
c) To appoint a Director in the place of Shri N.K. Shrikantan Raja who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and if thought fit to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

“RESOLVED that M/s. M.s. Jagannathan & N. Krishnaswami, Chartered Accountants, Tiruchirapalli be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs. 90,000 (Rupees Ninety thousand only) exclusive of out-of-pocket expenses.”

By Order of the Board,
For THE RAMARAJU SURGICAL COTTON MILLS LTD.,

Rajapalayam,
25.05.2009

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the Proxy need not be a member of the Company.
2. Proxy form is enclosed. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 01.08.2009 to 06.08.2009 (both days inclusive).
4. Under the provisions of Section 205 C of the Companies Act, 1956, dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection Fund (IEP Fund) of the Central Government. Thereafter no claim shall lie against the Fund or the Company and no payment will be made in respect of any such claims. Hence, the members who have not claimed their dividend relating to the earlier years may write to the Company for claiming the amount before it is so transferred to the Fund.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their 69th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2009.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2009 after charging all expenses and minimum contribution to Ramaraju Memorial Fund of Rs.500 as laid in the Articles of Association, but before deducting interest and depreciation has resulted in Operating Profit of Rs.18,39,66,086.

After deducting Rs.14,18,86,457 towards interest cost and providing Rs.10,90,93,809 towards depreciation, the Net loss for the year is Rs.6,70,14,180. Considering the reversal of Deferred Tax Liability of Rs. 2,37,00,000 and the surplus of Rs. 35,61,251 brought forward from the previous year and after providing Rs. 5,40,000 for Fringe Benefit Tax the net loss for the year is Rs. 4,02,92,929.

DIVIDEND

In view of loss incurred by the Company in the current year, your Directors are unable to recommend any Dividend.

TAXATION

In view of the net loss incurred the company is not liable to pay Minimum Alternate Tax (MAT). The company is also not liable to pay tax under the regular method due to the higher income tax depreciation. However the company is liable to pay Fringe Benefit Tax (FBT) and an amount of Rs. 5.40 Lakhs has been provided as FBT. An amount of Rs. 237 Lakhs has been withdrawn from Deferred Tax liability provided in the earlier years which is in accordance with the Accounting Standards.

SPINNING DIVISION**TRADE CONDITIONS**

The Textile Industry worldwide has been passing through the un-precedented crisis during the past 2 years. There was steep increase in the prices of cotton during the year and the cotton prices touched the high level because of various factors including the hike in Minimum Support Price by the Government of India for Cotton, huge capacity additions, which resulted in higher demand for cotton etc., The upward movement of dollar against the rupee has made the import of cotton unviable. The yarn prices showed declining trend because of various reasons viz.,

- I. Global demand for textile products has drastically come down due to Economic slow down. Nearly 40% of our production goes for export market. Because of the Global Economic meltdown, margins on Exports came down drastically.
- II. The huge capacity spindle additions in shorts period resulted in mismatch between supply and demand. While the increased supply of yarn in the market has brought down the selling prices; the increased demand for cotton had increased the cotton prices. The cumulative effect of the above factors had affected the working of the Company substantially.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

DIRECTORS' REPORT

In addition to the above global crisis, there is severe power cut in Tamilnadu to the extent of 100% power cut for 4 Hours during 6 P.M. to 10 P.M. and 40% during the rest of the hours which affected utilisation and productivity levels to a greater extent. Timely decision taken by your Directors to install Furnace Oil based Gensets and Windmills in previous years and purchase of power from Third Party have helped the Company to operate the Mills at optimum utilisation level and also helped the Company to tide over the power crisis. Furnace oil prices came down drastically during the 3rd Quarter of last year, but operating the Captive Gensets are still costlier when compared to the cost of power supplied by Electricity Board.

By implementing various cost reduction measures and production of flexible count pattern with more value added yarn, your Directors were able to bringdown the loss in the current market scenario.

FINANCE

The Company has availed working capital loan in foreign currency and incurred exchange loss Rs.221 Lakhs, of which an amount of Rs.29 Lakhs is notional since it is a provision entry made in accordance with Accounting Standard-11. This loss is because of rapid depreciation of rupee against dollar and the foreign currency loans were repaid at the higher exchange rate. On the other hand, because of depreciation of rupee, export sales realisation was better compared to previous year, which has partially offset the above exchange loss.

To conserve the cash accruals for working capital of the Company and also considering the current working, the Company has approached the Banks for reschedulement of Term loan repayment instalments of principal as per the norms suggested by the Reserve Bank of India. However the Company is prompt in making the Interest payment on due dates.

EXPORTS

On the Export front during the year, we have made direct export of Cotton Yarn and Surgical Dressings for a value of Rs.16.60 Crores and Merchant Export of Rs.6.62 Crores as against Rs.14.66 Crores and Rs.7.50 Crores respectively of the previous year.

MODERNISATION

As a part of continuous intensive modernisation programme, the company has invested about Rs.14.22 Crores by availing term loan under Technology Upgradation Fund (TUF) scheme for investment in state-of-the-art textile machinery & equipments like Elite Compact conversion kit, Carding Machine, Draw Frame Machine, Propeller Winding Machine, TFO Machines, Soft Package Winding Machine and Gassing Machine etc.

EXPANSION

As reported in the Directors' Report in the previous year, the Company has implemented the expansion of state-of-the-art 16,800 spindles Rieter Compact Spinning with link coners at Subramaniapuram at a project cost of Rs.51.26 Crores and the Open End Spinning Unit at Andhra Pradesh with 1440 Nos. of automatic high speed Savio OE Rotors at a project cost of Rs.30.65 Crores. Both the projects have been commissioned. The Subramaniapuram Rieter Compact Spinning unit went into commercial production in June, 2008 and the Andhra Pradesh OE unit in August, 2008. Both the projects are covered under Technology Upgradation Fund (TUF) scheme.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

DIRECTORS' REPORT**PROSPECTS FOR THE CURRENT YEAR**

The cotton cost still has not come down as expected. The prices of yarn were stagnant due to recessionary trend in both domestic and global markets. The interest rates are coming down because of various measures taken by Reserve Bank of India. However, the power cut imposed in Tamilnadu to the extent of 50% which is severely affecting the operations of the Company and also increased the power cost because of running Captive Gensets. The Company is maintaining high standards of Quality Yarn, cost effective production and stringent waste control measures. These measures strengthened the Company to face the challenges in the current scenario. By improving productivity, taking various measures for production of value added yarns and other cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year.

WIND MILL

The Wind Mill Division with an installed capacity of 5.9 MW is working satisfactorily. There were interruptions in the grid availability due to insufficient infrastructure facility at the evacuation point and also lower wind velocity during the peak season, which resulted in lower generation of power. The Division has generated 115 Lakhs KWH as compared to 116 Lakhs KWH of the previous year. The income during the year from the Wind Mill Division was Rs.5.01 Crores as against Rs.4.75 Crores of previous year.

SURGICAL DIVISION

This division has improved its performance over previous year with higher volume of the main products and increased profitability. There has been increase in raw material cost and cost of other inputs. Power cost had also gone up due to reduced availability of EB supply on account of power cut. The selling price was increased to partially offset the increase and with other cost saving measures, this division made a substantial contribution to the profit of the company during the year under review. The current year trend is encouraging.

PERSONNEL

Industrial relations with employees remained cordial during the year. Human Resources Development activities received considerable focus. The emphasis was on imparting training and development of the skill-set of the employees to enable them to face the challenges in the work environment.

In terms of the provisions of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company.

INTERNAL CONTROL SYSTEM

Your Company has adequate internal control procedures commensurate with the size and nature of its operations. ERP System developed by Ramco Systems Ltd., has been installed for online monitoring of all functions and management information reports are being used to have better control and to take decisions in time.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

DIRECTORS' REPORT**DIRECTORS**

Your Directors regret to inform the demise of Shri M.R.S. Radhakrishna Raja, Director of the Company on 18.1.2009 who was associated with the Company for the past 23 years. Your Directors wish to place on record their appreciation for the valuable services rendered by him during his tenor.

The following Directors retire by rotation at the ensuing Annual General Meeting of the company and they are eligible for re-appointment.

1. Shri P.R. Venketrama Raja
2. Shri. N.R.K. Ramkumar Raja
3. Shri N.K. Shrikantan Raja

PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2009 were Rs.74.24 Lakhs including the deposits renewed in accordance with Section 58A of the Companies Act, 1956. There was no deposits unclaimed / unpaid as on 31.03.2009.

SHARES

The Company's shares are listed in Madras Stock Exchange Ltd., The Company has paid listing fee to the Stock Exchange for the financial year 2009-2010.

AUDITORS

M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants, Tiruchirapalli, the Auditors of the Company retire at the end of the 69th Annual General Meeting and are eligible for re-appointment.

COST AUDITOR

The Government has approved the Company's proposal to appoint M/s. Geeyes & Co., Cost Accountants, Chennai for audit of cost accounts of the Spinning Division for the year ended 31.3.2009, on a remuneration of Rs.15,000 exclusive of out-of-pocket expenses. As per Central Government's direction, cost audit will be done every year.

CONSERVATION OF ENERGY, ETC.,

The Company continues to take keen interest in conservation of energy and the information required under Section 217(1)(e) of the Companies Act, 1956 read with the relevant Rules, with regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure I to this report.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors Confirm that -

- i) In the preparation of Annual Accounts for the year ended 31st March 2009, the applicable accounting standards had been followed;
- ii) The selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent were made 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 loss of the Company for that period.
- iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act had been taken for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts were prepared on a going concern basis.

Secretarial Compliance Certificate issued by a practicing Company Secretary u/s. 383 (A) of the Companies Act, 1956 is setout in Annexure II to this report.

ACKNOWLEDGEMENT

The Directors are grateful to the various Departments and agencies of the Central and State Governments for their help and co-operation. They are thankful to the Financial Institutions and Banks for their continued help, assistance and guidance. The Directors wish to place on record their appreciation of employees at all levels for their commitment and their contribution.

On behalf of the Board of Directors,
For THE RAMARAJU SURGICAL COTTON MILLS LTD.,

Rajapalaiyam,
25.05.2009

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE I TO DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies
(Disclosure of Particulars in the report of Board of Directors) Rules, 1988

A. Conservation of Energy

- (a) Energy conservation measures taken : a. In order to conserve energy during peak hour daily restriction period Preparatory machines are stopped and they are fully utilised during non peak hours and overall Ring Spinning utilisation is maintained at high level.
b. 40s converted UKG is being monitored very closely.
- (b) Additional investments and proposals if any, being implemented for reduction of consumption of energy. : —
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. : —
- (d) Total energy consumption per unit of production of goods : Particulars given in Form A

B. Technology Absorption

- (e) Efforts made in Technology Absorption : Particulars given in Form B

C. Foreign Exchange Earnings and Outgo

- (f) (i) Activities relating to exports : Exporting cotton yarn and surgical dressings to Dubai, Bahrain, Italy, Japan, Abu Dhabi and Qatar.
- (ii) Initiatives taken to increase exports
(iii) Development of new export markets for products and service
(iv) Export Plans : The Company has taken steps to increase the yarn and surgical dressings exports during the current year
- (g) (i) Total Foreign exchange used (including Capital Goods) : Rs. 3,388.08 Lakhs
- (ii) Total Foreign exchange earned (in FOB value) : Rs. 1,644.89 Lakhs