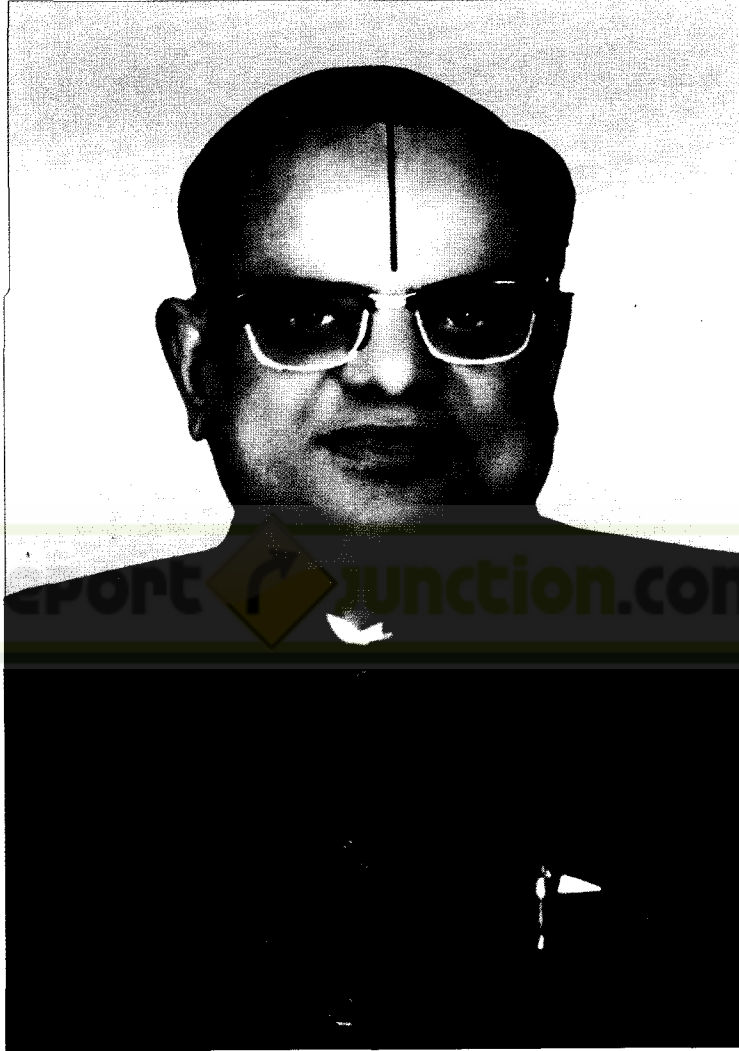


THANJAVUR SPINNING MILL LIMITED



FORTYFIFTH ANNUAL REPORT AND ACCOUNTS

2006 - 2007



SHRI. K. TIRUVENGADA MUDALIAR
Founder



SHRI A. C. HARASAMY RAJA



THANJAVUR SPINNING MILL LIMITED THANJAVUR

BOARD OF DIRECTORS

Shri P.R. RAMASUBRAHMANEYA RAJHA, B.Sc.,
(Chairman)

Dr.K.T. KRISHNAN, M.D.,
(Managing Director)

Shri S. ARJUNA RAJA

Shri K.T. RAMACHANDRAN

Shri P.R. VENKETRAMA RAJA

Shri S. KRISHNASWAMY KAMAYA NAICKER

Shri R. SIVASUBRAMANIAN

BANKERS

INDIAN BANK

KARUR VYSYA BANK

UTI BANK

STATE BANK OF INDIA

Registered Office

"Rajapalayam Mills Premises",
P.A.C. Ramasamy Raja Salai,
Rajapalayam - 626 117.

Auditors

Messrs N.A. Jayaraman & Co.,
Chartered Accountants,
Chennai - 600 028.

Mills

Vallam One Road,
Thanjavur - 613 005.

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THANJAVUR SPINNING MILL LIMITED

Registered Office: "Rajapalayam Mills Premises", P.A.C. Ramasamy Raja Salai,
Rajapalayam – 626 117.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Fifth Annual General Meeting of the Company will be held on Wednesday, the 25th of July, 2007 at P.A.C. Ramasamy Raja Centenary Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalayam at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, Profit and Loss Account for the year ended 31st March, 2007, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare Dividend for the year 2006-2007.
3. To appoint a Director in the place of Shri.P.R. Ramasubrahmaneya Rajha who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Shri.S.Krishnaswamy Kamaya Naicker, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors 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.

The retiring Auditors M/s. N.A.Jayaraman & Co., Chartered Accountants, Chennai, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

6. To Consider and if thought fit to pass with or without modification the following as an Ordinary resolution under Sec.293(1) (d) of the Companies act, 1956.

"Resolved that subject to approval of Shareholders, in supersession of the resolution passed at the Annual General Meeting of the Company held on 7th August, 2003, and pursuant to Section 293 (1) (d) and all other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the company for borrowing from time to time any sum or sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the maximum amount of moneys so borrowed by the Board, shall not at any time exceed Rs.150 Crores (Rupees One hundred fifty Crores)".

7. To Consider revision in the Managing Director's Remuneration.

"Resolved that in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956 or any statutory modifications or enactment thereof and subject to the approval of the Shareholders at the Annual General Meeting, for the period effective from 01.04.2007 till the date of his next reappointment viz. 10.11.2010, the Managing Director be paid a remuneration equivalent to 5% of the net profits of the Company as recommended by the Remuneration Committee".

THANJAVUR SPINNING MILL LIMITED

NOTICE

"Resolved further that the Remuneration Committee be and is hereby authorised to fix the quantum and periodicity of the remuneration payable to the Managing Director subject however that the annual remuneration does not exceed 5% of the net profits of the Company in an accounting year."

"Resolved further that where in any financial year, the Company has no profits or inadequate profits, the Managing Director be paid :-

- a) The maximum remuneration prescribed under Section II, Part II of Schedule XIII of the Companies Act based on the effective capital of the Company and in accordance with the approval of the Remuneration Committee of the Company which is presently Rs.50,000/- per month;
- b) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961;
- c) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- d) Encashment of leave at the end of the tenure."

Rajapalayam,
28.04.2007.

On behalf of the Board,
For THANJAVUR SPINNING MILL LIMITED,
P.R. RAMASUBRAHMANEYA RAJHA,
Chairman.

NOTES:

1. Explanatory Statement pursuant to Sec.173 (2) of the companies Act,1956 in respect of item No.6 and 7 of the Notice 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 the Proxy need not be a Member of the Company.
3. 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.
4. The Register of Members and Share Transfer books of the Company will remain closed from 18.07.2007 to 25.07.2007 (both days inclusive).

THANJAVUR SPINNING MILL LIMITED

NOTICE**EXPLANATORY STATEMENT AS REQUIRED UNDER SEC.173(2) OF THE COMPANIES ACT,1956****ITEM NO .6**

The members of the Company at their forty first Annual General Meeting held on 7th August, 2003 had empowered the Board of Directors to borrow Rs.60 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) over and above the paid-up capital and free reserves. The Company is planning expansion of 23136 spindles capacity. To meet the cost of such expansion, the Company requires additional funds as the existing limit of borrowing is not sufficient. Hence the consent of the Shareholders to borrow upto a limit of Rs.150 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) over and above the paid-up capital and free reserves is being sought by the Board of Directors under Sec.293 (1) (d) of the Companies Act, 1956 as an ordinary Resolution.

None of the Directors is concerned or interested in the Resolution

ITEM NO. 7

Dr.K.T. Krishnan, has been the Managing Director of the Company from 10-11-2000. He was reappointed as Managing Director of the Company by the Shareholders at the Annual General Meeting held on 12th August, 2005 for a period of 5 years from 10.11.2005 at a remuneration equivalent to 2% of the net profits of the Company. At that time the net worth of the Company was negative due to accumulated losses. The Company has been making consistent progress and the accumulated losses had been wiped off fully and the networth of the Company has become positive since 31-12-2005. The Company is now implementing an expansion project for installation of 23136 spindles. The consistent growth of the Company and it's expansion have increased the responsibilities of the Managing Director. Hence it is proposed to get the consent from the Shareholders to revise the Remuneration of the Managing Director from 2% to 5% of the net profits of the Company.

None of the Directors except Shri.K.T. Ramachandran is interested in the Resolution.

Rajapalayam,
28.04.2007.

On behalf of the Board,
For THANJAVUR SPINNING MILL LIMITED,
P.R. RAMASUBRAHMANEYA RAJHA,
Chairman.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure to present the Forty fifth Annual Report and Audited Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS:

The financial results for the year ended 31st March, 2007 after charging all expenses but before deducting interest and providing depreciation has resulted in operating profit of Rs.7,85,61,115/-.

After deducting Rs.1,14,00,044/- towards Interest cost and providing Rs.2,08,35,485/- towards Depreciation, the Net Profit for the year is Rs.4,63,25,586/-. Your Directors propose to appropriate the total sum of Rs.4,63,25,586/- as detailed below:

		Rs.
Provision for Taxation	- MAT	52,00,000
	- Deferred Tax	2,20,00,000
	- FBT	4,00,000
Dividend @ 15%		40,50,000
Tax on Dividend @ 16.995%		6,88,298
Transfer to General Reserve		1,00,00,000
Balance carried over to Balance Sheet		39,87,288
Total		4,63,25,586

The Company has achieved much better profits than last year without any extraneous items like sale of land etc.

TAXATION:

An amount of Rs.276 Lacs has been provided for Income Tax (MAT), FBT and Deferred Tax. However the cash outflow for Income Tax is only Rs.56 Lacs under the provisions of MAT and FBT. The balance of Rs.220 Lacs has been provided towards Deferred Tax Liability for the current year. The tax paid under MAT will be available for set off in the year of regular income tax liability.

DIVIDEND:

Your Directors have pleasure in recommending a dividend of 15%. Your Directors are recommending Dividend after 1996-97 after writing off all Accumulated Losses. This dividend continues to be tax free income in the hands of the shareholders. However, the Company is liable to pay dividend tax @ 16.995% on the amount of dividend declared or distributed

TRADE CONDITIONS:

During the year under review, your company has achieved better Operating Profit compared to last year. There was increase in the prices of cotton during the year when compared to last year. However, by implementing various cost control measures and production of better product mix, your Directors were able to achieve better results in the current market scenario. Modernization of units with the latest state-of-the-art technology machines has given an opportunity to produce flexible count pattern demanded by the market.

EXPORTS:

On the export front during the year, your Company has made exports for a value of Rs.1243.96 Lacs as against Rs.848.93 Lacs of the previous year. The Exports consists of Direct Exports and exports through Merchant Exporters.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

MODERNISATION:

As a part of continuous modernization programme, the Company has invested about Rs.763 Lacs for converting 6000 spindles of Ring spinning machinery into Compact spinning by installing Elite retrofit attachments and related back process machines.

EXPANSION:

The Company is in the process of adding another 6336 Ring spinning spindles and 288 Rotors to its capacity, convert another 6000 spindles of Ring frames to Compact frames and also modernize back process machinery and Auto Cone winders all at a total cost of Rs.2600 Lacs by availing a Term loan of Rs.2100 Lacs under TUF. These additions are expected to be completed during the year 2007-08 and will contribute to the profitability of the Company. Further the Company proposes to add another 16800 spindles of Ring spinning capacity and this project will go on stream during the year 2008-09.

WIND MILL:

The Company has an installed capacity of 5.00MW of Wind Generators. The full benefit of the 4th Windmill of 1.25 MW commissioned during last year has been felt during the current year. Though there was interruptions in the grid availability due to insufficient infrastructure facility at the evacuation point during the peak season, there was higher generation compared to previous year because of higher wind availability. The Windmills have generated 101 Lacs units during the current year as compared to 66 Lacs units during the previous year. The income during the year from the Windmills was Rs.457 Lacs compared to Rs.240 Lacs during the previous year. The windmill income has contributed in a substantial way in reducing the power cost of the Company.

2. PROSPECTS FOR THE CURRENT YEAR:

The cotton prices during the current year continue to prevail at higher levels despite good yields during the last cotton season due to export of cotton. The Interest rates are also showing increasing trend. By concentrating on export market for the premium quality yarn fetching better prices, improving productivity and by taking various measures for production of value added yarn such as Compact Yarn and Double Yarn and other cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year.

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. The number of persons employed as on 31.03.2007 was 554.

FINANCE:

The Company has availed an amount of Rs.1093 lacs out of the loan of Rs.1200 Lacs sanctioned by Karur Vysya Bank Ltd., for acquisition of 4th Wind Electric Generator, elite Conversion kit and back process machineries. The Company has been sanctioned a loan of Rs.2100 Lacs by Canara Bank under TUF for addition of 6336 spindles, and 288 Rotors, Autoconers and back process machines and conversion of Ring frames to Compact spinning.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

3. DEPOSIT:

During the year, the company has not accepted any fixed deposit. The total amount of Fixed Deposits outstanding as on 31st March 2007 was Nil.

4. DIRECTORS:

In accordance with Article 102 of the Articles of Association of the Company. Shri P.R.Ramasubrahmaneya Rajha and Sri S.Krishnaswamy Kamaya Naicker, Directors retire by rotation at the ensuing Annual General Meeting. They, being eligible, offer themselves for re-appointment.

5. AUDITORS:

M/s. N.A.Jayaraman & Co., Chartered Accountants, Chennai, Auditors of the Company retire and are eligible for re-appointment.

6. PARTICULARS OF EMPLOYEES:

Particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, is not applicable to the Company.

7. CONSERVATION OF ENERGY:

Particulars required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are appended.

8. LISTING:

The Company's shares are listed on Madras Stock Exchange Limited, and the Annual Listing fee has been paid for the year 2007-08.

9. DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that :-

- i) In the preparation of Annual Accounts for the year ended 31st March 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had 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 ended 31st March 2007, and of the profit or loss of the Company for that period.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) The Directors had prepared the annual accounts on a going concern basis.