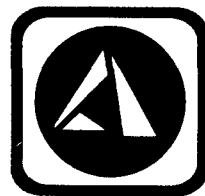


ANNUAL REPORT 2005-2006



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AMARJOTHI SPINNING MILLS LIMITED

AMARJOTHI SPINNING MILLS LIMITED

BOARD OF DIRECTORS

Sri. N. RAJAN
(Chairman)

Sri. R. PREMCHANDER
(Managing Director)

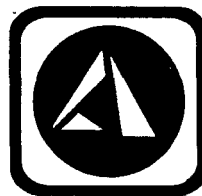
Sri. R. JAICHANDER
(Joint Managing Director)

Sri. S. SATHYANARAYANAN

Dr. V. SUBRAMANIAM

Sri. K. SRIRAM

Sri. N. RADHAKRISHNAN



BANKERS

BANK OF BARODA
KARUR VYSYA BANK LTD.
PUNJAB NATIONAL BANK
STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
BANK OF INDIA
UTI BANK LTD.

STATUTORY AUDITOR

Sri. V. NARAYANASWAMI, M.A., F.C.A.
Chartered Accountant, Coimbatore

SHARE TRANSFER AGENTS

M/s. S.K.D.C. CONSULTANTS LTD.
No.11, Street No.1, S.N. Layout
Tatabad, Coimbatore - 641 012.

REGD. OFFICE: "AMARJOTHI HOUSE", 157, Kumaran Road, Tirupur - 641 601.

Factories at : Pudusuripalayam, Nambiyur - 638 458, Gobi Taluk. (Spinning Unit)
Perundurai, Erode District. (Processing Unit)

**AMARJOTHI SPINNING MILLS LIMITED****Contents**

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AMARJOTHI SPINNING MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Eighteenth Annual General Meeting** of the members of **AMARJOTHI SPINNING MILLS LIMITED** will be held on Friday, the 29th September, 2006 at 10.15 A.M. at the Meeting Hall of Gayathri Hotel, Kangeyam Road, Tirupur - 641 604 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, the Profit and Loss Account for the year ended 31st March, 2006 and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri. S. Sathyanarayanan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Dr. V. Subramaniam who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. Sri. V. Narayanaswami, M.A., F.C.A., Chartered Accountant, Coimbatore, retires at this meeting and is eligible for reappointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT, the approval of the Company be and is hereby accorded in terms of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 for the re-appointment of Sri. R. Premchander as Managing Director of the Company for a further period of 5 years from 1st September 2006 to 31st August 2011, subject to the control, direction and superintendence of the Board of Directors of the Company, on the following terms and conditions.

- a) Salary of Rs.60,000/- (Rupees Sixty Thousand Only) per month.
- b) Telephone at his residence.
- c) Other benefits, allowances, facilities and amenities as per the Company's rules.
- d) Commission on net profits, as may be determined by the Remuneration Committee, within the limits prescribed under the Companies Act, 1956, provided such commission together with the other components of the remuneration paid to the Managing Director shall not exceed 5% of the net profits of the Company as computed in accordance with the relevant provisions of the Act."

"FURTHER RESOLVED THAT, the minimum remuneration payable to Sri. R. Premchander for any year in which the profits are absent or inadequate shall be such sum as may be determined



AMARJOTHI SPINNING MILLS LIMITED

by the Remuneration Committee of the Board in terms of Schedule XIII to the Companies Act, 1956."

"FURTHER RESOLVED THAT Sri. R.Premchander shall not be liable to retirement by rotation so long as he functions as the Managing Director of the Company."

"FURTHER RESOLVED THAT the Board of Directors and/or the Remuneration Committee be and is hereby authorized to revise or vary the remuneration of Sri. R. Premchander during his period of office at any time, subject to the provisions regarding maximum remuneration payable under the Companies Act, 1956 in vogue for the time being."

7. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT, the approval of the Company be and is hereby accorded in terms of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 for the re-appointment of Sri. R. Jaichander as Joint Managing Director of the Company for a further period of 5 years from 1st December 2006 to 30th November 2011, subject to the control, direction and superintendence of the Board of Directors of the Company, on the following terms and conditions.

- a) Salary of Rs.60,000/- (Rupees Sixty Thousand Only) per month.
- b) Telephone at his residence.
- c) Other benefits, allowances, facilities and amenities as per the Company's rules.
- d) Commission on net profits, as may be determined by the Remuneration Committee, within the limits prescribed under the Companies Act, 1956, provided such commission together with the other components of the remuneration paid to the Joint Managing Director shall not exceed 5% of the net profits of the Company as computed in accordance with the relevant provisions of the Act."

"FURTHER RESOLVED THAT, the minimum remuneration payable to Sri. R. Jaichander for any year in which the profits are absent or inadequate, shall be such sum as may be determined by the Remuneration Committee of the Board in terms of Schedule XIII to the Companies Act, 1956.

"FURTHER RESOLVED THAT Sri. R.Jaichander shall not be liable to retirement by rotation so long as he functions as the Joint Managing Director of the Company."

"FURTHER RESOLVED THAT the Board of Directors and/or the Remuneration Committee be and is hereby authorized to revise or vary the remuneration of Sri. R. Jaichander during his period of office at any time, subject to the provisions regarding maximum remuneration payable under the Companies Act, 1956 in vogue for the time being."

By order of the Board,

Place : Tirupur
Date : 23rd August, 2006

N. RAJAN
Chairman



AMARJOTHI SPINNING MILLS LIMITED

NOTES:

1. **A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The instrument of proxy should however be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the commencement of the meeting.**
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out all the material facts in respect of Item Nos. 6 and 7 of the Notice is annexed to and forms part of the Notice.
3. Members holding shares in physical form are requested to notify immediately any change in their address, to our Registrars viz., M/s. S.K.D.C. Consultants Ltd., No.11, Street No. 1, S.N. Layout, Tatabad, Coimbatore – 641 012. Those holding shares in dematerialized form may intimate the change to their depository participant. Any other correspondence relating to Shares may also be addressed to the said Registrars.
4. The Register of Members and share transfer books of the Company will remain closed from **22nd September 2006 to 29th September 2006** (both days inclusive).
5. Members are requested to bring their copies of the Annual Report to the meeting.
6. The members/proxy holders are requested to bring the attendance slip sent herewith duly filled for attending the meeting. Members/ proxy holders in respect of dematerialized shares are requested to bring their DP Id and Client Id for recording their attendance.
7. Members desiring any information as regards accounts are requested to write to the Company atleast 7 days before the meeting to enable the management to keep the information ready.
8. Members are requested to be in their seats at the meeting hall before the scheduled time of commencement of the Annual General Meeting to avoid interruption in the proceedings.
9. Consequent upon the amendment to section 205A read with section 205C of the Companies Act, 1956, dividends declared which remain unclaimed for a period of seven years will be transferred to the Fund on due dates. Members who have not encashed their dividend warrants are requested to lodge their claim to the company by surrendering the unencashed warrants immediately.
10. In terms of clause 49 of the listing agreement with stock exchanges, a brief resume of the Directors proposed to be re-appointed at the annual general meeting is given below:

1. **Sri. S.Sathyannarayanan**

Sri. S.Sathyannarayanan, aged 75 years, is a Technical Expert with over five decades experience. He served as a technical expert in the United Nations Industrial Development Organisation. He has been a Director of the Company from 1st July 1992 and has provided valuable advice in technology related areas. He is a member of the Audit Committee and Remuneration Committee of the Board. He is also the President of Salem Dharmapuri Chamber of Commerce and a Senate Member of the Periyar University, Salem.



AMARJOTHI SPINNING MILLS LIMITED

2. Dr. V.Subramaniam

Dr. V.Subramaniam, aged 66 years, is a Textile Technologist with an experience of over 38 years in the field. He is presently Director of Jaya Engineering College, Chennai. He has been a Director of the Company from 29.09.1991 and has provided valuable advice in technology related areas. He is also a member of the Audit Committee and Remuneration Committee of the Board.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 6

Sri. R.Premchander, B.Com., MBA, aged 35 years, is the Managing Director of the Company from 16.12.1987. He has over 15 years' experience in marketing, finance and management and provides a professional touch to the Company's management. He is a member of the Investor Grievance-cum-Share Transfer Committee. He is also a Director of Amarjothi Industries Corporation India Ltd.

His present tenure as the Managing Director of the Company, comes to an end on 31st August, 2006. The Board of Directors, at its meeting held on 23rd August 2006, has reappointed Sri. R.Premchander as Managing Director for a further period of 5 years with effect from 1st September, 2006. His remuneration package has also been approved by the Remuneration Committee of the Board. In terms of Schedule XIII to the Companies Act, 1956, the re-appointment and remuneration is subject to the approval of the Company in General Meeting.

The Resolution and this Explanatory Statement may be treated as abstract of the terms and conditions of appointment of Sri. R. Premchander as Managing Director of the Company under Section 302 of the Companies Act, 1956.

Sri. R. Premchander is interested in the above resolution, being the appointee and Sri. N. Rajan, Sri. R. Jaichander and Sri. N. Radhakrishnan are interested, being related to Sri. R.Premchander.

Item No. 7

Sri. R.Jaichander, B.Com., aged 31 years, is the Joint Managing Director of the Company from 30.09.1993. He has over 12 years' experience in production planning, technical, financial, cost management and monitoring and factory management. He is a member of the Investor Grievance-cum-Share Transfer Committee. He is also a Director of Amarjothi Industries Corporation India Ltd.

His present tenure as the Joint Managing Director of the Company, comes to an end on 30th November 2006. The Board of Directors, at its meeting held on 23rd August, 2006, has reappointed Sri. R.Jaichander as Joint Managing Director for a further period of 5 years with effect from 1st December 2006. His remuneration package has also been approved by the Remuneration Committee of the Board. In terms of Schedule XIII to the Companies Act, 1956, the re-appointment and remuneration is subject to the approval of the Company in General Meeting.



AMARJOTHI SPINNING MILLS LIMITED

The Resolution and this Explanatory Statement may be treated as abstract of the terms and conditions of the re-appointment of Sri. R. Jaichander as Joint Managing Director of the Company under Section 302 of the Companies Act, 1956.

Sri. R.Jaichander is interested in this item of business, being the appointee and Sri. N. Rajan, Sri. R.Premchander and Sri. N.Radhakrishnan are interested, being related to Sri. R.Jaichander.

By order of the Board,

Place : Tirupur

Date : 23rd August, 2006

N. RAJAN

Chairman

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AMARJOTHI SPINNING MILLS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF AMARJOTHI SPINNING MILLS LIMITED

Your Directors have pleasure in presenting the **Eighteenth Annual Report** together with the audited accounts of your Company for the year ended **31st March, 2006**.

FINANCIAL RESULTS	2005-2006	2004-2005
	Rs. in lacs	Rs. in lacs
Sales	7731.43	7441.59
Gross Profit	1848.54	1838.37
Less: Depreciation	891.91	619.09
Interest	381.21	295.06
Provision for Taxation	50.28	72.50
Profit for the year	525.14	851.72
Add: Balance in Profit and Loss Account	1696.91	1021.95
Surplus available for appropriation	2222.05	1873.67
Appropriation:		
Proposed Dividend (including Dividend Tax)	107.75	91.59
Income-tax relating to earlier years	13.90	
Transfer to General Reserve	52.51	85.17
Balance carried to Balance Sheet	2047.89	1696.91
Total	2222.05	1873.67

DIVIDEND

Your Directors are glad to recommend payment of dividend of **14. %** on the Equity Capital as against 12% declared for the year 2004-2005. The dividend will be free of tax in the hands of shareholders since the company will be paying the Dividend Distribution Tax at the prescribed rate.

OPERATIONS

The company's sales increased to Rs.7731.43 Lacs during the year under review as against Rs.7441.59 Lacs in the previous year.

The processing unit is expected to contribute to increased turnover in the form of more value added product in the years to come.

Due to the uncertainties perceived in the market conditions, the expansion plans have been kept in abeyance without availing the term loan sanctioned for the purpose. The modernization was also restricted to essential machinery and the balance kept in abeyance.

FINANCE

During the year under review the Company has utilised term loans aggregating to Rs.846.06 lacs under the Textile Up-gradation Fund Scheme for funding the modernization of the spinning unit and setting-up of the processing unit.



AMARJOTHI SPINNING MILLS LIMITED

WIND ENERGY

Three windmills with a total capacity of 4.95 MW are in operation, generating a substantial portion of the power requirement of the spinning unit.

DEPOSITS

Your Company has not accepted any deposits from the Public.

DIRECTORS

The Board of Directors of your Company has re-appointed Sri. R.Premchander as Managing Director for a further period of 5 years from 1st September, 2006 and Sri. R.Jaichander as Joint Managing Director for a further period of 5 years from 1st December, 2006 in their meeting held on 23rd August, 2006. Necessary resolutions along with explanatory statements are enclosed herewith for your approval. Your Directors recommend the same.

Sri. S.Sathyanarayanan and Dr.V.Subramaniam retire by rotation at this Annual General Meeting and are eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Sec.217 (2AA) of the Companies Act, 1956, your Directors wish to state that:

- i) In the preparation of the Annual Accounts for the year, all applicable accounting standards have been followed except Accounting Standard.22. The Company has obtained an interim order on the writ petition filed in Madras High Court, permitting the company to present accounts, pending disposal of the petition, without considering deferred tax provision in terms of Accounting Standard.22. The company has hence not provided for deferred tax for the year 2005-06 also. The Company has also obtained a stay from the Honourable High Court of Madras against the applicability of Section 115WA to 115WL of the Income Tax Act 1961 regarding provision of Fringe Benefit Tax. Hence the same has not been provided in the Accounts for the year.
- ii) Your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the profit of the Company for the year ended on that date.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this 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.

AUDITORS

Sri V.Narayanaswami, M.A., F.C.A., Chartered Accountant, the Auditor of your company, retires at the conclusion of this Annual General Meeting and is eligible for reappointment.