



**RAJAPALAYAM  
MILLS  
LIMITED**  
RAJAPALAIYAM

**Annual Report and Accounts for the year ended 31st March 1999**



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**RAJAPALAYAM MILLS LIMITED**

**RAJAPALAIYAM**

***BOARD OF DIRECTORS***

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

Shri P. NAGARAJU  
(Nominee Director of I.D.B.I., Chennai)

Smt R. SUDARSANAM

Shri P.R. VENKETRAMA RAJA, B.Tech, M.B.A.

Shri S.S. RAMACHANDRA RAJA, B.Sc.,

Shri N.K. RAMASUWAMI RAJA

Dr. K.T. KRISHNAN, M.D., F.C.C.P.,

Shri P. GURUSAMY CHETTIAR

Shri P.S. JAGANATHA RAJA

Shri N.R.K. VENKATESH RAJA, B.E.,

Shri V.S. VEMBAN

***BANKERS***

STATE BANK OF INDIA

***AUDITORS***

Messrs. M.S. JAGANNATHAN & N. KRISHNASWAMI  
Chartered Accountants, Tiruchirapalli

M/s. RAMAKRISHNA RAJA AND CO.,  
Chartered Accountants, Madurai

***REGISTERED OFFICE***

Rajapalayam Mills Premises,  
P.A.C. Ramasamy Raja Salai,  
Rajapalaiyam.



## RAJAPALAYAM MILLS LIMITED, RAJAPALAIYAM

## NOTICE

Notice is hereby given that the Sixtythird Annual General Meeting of the Shareholders of the Company will be held at 10.00 A.M. on Monday the 23rd August, 1999 at P.A.C. Ramasamy Raja Centenary Memorial Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalaiyam to transact the following business.

1. To receive and adopt the Profit & Loss Account for the year ended 31-03-1999 and the Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To declare a Dividend.
3. (a) To appoint a Director in place of Shri P.R. Ramasubrahmaneya Rajha who retires by rotation and is eligible for re-appointment.
- (b) To appoint a Director in place of Shri. P. Gurusamy Chettiar who retires by rotation and is eligible for re-appointment.
- (c) To appoint a Director in place of Shri N.R.K. Venkatesh Raja who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors to hold Office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Rajapalaiyam,  
24th May, 1999.

By Order of the Board of Directors,  
P.R. Ramasubrahmaneya Rajha,  
Chairman.

## NOTE :

1. The Register of Members of the Company will be closed from 14th August 1999 to 23rd August 1999 (both days inclusive).
2. The dividend when declared will be paid to those Shareholders whose names are on the Register of Members of the Company on 23rd August, 1999.
3. Every member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a member of the company.
4. Pursuant to the provisions of the erstwhile sub section (5) of Section 205-A of the Companies Act, 1956, the dividends upto the financial year 1994-95 which remained unclaimed, have been transferred to the General Revenue Account of the Central Government. The concerned shareholders are requested to claim the amount from the Registrar of Companies, Tamilnadu. In case any assistance is required, please write to the Company at its Registered Office. In accordance with the amended provisions of Section 205-A (5), (amended by the Companies (Amend), Ordinance, 1999), the unclaimed dividends pertaining to the years from 1995-96 would remain with the Company for a period of 7 years, upon expiry of which they will be transferred to a Fund to be established by the Central Government.
5. Income Tax will not be deducted from Dividend as it is exempt from Tax.



## DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors have pleasure in presenting their Sixtythird Annual Report on the working of the Company together with the Balance Sheet and Profit and Loss Account for the year ended 31st March, 1999.

### WORKING RESULTS

The working for the year after charging all expenses but before Interest and Depreciation had resulted in an operating profit of Rs.21,68,48,849/-.

After charging Interest amounting to Rs.6,21,65,635/- and providing Depreciation for Rs.8,77,02,524/- the working had resulted in a Net Profit of Rs.6,69,80,690/-. After taking into account a sum of Rs.96,66,991/- being the surplus carried over from the last year, your Directors propose to appropriate the available amount of Rs.7,66,47,681/- as follows:-

	Rs.
Donations	: 9,80,768
Contributions to P.A.C.Ramasamy Raja Memorial Fund	: 18,00,000
Provision for Taxation (MAT)	: 20,00,000
Proposed Dividend @ 30% (Subject to approval of Industrial Development Bank of India)	: 82,87,740
Tax on Dividend	: 9,11,651
Transfer to General Reserve	: 5,00,00,000
Balance Carried Over to Balance Sheet	: 1,26,67,522
<b>TOTAL</b>	<b>: <u>7,66,47,681</u></b>

### TAXATION

The tax liability for this year is only under the Minimum Alternate Tax (MAT) in view of the unabsorbed allowances brought forward from earlier years and other allowances available under the Income Tax Act. The tax paid under MAT will be available for set off in the year of regular income tax liability.

### DIVIDEND

Your Directors are pleased to recommend a dividend @ 30%. The dividend to be declared by the Company is tax free in the hands of the shareholders as per the provisions of Finance Act, 1997. Hence, the Company will not be deducting tax at source on the dividend. However, the Company will be paying distributive tax on this dividend.

### TRADE CONDITIONS

The Textile Industry in general and more particularly the cotton spinning sector has been passing through the unprecedented crisis in the last three years. There was steep increase in the price of cotton over the previous year resulting in a decline in the overall profitability. Though, there were market fluctuations in selling price, your company could maintain its price steadily for the reason of consistency in the quality of yarn and high production and efficiency. Hence the profitability of your company can be considered satisfactory inspite of adverse trade conditions.



## DIRECTORS' REPORT (Contd.)

### SHRI RAMCO BIOTECH (RESEARCH & DEVELOPMENT)

The company is putting up a Tissue Culture plant at Bangalore at a cost of Rs. 6 Crores. It produces at first phase 3 million plantlets and increase the capacity to 5 million plantlets in a phased manner. We have been given R & D certification from Government of India for this project enabling us to claim suitable tax concessions. The Plant is getting ready for commencement of operation in June 1999. This project will give us substantial export earnings.

### MODERNISATION

Under our modernisation programme, the Company has added the following assets at a cost of about Rs. 475 lakhs.

- 3 Nos. Texmaco Howa Speed Frame
- 9 Nos. Blow Room Primary Filter SFV
- 1 No. Premier Classi data 7000
- 2 Nos. Murata 7-VSS Auto Coner
- 6 Nos. Muratec TFO Twister

### EXPORT

As reported in our previous year's report, the Second Export Oriented Unit - M/s. Rajapalaiyam Textiles has been expanded by adding another 3024 spindles at a cost of Rs. 5 Crores.

On the export front during the year, we have exported Melange Yarn for a value of Rs. 3.57 Crores from Rajapalayam Mills Ltd and cotton yarn from our Export Oriented Units for a value of Rs. 42.77 Crores. The total exports during the year is Rs. 46.34 Crores, an increase of Rs. 6.93 Crores over last year.

Your Directors are thankful to M/s. Mitsubishi Corporation, M/s. Doko Spinning Co.Ltd., M/s. Uniace Ltd. and M/s. Unitika Ltd., Japan for their continued support and efforts for promotion of exports to Japan and other countries.

### CURRENT YEAR

The steep hike in excise duty on cotton cone yarn i.e. from 5.75% to 9.2% and the frequent hike in power tariff has badly affected Textile Industry, particularly the predominantly cotton spinning sector in the South. Also levying of additional sales tax which is not recoverable from customers, on hank yarn being supplied to handloom sector, is an additional burden to the Industry.

However the cotton cost is comparatively lower in the current year. Also your company is maintaining high standards of quality yarn, cost effective production and stringent waste control measures. All these have strengthened your company to face the challenges and to maintain the profitability in the current year.

### RETIREMENT OF DIRECTORS

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

1. Shri P. R. Ramasubrahmaneya Rajha
2. Shri P. Gurusamy Chettiar
3. Shri N.R.K. Venkatesh Raja

**DIRECTORS' REPORT (Contd)****PUBLIC DEPOSIT**

No deposit that has become due for payment on or before 31st March, 1999 remains unpaid.

**GENERAL**

The particulars of employees as required under Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and information as required under Companies (Disclosure of particulars with Report of Directors) Rules 1988 are annexed to this report.

Your Directors are thankful to M/s. State Bank of India and M/s. Industrial Development Bank of India for their continued financial support.

**LISTING**

The Company's shares are listed with

M/s. Madras Stock Exchange Ltd,  
Exchange Building,  
P.B. No. 183, 11, Second Line Beach,  
CHENNAI - 600 001.

The Company has paid listing fees to the Stock Exchange for the financial year 1999-2000.

**AUDITORS**

M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants, Tiruchirapalli and M/s. Ramakrishna Raja And Co., Chartered Accountants, Madurai, Auditors of the Company retire and are eligible for re-appointment.

Rajapalayam,  
24th May, 1999.

By Order of the Board,  
P.R. Ramasubrahmaneya Rajha,  
*Chairman.*



## ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31-03-1999

Information pursuant to Section 217(2A) of the Companies Act, 1956 and Companies  
(Particulars of Employees) Rules 1975.

Sl. No.	Name of Employee	Age	Designation/ Nature of Duties	Remuneration paid/payable Rs.	Qualification & Experience (Years)	Date of Commence- ment of Employment	Last Employ- ment
1.	Shri S.R. Rajagopalan	75	President	10,33,116	Textile Technology (56 years)	18-06-1943	—
2.	Shri S. Kanthimathinathan	56	General Manager	6,09,799	M.Sc. Tech. (Manchester), C. Text., F.T.I. (Fellow of the Textile Institute, U.K.), M.B.A., A.C.I. Arb. (Associate of the Chartered Institute of Arbitrators, London) (36 years)	02-06-1995	5 years as Senior General Manager of Soundararaja Mills, Dindigul.

## Note :

1. Nature of Employment of the above employees is permanent.
2. Remuneration includes Salary, House Rent Allowance, Bonus, Leave Salary, Company's contribution to Provident Fund, Gratuity Fund and Superannuation Fund.
3. The above employees are not related to any Director of the Company.



## ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31-03-1999

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 : 1. Monthly UKG for 40s converted production is being worked out and compared for any improvement.  
2. The following proposals by ITCOT our Energy Auditors were implemented:  
a. Air leakage in the compressor lines were completely arrested.  
b. Individual pulley drive was continued in Ring Spinning.  
c. Conversion of V belt to Flat pulley drive was continued.  
d. Pneumatic fans in Simplex were replaced with Photo sensors.  
e. Electronic ballasts were provided for tubelight fittings.  
f. The lift of spinning cops and Ring dia were reduced.  
g. Brakes were provided for Reeling Motors to stop when not in running.
- (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/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 to Japan, Australia and New Zealand  
ii) Initiatives taken to increase exports  
iii) Development of new export markets for products and services  
iv) Export Plans  
We are also exploring the possibilities of exporting yarn to western countries including EEC countries.
- (g) i) Total foreign exchange used : Rs. 1966 lakhs  
ii) Total foreign exchange earned : Export of Cotton Yarn - Rs.4633.67 lakhs (F.O.B. value)





## FORM A

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

## A. POWER AND FUEL CONSUMPTION:

## 1. Electricity

## (a) Purchased

		Current Year	Previous Year
Unit KWH		2,62,96,476	3,02,58,575
Total Amount	Rs.	9,32,90,918	9,49,72,409
Rate/unit	Rs.	3.548	3.139

## (b) Own Generation

(i) Through diesel generator	KWH	1,37,45,015	81,08,411
Unit/litre of diesel oil	KWH	3.59	3.58
Cost per unit	Rs.	2.58	2.59

- (ii) Through Steam turbine/generator  
Units  
Units/litre of fuel oil/gas  
Cost/unit

## 2. Coal (specify quality and where used)

Quantity (tonnes)  
Total Cost Rs.  
Average rate

## 3. Furnace oil

Quantity (k. ltrs)  
Total amount  
Average rate

Not applicable

4. Others/internal generation  
(please give details)

Quantity (Tonnes)  
Total Cost  
Rate/Unit (Tonne)

## B. CONSUMPTION PER UNIT OF PRODUCTION

Products (with details) : Cotton Yarn - Kgs.

Electricity (Unit/Kg)	5.553	5.593
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(Based on 40s converted production)

Note : 1. No standard Rate of consumption can be given as several factors enter into the picture.

2. As the Company is producing different counts of Yarn separate details for each count are not given.



**FORM B**  
**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION**

**Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company : Plant Tissue Culture
  - a. Genetic variations in T.C. Banana plants is a serious problem. Generally 07% to 14% variations were recorded in tissue culture plants tried from various T.C. companies of South India. We made various in vitro trials to minimise variation in tissue culture plant population, thereby increasing crop yield per acre.
  - b. Varietal improvement in Anthurium is a major thrust area in our R & D center. We are working on interspecific, intervarietal breeding, mutagenesis treatment in hormone induced adventitious buds and isolation of somaclonal variants in order to generate wide range of genetic variants for selection.
  - c. Micropropagation system Development : We are developing micro-propagation system development for recalcitrant crops of Musa sps., Canna and Yucca cultivars for our overseas customers.
  - d. Dihaploid production in Gerbera : We have undertaken anther and pollen culture of Gerbera varieties for dihaploid production. This would help us to produce pure breeding lines for production of newer varieties.
  - e. Autotrophic micro-propagation for low value, slow growing plants is another thrust area in our R & D center. Presently we are working with Dendrobium orchids to develop a low cost micro propagation system.
2. Benefits derived as a result of the above R & D
  - a. The genetic variations in T.C. banana population has been reduced to an acceptable limit of 02%.
  - b. We have generated a large number of variants in Anthurium for selection.
  - c. We have standardized a system to obtain quality Orchid plants from sugar free media.
3. Future plan of action
  - a. To Commission a fully equipped virus indexing lab at our Biotech facility.
  - b. To develop various dihaploid lines in Gerbera for developing pure lines for breeding programming.
  - c. To develop micro-propagation process for difficult to propagate ornamental plants for our overseas customers.
4. Expenditure on R & D
 

(a) Capital	Rs. 4,97,13,051
(b) Recurring	Rs. —
(c) Total	Rs. 4,97,13,051
(d) Total R & D expenditure as a percentage of total turnover	: 4.51%

**Technology absorption, adaptation and innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development import substitution, etc.
  - (a) Technology imported
  - (b) Year of import
  - (c) Has technology been fully absorbed?
  - (d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

Not applicable