



**RAJAPALAYAM  
MILLS  
LIMITED**  
RAJAPALAIYAM

**Annual Report and Accounts for the year ended 31st March 2002**



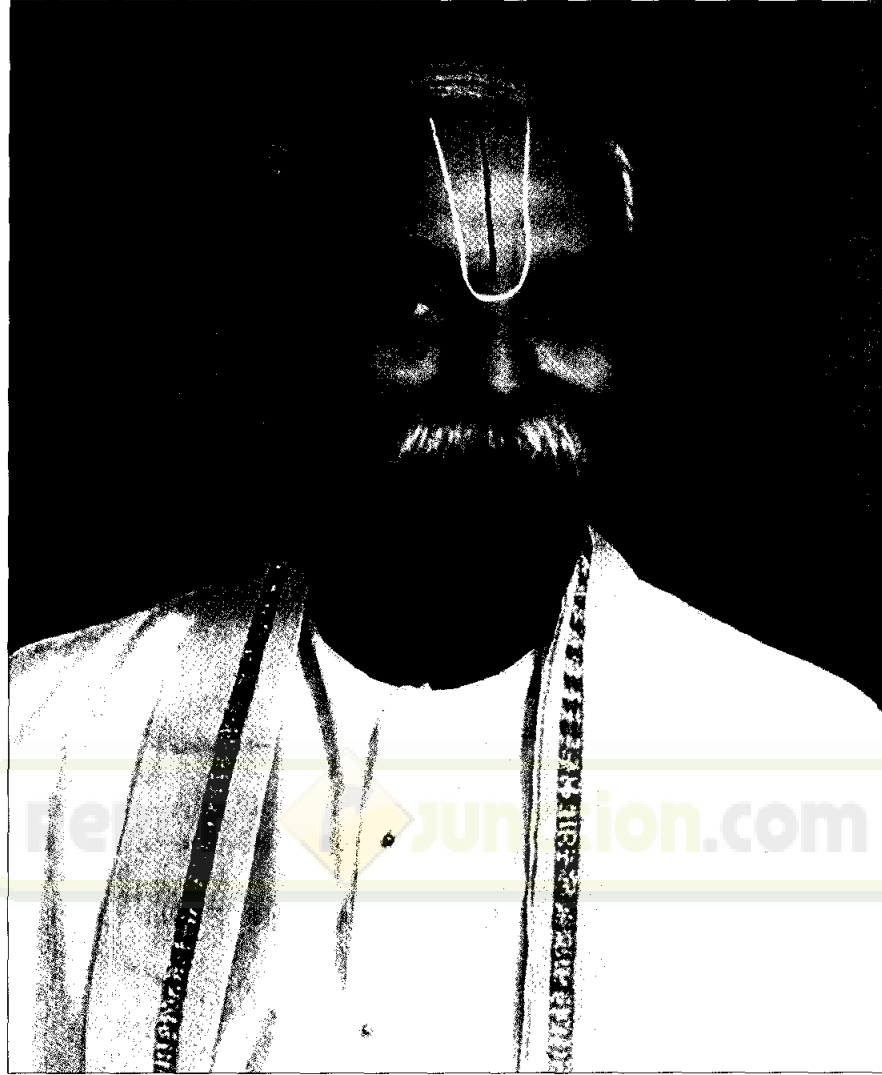
Our Chairman receiving blessings and prasadam at the pratishta function of Lord Vishnu Ganapathy in our 100% EOU unit - RajapalaiyamTextiles.

Mr.Hiroshi Tanaka, Senior Vice President of M/s.Mitsubishi Corporation(Textile Division), Japan being honoured by our Chairman during his visit to our Mills.



Our Chairman examining & selecting high quality cotton in Gujarat.

FOUNDER



SHRI P.A.C. RAMASAMY RAJA



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RAJAPALAYAM MILLS LIMITED  
RAJAPALAYAM

**BOARD OF DIRECTORS**

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

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**

M/s. M.S. JAGANNATHAN & N. KRISHNASWAMI  
Chartered Accountants, Tiruchirapalli.

M/s. RAMAKRISHNA RAJA & Co.  
Chartered Accountants, Madurai.

**REGISTERED OFFICE**

Rajapalayam Mills Premises,  
P.B. No. 1, P.A.C. Ramasamy Raja Salai,  
Rajapalaiyam.



**RAJAPALAYAM MILLS LIMITED, RAJAPALAIYAM**

**NOTICE**

Notice is hereby given that the Sixty sixth Annual General Meeting of the Shareholders of the Company will be held at 10.00 A.M. on Monday, the 12<sup>th</sup> August, 2002 at P.A.C. Ramasamy Raja Centenary Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalaiyam to transact the following business.

1. To receive and adopt the Profit and Loss Account for the year ended 31.03.2002 and the Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To declare dividend for the year 2001-2002.
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.
5. To Consider and if thought fit to pass with or without modification the following Resolution as an ordinary resolution :

"RESOLVED that subject to the approval of shareholders Smt R. Sudarsanam be and is hereby appointed pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 as Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> July 2002 to manage the entire business and affairs of the Company subject to the superintendence, control and directions of the Board.

RESOLVED further that the Managing Director be paid a remuneration equivalent to 3% of the net profits of the Company calculated as per provisions of Section 198 and 309 of the Companies Act.

RESOLVED further that where in any financial year, the Company has no profits or inadequate profits, the Managing Director be paid a remuneration of Rs.1.25 lakhs per month.

RESOLVED further that the Managing Director be paid the following perquisites which shall not be included in the computation of the monthly remuneration mentioned above.

- a) 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;
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and Encashment of leave at the end of the tenure".



RAJAPALAYAM MILLS LIMITED, RAJAPALAIYAM

6. To Consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution.

“RESOLVED THAT each of the existing shares of Rs.100/- in the capital of the Company be sub-divided into 10 shares of Rs.10/- each.

RESOLVED FURTHER THAT Clause 5 of the Memorandum of Association of the Company be altered as follows:

The Capital of the Company is Rs.5,00,00,000/- divided into 50,00,000 shares of Rs.10/- each”.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item No.5**

There has been a substantial growth in the volume of the Company in the recent years. In view of the size of operations of the Company, it is proposed to strengthen the management system. It is proposed to appoint Smt R. Sudarsanam as Managing Director of the Company.

Smt R. Sudarsanam was appointed as Director of the Company in 1966. She has also been a Director in the Textile Companies of Ramco Group.

The appointment will be for a period of 5 years from 01.07.2002 in accordance with the provisions of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956. The terms and conditions for reappointment are set out in the resolution.

The appointment and the terms and conditions are subject to the approval of the shareholders in a General Meeting.

The appointment and the remuneration proposed fulfil the conditions stipulated in Schedule XIII of the Companies Act, 1956 and hence approval of Government of India is not required.

A copy of the terms and conditions of appointment of the Managing Director is available for inspection by the members at the Registered Office of the Company between business hours on any working day and will also be available for inspection at the forthcoming General Meeting.

The contents of the Resolution along with the Explanatory Statement shall be deemed to be an abstract of the terms and conditions of appointment of Managing Director under Section 302 of the Companies Act, 1956 and the Memorandum of interest in that behalf.

**Disclosure of Interest:**

None of the Directors except Shri P.R. Ramasubrahmaneya Rajha and Shri P.R. Venketrama Raja may be deemed to be concerned or interested in the Resolution.



## RAJAPALAYAM MILLS LIMITED, RAJAPALAYAM

### Item No.6

Presently the Equity Share Capital of the Company consists of shares of Rs.100/- each (Fully paid).

The Company's shares are listed in Madras Stock Exchange. However, there is not much liquidity in the trading of the share at the Exchange. Hence to improve the liquidity of the shares in the trading of the Stock Exchange, it is proposed to sub-divide each of the Equity shares into 10 shares of Rs.10/- each.

The Sub-division will also be in line with the recent Corporate practices of having the Equity shares at a face value of Rs.10/- or less.

Under Section 94 of the Companies Act, 1956 an ordinary Resolution by the shareholders of the Company is necessary for sub-division of the shares.

Your Directors recommend the resolution for your approval.

### Disclosure of Interest :

The Directors of the Company are deemed to be interested in the resolution to extent that the shares held by them of Rs.100/- each will be sub-divided into shares of Rs.10/- each.

Rajapalayam,  
12<sup>th</sup> June, 2002.

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 3<sup>rd</sup> August, 2002 to 12<sup>th</sup> August, 2002 (both days inclusive).
2. 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.
3. 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 provision 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 established by the Central Government called The Investor Education and Protection Fund.
4. The Company is obliged to deduct tax at applicable rates from the dividend in case the dividend amount exceeds Rs.1000/- to the shareholders. Shareholders are advised to submit the declaration in Form 15G if they want to get dividend without deduction of tax.



## DIRECTORS' REPORT

Ladies and Gentlemen,

Your Directors have pleasure in presenting their Sixty sixth Annual Report on the working of the Company together with the Balance Sheet and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2002.

### WORKING RESULTS :

The working for the year after charging all expenses but before providing Interest and Depreciation, had resulted in an operating profit of Rs.31,11,60,660/-.

After charging Interest amounting to Rs.8,04,86,756/- and providing Depreciation for Rs.12,80,52,539/- the working had resulted in a Net Profit of Rs.10,26,21,365/-. After taking into account a sum of Rs.85,12,149/- being the surplus carried over from last year there is a balance of Rs.11,11,33,514/-. Your Directors propose to appropriate the same as follows :

		Rs.
Donation		27,14,134
Contribution to P.A.C. Ramasamy Raja Memorial Fund		25,00,000
Provision for Taxation	Rs.	
- Current Year (MAT)	10,00,000	
- Deferred Tax Liability	<u>75,00,000</u>	85,00,000
Proposed Dividend @ 40%		1,20,50,320
Transfer to General Reserve		7,50,00,000
Balance Carried Over to Balance Sheet		1,03,69,060
<b>TOTAL</b>		<u><b>11,11,33,514</b></u>

### DIVIDEND :

Your Directors have pleasure in recommending a dividend of 40%. In view of the changes effected by the Finance Act, 2002 this dividend is taxable in the hands of the shareholders.

### TAXATION :

The Company is not liable to pay regular income tax because of higher income tax depreciation and other allowances. However, the company is liable to pay tax on book profit (MAT) introduced by the Finance Act, 2000. This tax is not available for set-off in future years.

A sum of Rs.7,38,00,000/- has been provided in the accounts as Deferred Tax liability. There is no immediate cash out flow for this liability and this is only a provision to safeguard future tax liability in case it arises.



**DIRECTORS' REPORT (Contd.,)**

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**TRADE CONDITIONS :**

There was steep increase in the prices of cotton during this year when compared to last year. The price of yarn was stagnant due to recessionary trends in the local market. However by implementing effective cost control measures such as savings in power cost and by improving the export sales in the domestic unit, we were able to achieve satisfactory results in the current market scenario.

**SHRI RAMCO BIOTECH (RESEARCH & DEVELOPMENT) :**

The operations at our Tissue culture unit is yet to reach the optimum satisfactory level. This unit has to improve its sale volume during the coming years. We continue to do extensive research and development. As a result, we hope to improve its contribution to the company in the coming years.

**MODERNISATION :**

Under our modernization programme, during the year the Company has added the state-of-the-art textile machinery at a cost of Rs.1581 lakhs by taking financial assistance from State Bank of India and ICICI Ltd under Technology Upgradation Fund (TUF) Scheme announced by Government of India.

**EXPORT :**

On the export front during the year, we have exported Cotton Yarn for a value of Rs.16.13 Crores from Rajapalayam Mills Limited and Rs.53.39 Crores from our Export Oriented Units. The total exports during the year is Rs. 69.52 Crores an increase of Rs.10.45 Crores over the last year in respect of cotton yarn.

Shri Ramco Bio-Tech, our Tissue Culture Unit, has exported live plantlets for a value of Rs.81.47 lakhs to U.K., Netherlands, France and U.S.A.

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 PROSPECTS :**

The Cotton prices during the current season are prevailing at lower levels than the previous year. But the yarn market has not yet improved. Your Directors are taking steps to maximise export sales from domestic unit. Also by taking more cost reduction measures, your Directors are hopeful of achieving satisfactory results in the coming years.

**APPOINTMENT OF MANAGING DIRECTOR :**

Your Directors propose to appoint Smt. R. Sudarsanam, as Managing Director of the company for a period of five years with effect from 01.07.2002 as per terms and conditions stipulated in the agenda for the Annual General Meeting.



## DIRECTORS' REPORT (Contd.,)

### 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

### DIRECTOR'S RESPONSIBILITY STATEMENT :

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

1. In the preparation of Annual Accounts for the year ended 31<sup>st</sup> March 2002, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. 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 31<sup>st</sup> March, 2002 and of the profit of the Company for that period;
3. 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.
4. The Directors had prepared the annual accounts on a going concern basis.

### PUBLIC DEPOSIT :

No deposit that has become due for payment on or before 31<sup>st</sup> March, 2002 remains unpaid.

### CORPORATE GOVERNANCE :

The report on Corporate Governance is attached as Annexure II.

### SUB-DIVISION OF DENOMINATION OF SHARES :

Your Directors propose to sub-divide the shares as Rs.10/- in keeping with the general trend in the stock markets. Necessary resolution will be passed in the Annual General Meeting of Shareholders.