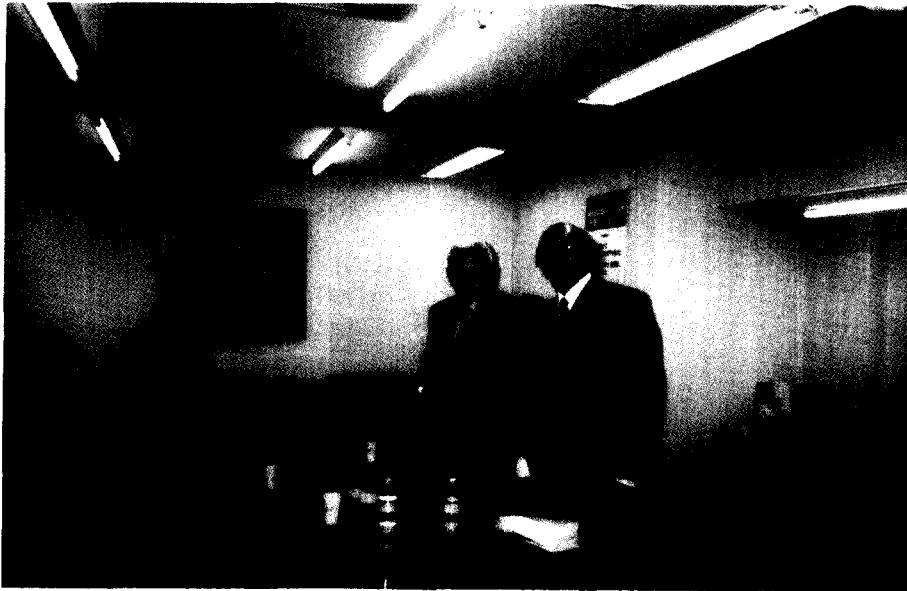




**RAJAPALAYAM
MILLS
LIMITED**
RAJAPALAIYAM

Annual Report and Accounts for the year ended 31st March 2004



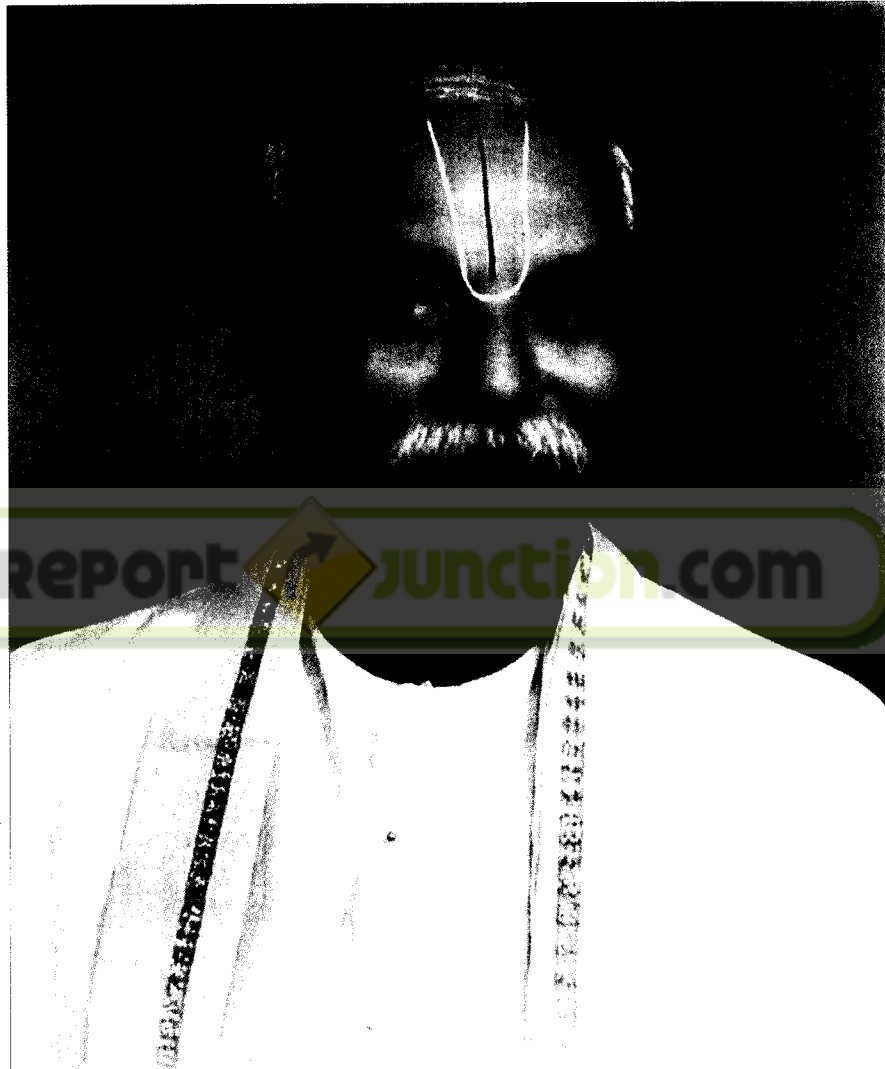
Our Chairman presenting a memento to Mr. Ito, President of M/s. Unitika Ltd., Japan.

Mr. Kusumi, President of M/s. Doko Spinning Co Ltd., Japan presenting a memento to our Chairman.



Our Chairman discussing with Japanese Customers in Japan.

FOUNDER



SHRI P. V. RAMASAMY RAJA



RAJAPALAYAM MILLS LIMITED
RAJAPALAIYAM

BOARD OF DIRECTORS

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

Smt R. SUDARSANAM,
Managing Director

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 eighth Annual General Meeting of the Shareholders of the Company will be held at 10.00 A.M. on Thursday, the 5th August, 2004 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 31st March, 2004 and the Balance Sheet as that date and the Directors and Auditors' Report thereon.
2. To declare a Dividend for the year 2003-2004.
3.
 - a) To appoint a Director in place of Dr. K.T. Krishnan who retires by rotation and is eligible for re-appointment.
 - b) To appoint a Director in place of Shri P.S. Jaganatha Raja who retires by rotation and is eligible for re-appointment.
 - c) To appoint a Director in place of Shri V.S. Vemban who retires by rotation and is eligible for re-appointment.
4. To appointment 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,
18th June, 2004.

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 30th July, 2004 to 5th August, 2004 (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 1995-96 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 1996-97 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".



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Sixty Eighth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS :

The financial results for the year ended 31st March, 2004 after charging all expenses and contributing to P.A.C.Ramasamy Raja Memorial Fund of Rs. 25,00,000/- which is within the limits laid in the Articles of Association, but before deducting interest and providing depreciation has resulted in operating profit of Rs. 33,25,82,358/-.

After deducting Rs. 6,74,44,951/- towards Interest cost and providing Rs.15,50,58,454/- towards Depreciation, the Net Profit for the year is Rs.11,00,78,953/-. Adding the surplus of Rs.1,02,81,804/- brought forward from the previous year, your Directors propose to appropriate the total sum of Rs.12,03,60,757/- as detailed below:

	Rs.
Provision for Taxation - MAT	25,00,000
- Deferred Tax	1,05,00,000
Interim Dividend @ 15 %	52,68,870
Final Dividend @ 35 %	1,22,94,030
Tax on Dividend @ 12.8125 %	22,50,247
Transfer to General Reserve	7,71,69,138
Balance carried over to Balance Sheet	1,03,78,472
	<u>12,03,60,757</u>

DIVIDEND :

An interim dividend at 15% (Rs.1.50 per share) was paid in January, 2004. Your Directors are pleased to recommend final dividend at 35 % (Rs.3.50 per share). The total amount of dividend outgo including interim dividend for the year will be Rs.1,75,62,900/-. The amount of tax on dividend (including tax on interim dividend already paid) would be Rs. 22,50,247/-.

TAXATION :

An amount of Rs.130 lakhs has been provided for Income-Tax. However, the cash outflow for Income-tax is only Rs. 25 lakhs under the provisions of MAT. The balance of Rs.105 lakhs has been provided towards Deferred Tax Liability for the current year.



DIRECTORS' REPORT (Contd.,)

TRADE CONDITIONS :

The raw material cost prevailed at higher levels during the year. There was increase in power & fuel cost also during the year due to steep increase in furnace oil price. Despite these adverse factors affecting the cost of production, your directors were able to achieve and maintain profitability due to reduction in interest cost by availing loans at lower rate of interest and other cost reduction measures.

SHRI RAMCO BIOTECH (RESEARCH & DEVELOPMENT) :

The Biotech industry is expected to grow rapidly at 25 to 30 percent in the coming years. An extensive Research and Development activity is being continuously carried out in our Tissue Culture Unit to develop new quality products. The export market for the plantlets is encouraging and the unit will soon cross the Break Even point.

EXPORTS :

On the export front during the year, we have exported cotton yarn for a value of Rs. 21.67 Crores from Rajapalayam Mills and Rs. 50.56 Crores from our Export Oriented Units. The total exports during the year is Rs. 72.23 Crores.

Shri Ramco Biotech, our Tissue Culture Unit, has exported live plantlets for a value of Rs. 2.00 Crores 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.

MODERNISATION :

As a part of continuous intensive modernisation programme to face the Global challenges in the textile industry, the company has installed state-of-the-art textile machines at a cost of Rs. 22.70 Crores under Technology Upgradation Fund (TUF) Scheme.

- 1) 2 Nos. Suzlon Wind Turbine Generator
- 2) 2 Nos. LMW Speed Frame
- 3) 4 Nos. Veejay Savio Auto Cone Winding Machine
- 4) 3 Nos. VJ 120 TFO Machine
- 5) 7 Nos. Murata TFO Machine
- 6) 3 Nos. Reiter Comber E-62
- 7) 7 Sets Elite Compact Set



DIRECTORS' REPORT (Contd.,)

WINDMILL :

The power and fuel costs are increasing day by day leading to increase in cost of production and thereby affecting the competitive edge of our yarn in the domestic and global markets. To reduce the power cost, your Directors have installed 2 Nos. 1250 KW Suzlon make Wind turbine generators at project cost of about Rs. 9.80 crores under TUF Scheme. Further, eight more 1250 KW Wind turbine generators have been ordered during the current year and these are expected to commence generation from September, 2004. After this, the windmill power will be a major source of power supply to our total power requirement. The power and fuel cost will come down on account of the substantial savings from wind mill generation.

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 Domestic as well as the International yarn markets are improving after a long spell of sluggishness. By concentrating on export market for the premium quality yarn fetching better prices, improving productivity and by taking various cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year.

DIRECTORS :

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

1. Dr. K.T. Krishnan
2. Shri P.S. Jaganatha Raja
3. Shri V.S. Vemban

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, 2004 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 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 at the end of the financial year ended 31st March, 2004 and of the profit or loss of the Company for that period.



DIRECTORS' REPORT (Contd.,)

- 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.

PUBLIC DEPOSIT :

No Deposit that has become due for payment on or before 31st March, 2004 remains unpaid.

CORPORATE GOVERNANCE :

The report on Corporate Governance is attached as Annexure III.

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.

GENERAL

The relations between the employees and the management remained cordial throughout the year.

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, M/s. ICICI Bank Ltd and M/s. IDBI Bank Ltd., for their continued financial support.



DIRECTORS' REPORT (Contd.,)

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.

M/s. Bombay Stock Exchange Ltd.,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
MUMBAI - 400 001.

The Company had paid listing fees to the Stock Exchange for the financial year 2004-2005.

Rajapalaiyam,
18th June, 2004.

On Behalf of the Board,
For Rajapalayam Mills Limited,
P.R.Ramasubrahmaneya Rajha,
Chairman.