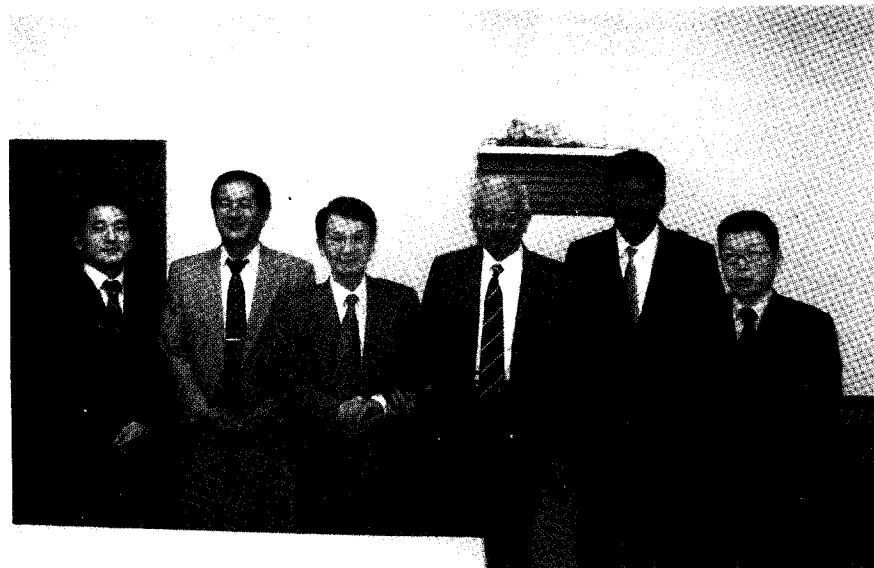


**RAJAPALAYAM  
MILLS  
LIMITED**  
RAJAPALAYAM



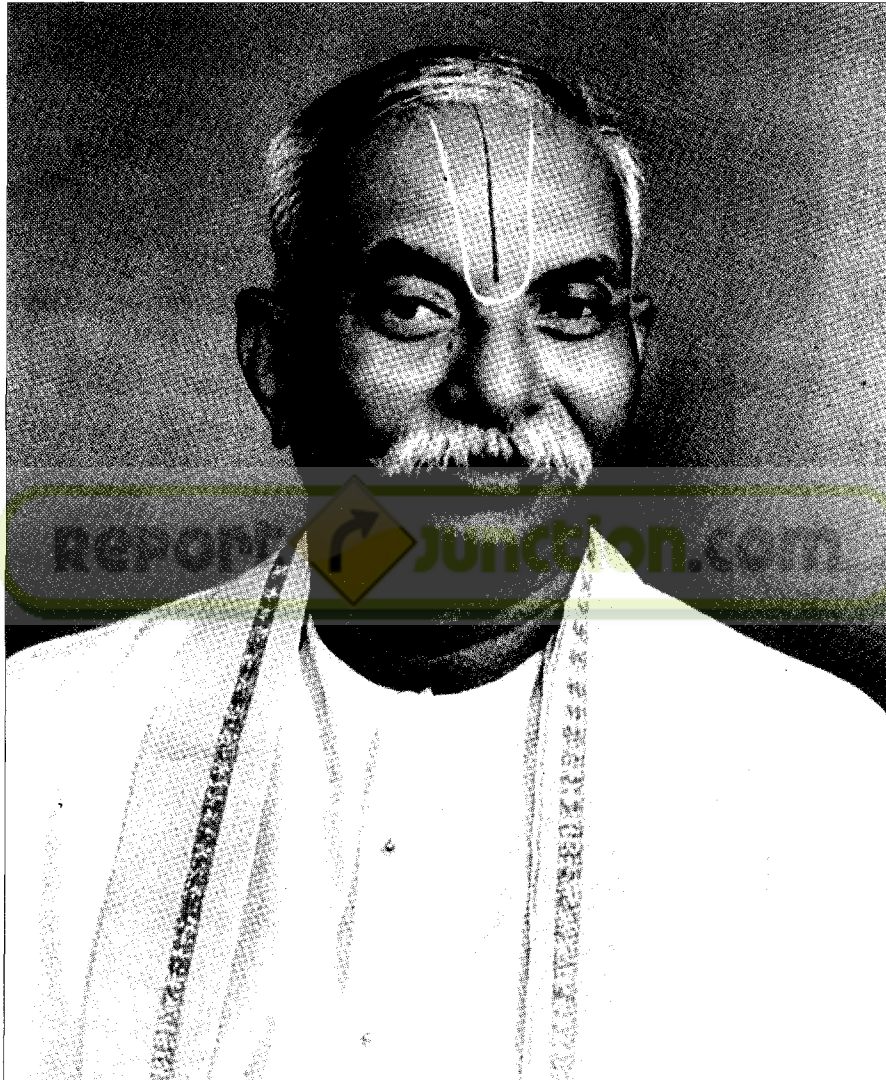
Our Chairman and DGM with our Customers during their visit to China.

Boomi Pooja being performed by our Chairman and Director Sri P.R.Venketrama Raja for our Expansion Project.



Our General Manager and Factory Manager with our Japanese Customers in Nishiwaki during their visit to Japan.

FOUNDER



SHRI P.A.C. RAMASAMY RAJA



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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**

CITI BANK - HDFC BANK LTD - ICICI BANK LTD - IDBI BANK LTD -  
INDIAN BANK - STATE BANK OF INDIA.

**AUDITORS**

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

M/s. RAMAKRISHNA RAJA AND 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 Ninth Annual General Meeting of the Shareholders of the Company will be held at 10.00 A.M. on Friday, the 12<sup>th</sup> August, 2005 at P.A.C. Ramasamy Raja Centenary Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalaiyam to transact the following business.

#### Ordinary Business :

1. To receive and adopt the Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date and the Directors and Auditors' Report thereon.
2. To declare Dividend for the year 2004-2005.
3.
  - a) To appoint a Director in place of Shri N.R.K.Venkatesh Raja 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 P.R.Venketrama 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.

#### Special Business :

5. To Consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :

"RESOLVED that pursuant to the applicable provisions of the Companies Act, 1956 and the Listing Agreement entered into with the Stock Exchanges, the approval of the members be and is hereby given for payment of sitting fees of Rs.10,000/- from 1.1.2006 also, to the Directors for attending the meetings of the Board of Directors and Rs. 500/- for attending the meeting of the Committees as may be constituted by the Board of Directors from time to time.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary the amount of sitting fees payable to the Directors for attending the meetings of the Board of Directors and Committees thereof, within such maximum permissible limit as may be prescribed under the Companies Act, 1956 and rules made and notifications issued thereunder.

Rajapalaiyam,  
9<sup>th</sup> June, 2005.

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





## NOTICE (Contd..)

### NOTES:

1. The Register of Members of the Company will be closed from 3<sup>rd</sup> August, 2005 to 12<sup>th</sup> August, 2005 (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. Under the provisions of Section 205C of the Companies Act, 1956, dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection Fund of the Central Government. Thereafter no claim shall lie against the Fund or the Company and no payment will be made in respect of any such claims. Hence, the members who have not claimed their dividend relating to the earlier years may write to the Company for claiming the amount before it is so transferred to the Fund.

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

#### ITEM No.5

Article 8 of the Articles of Association of the Company entitles, every Director including any Ex-officio Director to receive such sitting fees as may be fixed by the Board from time to time not exceeding the limit prescribed under the Companies act and the Rules made thereunder, for every Meeting of the Board or a Committee of Directors attended by him and is also entitled to receive all reasonable travelling and other expenses incurred by him within India for attending such meetings.

Presently, the Company is paying to Directors other than the Managing Director sitting fees of Rs. 10,000/- per meeting of the Board of Directors and Rs. 500/- for attending the meetings of the Committees. The sitting fees being paid are within the limits prescribed by the Department of Company affairs.

Clause 49 of the Listing Agreement with the Stock Exchange is proposed to be amended effective 1st January, 2006 and would require all fees / compensation paid to Non-executive Directors to be fixed by the Board of Directors and shall require previous approval of the Shareholders in General Meeting.

Approval of the members is accordingly requested for payment of sitting fees as aforesaid and to empower the Board of Directors to vary from time to time the sitting fees within such maximum permissible limit as may be prescribed by the statutory authorities. Any such variation in the sitting fees will be intimated to the members through the subsequent Annual Reports.

All the Directors other than Smt. R. Sudarsanam, Managing Director are deemed to be interested in this resolution.

Rajapalaiyam,  
9<sup>th</sup> June, 2005.

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



## DIRECTORS' REPORT

### To the Members

Your Directors have pleasure in presenting their Sixty Ninth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2005.

### FINANCIAL RESULTS :

The financial results for the year ended 31st March, 2005 after charging all expenses and contribution 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. 33,57,39,508/-.

After deducting Rs. 5,34,83,270/- towards Interest cost and providing Rs. 19,03,08,082/- towards Depreciation, the Net Profit for the year is Rs. 9,19,48,156/-. Adding the surplus of Rs. 1,03,78,472/- brought forward from the previous year, your Directors propose to appropriate the total sum of Rs. 10,23,26,628/- as detailed below:

	Rs.
Provision for Taxation - MAT	20,00,000
- Deferred Tax	74,00,000
Interim Dividend @ 40 %	1,40,50,320
Tax on Interim Dividend @ 13.06875 %	18,36,202
Final Dividend @ 25 %	87,81,450
Tax on Final Dividend @ 14.025 %	12,31,598
Transfer to General Reserve	5,50,00,000
Balance carried over to Balance Sheet	1,20,27,058
<b>Total</b>	<b>10,23,26,628</b>

### DIVIDEND :

Your Directors have pleasure in recommending a final dividend of 25%. Together with the 1st Interim dividend of 20% and 2nd Interim dividend of 20% paid during the year, the total dividend for the year is 65%. The total amount of dividend outgo including interim dividends for the year will be Rs. 2,28,31,770/-. The amount of tax on dividends (including tax on interim dividends already paid) would be Rs. 30,67,800/-.

### TAXATION :

An amount of Rs. 94 lakhs has been provided for Income-Tax. However, the cash outflow for Income-Tax is only Rs. 20 lakhs under the provisions of MAT. The balance of Rs. 74 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 first half of the year. There was steep increase in furnace oil price also. Despite these adverse factors affecting the cost of production, your Directors were able to achieve profitability due to reduction in power cost by installation of 8 more 1.25 MW windmills in addition to the existing 2 Nos. 1.25 MW windmills and taking other cost reduction measures.

### SHRI RAMCO BIOTECH (RESEARCH & DEVELOPMENT)

The Biotech industry is expected to grow rapidly in the coming years. An extensive Research & Development activity is being continuously carried out in our Tissue Culture Unit to develop new quality products. As a result we hope to improve its contribution to the company in the coming years.

### EXPORTS :

On the export front during the year, we have made direct export of cotton yarn for a value of Rs. 20.13 Crores and merchant export of Rs. 7.44 Crores from Rajapalayam Mills and Rs. 49.92 Crores from our Export Oriented Units Rajapalaiyam Spintext and Rajapalaiyam Textiles. The total export during the year was Rs. 77.49 Crores. With the abolition of quota system due to the dismantling of the multi fiber agreement from the beginning of the year 2005, the yarn exports are expected to increase with the tapping of hitherto untapped quota countries.

Shri Ramco Biotech, our Tissue Culture Unit, has exported live plantlets for a value of Rs. 2.03 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, the company has spent about Rs. 47.69 Crores by availing term loan under Technology Upgradation Fund (TUF) scheme for investment in state-of-the-art textile machinery & equipments and windmills. Of the above the following machineries were installed at a cost of about Rs. 3.29 Crores.

- 1) 1 No. Speed Frame
- 2) 2 Nos. Auto Cone Winding Machine
- 3) 2 Nos. High Speed C60 Carding Machine
- 4) 1 No. Draw Frame
- 5) 2 Nos. Propeller Winding Machine.





## DIRECTORS' REPORT (Contd.,)

### WINDMILL :

The furnace oil prices are increasing day by day due to the steep increase in international crude oil price. The cost of production will go up if we depend on HFO gensets as a major source of power and it will in turn affect the competitive edge of our product. Hence keeping in mind the above, your Directors have installed 8 more 1.25 MW Wind turbine generators at project cost of about Rs. 44.40 Crores. With this, the total windmill capacity is 14.50 MW and wind power has become a major source of power supply for our Mills. The power and fuel cost for the year has come down on account of the substantial savings from wind mill generation.

### PROSPECTS FOR THE CURRENT YEAR :

The cotton prices are prevailing at reasonable levels. As already stated, with the removal of the quota system from beginning of the year 2005, the textile industry expects good export demand. By concentrating on the 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.

### EXPANSION :

Your Directors are glad to inform that to get ourselves prepared for the expected increase in global demand for quality yarn, your Directors have taken up expansion of spindles capacity by about 25000 spindles at a project cost of about Rs. 64.00 Crores including the cost of 3 Nos. 1.25 MW windmills to take care of the power requirement of the enhanced capacity. For the above project, necessary loan has been sanctioned by the bankers under TUF scheme. Orders have already been placed for the project and the project is expected to be completed during the 3rd Quarter of the current year.

### DIRECTORS :

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

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

### 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, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures.



## DIRECTORS' REPORT (Contd.,)

- 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 and of the profit 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.

### PUBLIC DEPOSIT :

The total deposits from the public outstanding with the Company as on 31st March, 2005 were Rs. 395.41 lacs including the deposits renewed in accordance with Section 58A of the Companies Act, 1956. This also includes 5 deposits aggregating to Rs. 0.86 lacs which had fallen due on or before 31.03.2005 but not claimed by the depositors, which have subsequently been claimed and refunded / renewed on the date of this report.

### 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 the Financial Institutions and Banks for their financial assistance.