



**RAJAPALAYAM
MILLS
LIMITED**
RAJAPALAIYAM



Our Chairman presenting a memento to Mr. Tachikawa, President of M/s. Doko Spinning Co. Ltd., Japan, during his visit to Japan.

Our Chairman honouring Mr. Teruo Sasaki, President of M/s. Unitika Ltd., Japan, during his visit to Japan.



Our Chairman switching on the New Gassing Machine installed in our Mills.





RAJAPALAYAM MILLS LIMITED

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, B.Sc.

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

HSBC Ltd

Indian Bank

Karur Vysya Bank

Standard Chartered Bank

State Bank of India

UTI Bank

Registered Office

Rajapalayam Mills Premises,
Post Box No.1, P.A.C. Ramasamy Raja Salai,
Rajapalayam,
Tamil Nadu.

Auditors

M/s. M.S. Jagannathan & N. Krishnaswami,
Chartered Accountants,
31, Premier Flats, Karur Bypass Road,
Tiruchirappalli – 620 002,
Tamilnadu.

M/s. Ramakrishana Raja and Co.,
Chartered Accountants,
5, N.C.C. Office Road,
Visalakshipuram,
Madurai - 625 014,
Tamilnadu.

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RAJAPALAYAM MILLS LIMITED, RAJAPALAYAM

NOTICE TO THE MEMBERS

Notice is hereby given that the Seventieth Annual General Meeting of the Shareholders of the Company will be held at 10.00 A.M. on Friday the 28th July, 2006 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, 2006 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year 2005-2006.
3. a) To appoint Director in place of Shri S.S.Ramachandra Raja who retires by rotation and is eligible for re-appointment.
b) To appoint Director in place of Shri N.K.Ramasuwami Raja who retires by rotation and is eligible for re-appointment.
c) To appoint a Director in place of Dr K.T.Krishnan 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 a SPECIAL RESOLUTION:

“RESOLVED that Smt R.Sudarsanam be and is hereby reappointed pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 as Managing Director of the Company for a further period of 5 years with effect from 01-07-2007 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 shall be paid a remuneration equivalent to 5% of the net profits of the Company calculated as per provisions of Section 198 and 309 of the Companies Act, 1956”.

“RESOLVED further that the Remuneration Committee be and is hereby authorized to fix the quantum and periodicity of the remuneration payable to the Managing Director subject however the annual remuneration does not exceed 5% of the net profits of the Company in an accounting year”.

“RESOLVED further that where in any financial year, the Company has no profits or inadequate profits, the Managing Director be paid-

- a) The maximum remuneration prescribed under Section II, Part II of the Schedule XIII of the Companies Act based on the effective capital of the Company and in accordance with the approval of the Remuneration Committee of the Company which is presently Rs.2.00 Lakhs per month;
- b) 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;



NOTICE

c) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and

d) Encashment of leave at the end of the tenure”

“RESOLVED further that the Board of Directors of the Company be and is hereby authorized to accept such modifications of the aforesaid terms and conditions for appointment of the Managing Director as may be required by the approving authorities and agreed to by the Board and acceptable to Smt R.Sudarsanam.”

6. To consider and if thought fit to pass with or without modification, the following as an ORDINARY RESOLUTION under Sec. 293(1)(d) of the Companies Act, 1956.

“Resolved that the Board of Directors of the Company be and are hereby authorised to borrow monies with or without security for the purpose of the Company upto a limit of Rs.200 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) over and above the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose of the Company”.

RAJAPALAYAM,
31st May, 2006.

By Order of the Board,
For RAJAPALAYAM MILLS LTD.,
P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN.

NOTES:

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos.5 and 6 of the Notice is annexed hereto;
2. The Register of Members of the Company will be closed from 20-07-2006 to 28-07-2006 (both days inclusive);
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. Proxy Form is enclosed. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hours before the commencement of the meeting;
5. 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. The details of due dates for transfer of such unclaimed dividend to the said Fund are given below:



NOTICE

FINANCIAL YEAR ENDED	DATE OF DECLARATION OF DIVIDEND	LAST DATE FOR CLAIMING UNPAID DIVIDEND	DUE DATE FOR TRANSFER TO IEP FUND
31-03-1999	23-08-1999	22-08-2006	20-09-2006
31-03-2000	18-08-2000	17-08-2007	15-09-2007
31-03-2001	03-08-2001	02-08-2008	31-08-2008
31-03-2002	12-08-2002	11-08-2009	09-09-2009
31-03-2003	07-08-2003	06-08-2010	04-09-2010
<u>31-03-2004</u>			
Interim Dividend	15-12-2003	14-12-2010	12-01-2011
Final Dividend	05-08-2004	04-08-2011	02-09-2011
<u>31-03-2005</u>			
First Interim Dividend	15-09-2004	14-09-2011	12-10-2011
Second Interim Dividend	31-01-2005	30-01-2012	28-02-2012
Final Dividend	12-08-2005	11-08-2012	09-09-2012

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

ITEM No.5

Smt R.Sudarsanam was first appointed as Managing Director of the Company on 01-07-2002. At that time the net worth of the Company was Rs. 66 Crores and turnover was Rs. 125 Crores. The Company has now progressed to have a net worth of Rs. 93 Crores and turnover of Rs.147 Crores.

Smt R.Sudarsanam was reappointed as Managing Director of the Company by the Board of Directors subject to the approval of the shareholders at the Annual General Meeting for a further period of 5 years from 01-07-2007 to 30-06-2012 in accordance with the provisions of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956.

The Managing Director shall be paid remuneration equivalent to 5% of the Net Profits of the company calculated as per provisions of Section 198 & 309 of the Companies Act, 1956.

It is proposed to authorize Remuneration committee to fix the quantum and periodicity of remuneration payable to the Managing Director subject however the annual remuneration does not exceed 5% of the net profits of the Company in an accounting year.

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

As the Managing Director would be attaining the age of 70 during the tenure; her re-appointment is proposed to be passed as a Special Resolution in the Annual General Meeting and hence approval of the Central Government is not required in this regard also.



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As per clause 1A of Section II of Part II of the Schedule XIII of the Companies Act, 1956, provision for payment of remuneration in case of inadequacy of profits requires approval of the Remuneration Committee to be passed by a Resolution. The details of the minimum remuneration payable is set out in the resolution. The Remuneration Committee has passed necessary Resolution at its Meeting held on 31-05-2006 approving the same.

A copy of the terms and conditions of reappointment 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 Annual 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 reappointment of Managing Director under Section 302 of the Companies Act, 1956 and the Memorandum of interest in that behalf.

None of the Directors except Shri. P.R. Ramasubrahmaneya Rajha, Chairman, Smt R.Sudarsanam, Managing Director and Shri.P.R.Venketrama Raja, Director may be deemed to be concerned or interested in the Resolution.

ITEM No. 6

The Board of Directors are at present empowered to borrow upto a limit of Rs.100 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) over and above the paid-up capital and free reserves. The Company is planning expansion of spindles capacity. To meet the cost of such expansion, the Company requires additional funds as the existing limit of borrowing is not sufficient.

Hence the consent to borrow upto a limit of Rs. 200 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) over and above the paid-up capital and free reserves is being sought by the Board of Directors under Sec.293(1)(d) of the Companies Act, 1956 as an ordinary resolution.

None of the Directors is concerned or interested in the resolution.

RAJAPALAIYAM,
31st May, 2006.

By Order of the Board,
For RAJAPALAYAM MILLS LTD.,
P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN.



NOTICE

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING.

1. Shri. S.S. Ramachandra Raja:

Shri S.S.Ramachandra Raja aged 70 years holds a degree in Science. He has been on the Board of Rajapalayam Mills Ltd since 1992.

He is a Member in the following Committees of the Company:

- a) Share / Debenture Committee
- b) Investor Grievances Committee

He holds 12,240 equity shares in the Company.

He is also a Director in the following Companies -

- 1. Ramco Industries Ltd.,
- 2. Sri Vishnu Shankar Mill Ltd.,
- 3. Ramco Systems Ltd.,
- 4. Ramco Infotech Solutions Ltd.,
- 5. Sri Sethu Ramasamy Farms Pvt. Ltd.,
- 6. Ramco Management Pvt.Ltd.,

He is also a Member of Audit Committee in Ramco Systems Limited.

2. Shri N.K.Ramasuwami Raja:

Shri N.K.Ramasuwami Raja aged 63 years holds a degree in Science. He has been on the Board of Rajapalayam Mills Ltd since 1980.

He is a Member in the following Committees of the Company:

- a) Audit Committee
- b) Remuneration Committee
- c) Share / Debenture Committee

He holds 7,700 equity shares in the Company.

He is Managing Director of Madras Chipboard Ltd and he is also a Director in Sri Harini Textiles Ltd.

3. Dr. K.T. Krishnan:

Dr K.T.Krishnan, M.D aged 66 years is Managing Director of Thanjavur Spinning Mill Ltd. He has been on the Board of Rajapalayam Mills Ltd since 1986.

He is a Member in the following Committees of the Company:

- a) Audit Committee
- b) Remuneration Committee

He has no shareholding in the Company.

He is also a Director in the following Companies -

- 1. Sri Vishnu Shankar Mill Ltd.,
- 2. Sandhya Spinning Mill Ltd.,
- 3. Sudharsanam Investments Ltd.,



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their 70th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2006 after charging all expenses and contribution to P.A.C.Ramasamy Raja Memorial Fund of Rs. 30,00,000/- 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. 42,40,13,496/-.

After deducting Rs. 6,94,53,213/- towards Interest cost and providing Rs. 19,64,14,348/- towards Depreciation, the Net Profit for the year is Rs.15,81,45,935/-. Adding the surplus of Rs.1,20,27,058/- brought forward from the previous year, your Directors propose to appropriate the total sum of Rs. 17,01,72,993/- as detailed below:

		Rs.
Provision for Taxation	- MAT	1,15,00,000
	- Deferred Tax	3,60,00,000
	- FBT	14,00,000
Interim Dividends	@ 50%	1,75,62,900
Tax on Interim Dividend	@ 14.025%	24,63,196
Final Dividend	@ 50 %	1,75,62,900
Tax on Final Dividend	@ 14.025%	24,63,197
Transfer to General Reserve		7,00,00,000
Balance carried over to Balance sheet		1,12,20,800
		<u>17,01,72,993</u>

DIVIDEND

Your Directors have pleasure in recommending a final dividend of 50%. Together with the 1st Interim dividend of 25% and 2nd Interim dividend of 25% paid during the year, the total dividend for the year is 100%. The total amount of dividend outgo including interim dividends for the year will be Rs. 3,51,25,800/-. The amount of tax on dividends(including tax on interim dividends already paid) would be Rs. 49,26,393/-

TAXATION

An amount of Rs. 489 Lakhs has been provided for Income-Tax. However, the cash outflow for Income-Tax is only Rs.129 Lakhs under the provisions of MAT and FBT. The balance of Rs. 360 Lakhs has been provided towards Deferred Tax Liability for the current year. The tax paid under MAT will be available for set off in the year of regular income tax liability.