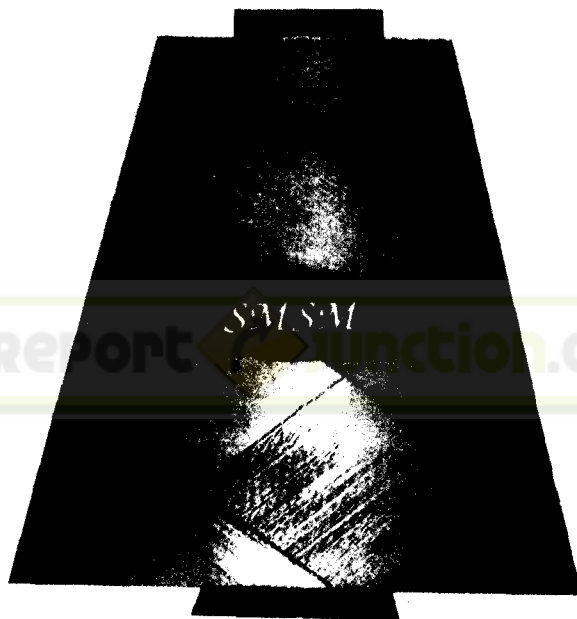


SRI MALINI SPINNING MILLS LIMITED



15th ANNUAL REPORT
2004 - 2005



SRI MALINI SPINNING MILLS LIMITED

ANNUAL REPORT 2004 - 2005

Board of Directors

Sri. S. Boopalan

Sri. S. Rajendran

Sri. R. Lakshmi Narayanan

Executive Director

Sri. K.S.S. Prakkaash

Company Secretary

Smt. Jayanthi Narayanaswamy

Auditors

L. Narayanan

Salem

Bankers

Indian Bank

The Catholic Syrian Bank Ltd

Union Bank of India

Regd. Office & Factory

Trichy Main Road,

Sandhiyur,

Mallur (via).

Salem - 636 203.



SRI MALINI SPINNING MILLS LIMITED

Regd. Off. : Trichy Main Road, Sandhiyur, Mallur (via), SALEM - 636 203.

NOTICE :

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Thursday the 29th day of September 2005 at 9.30 A.M at the Registered Office of the Company at Trichy Main Road, Sandhiyur, Mallur (Via) Salem-636 203, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March 2005 and the Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To consider the reappointment of directors retiring by rotation. No such Directors are there in the Board.
3. To appoint Auditors for the current year and fix their remuneration.

"Resolved that, the present Auditor of the company Mr. L.Narayanan, Chartered Accountant, 79/4, Ram Nagar, Kumarasamy Patty, Salem -636007, be and is hereby appointed as the Auditor of the Company until the conclusion of the next Annual General Meeting".

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an ordinary resolution:

"Resolved that Sri S. Boopalan of Pondicherry be and is hereby appointed as the Director of the Company".

5. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an ordinary resolution:

"Resolved that Sri R. Lakshmi Narayanan of Pondicherry be and is hereby appointed as the Director of the Company".

6. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an ordinary resolution:

"Resolved that Sri S. Rajendran of Pondicherry be and is hereby appointed as the Director of the Company".

By order of the Board

Salem.
30.6.2005

(JAYANTHI NARAYANASWAMY)
Company Secretary



SRI MALINI SPINNING MILLS LIMITED

Notes :

1. A member entitled to attend and vote is authorized to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. The proxy form duly stamped and executed shall be deposited at the registered office of the Company at least 48 hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th September, 2005 to 30th September, 2005 (both days inclusive).
4. Member / Proxies should bring the attendance slip sent herewith duly filled in and handover the same at the entrance of the meeting hall.
5. Consequent upon the rate of capital erosion of the company as stipulated in the Regulations of Depositories, our company has been denied the facilities of dematerialisation.
6. Therefore the shareholders are requested to send their share transfer documents and all correspondence relating thereto, to the Registered office of the Company at Trichy Main road, Sandhiyur, Mallur- Via, Salem-636 203.
7. Queries on the Agenda items shall reach the Registered Office 10 days before the AGM, so that the same can be suitably replied.

Explanation for Item No. 4, 5 and 6 (Special business)

To comply with the Listing agreements with the stock exchanges and the Companies Act, 1956 the board felt the need to reconstitute the Board by co-opting necessary number of directors in the Board. Therefore, Sri S. Boopalan, an eminent businessman of Pondicherry, Sri, R. Lakshminarayan a well established agriculturist with equipped knowledge in various industries and Sri S. Rajendran a well Known business personality with intensive knowabouts of business transactions and practices from Pondicherry were also co-opted in the Board as additional directors, to comply with the requirements. Their appointment as directors of the Company needs the confirmation of the shareholders. Hence the above cited resolutions under special business are placed before the shareholders for their approval.



SRI MALINI SPINNING MILLS LIMITED

Regd. Off. : Trichy Main Road, Sandhiyur. Mallur (via), SALEM - 636 203.

DIRECTORS' REPORT

Your directors have pleasure in presenting the 15th Annual Report together with the audited accounts for the year ending 31st March 2005 and the auditor's report thereon;

FINANCIAL RESULTS

Financial results for the year ended 31st March 2005 are as under

Rs. In lacs:

PARTICULARS	2004-2005	2003-2004
Sales including other income	1208.70	1186.50
Profit/Loss before Interest, Depreciation & Taxes	117.40	239.47
Financial Cost	204.13	184.03
Depreciation	74.27	142.13
Prior Period Adjustments	0.32	(1.28)
Provision for Taxes	—	—
Profit Before Taxation	(160.68)	(87.97)
Deferred Tax	11.04	39.31
Add : Loss brought forward from the previous year	(1388.49)	(1339.83)
Net Loss Carried to Balance sheet	(1538.13)	(1388.49)

DIVIDEND:

As the Company has incurred loss, payment of dividend could not be considered.

REVIEW OF OPERATIONS AND FUTURE OUT LOOK:

During the year under review, the Company has incurred a net loss of Rs. 161.01 lacs. The total revenue i.e., sales including other income of the company has improved by 1.87% and other income (conversion charges) alone being increased by 19.10% approximately, when compared to the respective figures of the previous year. With the existing conditions of increase in the cost of raw material, Power and Labour, your company could operate at a operating profit position of Rs.117.40 lacs approximately, though it could not earn adequately to cover interest and depreciation, because of inadequacy of working capital owing to non-receipt of necessary rehabilitation package from the Board for industrial and Financial Reconstruction.

Your Directors are hopeful that the company will be able to recover the outstanding amount from the Debtors in respect of which legal proceedings have been taken for recovery. However in the Board's opinion a sum of Rs. 18.30 lacs is doubtful for which necessary provision has been made in the accounts. As regards the interest on unsecured loans from Erstwhile Directors, the lenders have given assent for waiver of interest. Hence no provision for interest thereon has been made in accounts.



SRI MALINI SPINNING MILLS LIMITED, SALEM

DIRECTORS RESPONSIBILITY STATEMENT :

The Board of Directors of the Company confirms;

1. That in preparation of the Annual accounts, the applicable accounting standards have been followed and there has been no material departure from the applicable accounting standards.
2. That selected accounting policies were applied consistently and the Directors 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 or loss of the company for that period.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the annual accounts have been prepared on a going concern basis.

AUDITORS :

Our company knows that the present auditor of the company L.Narayanan, Chartered Accountant, #79/4, Ram Nagar, Komarasampatty, Salem 636 007 was appointed as the auditor of the company in the Extra Ordinary General Meeting held on 29-6-2005. He is holding his office since then. His office becomes vacant with the conclusion of the 15th Annual General Meeting. As he is eligible and willing, offers himself for re appointment during the current year.

DIRECTORS

1. Owing to his other commitments Shri. C.S.Sridhar, retired from the Board of Directors on 3-4-2005. Our company has recorded its gratitude to him for his valuable services rendered by him to the company.
2. Sri.B.Subramaniam, a leading businessman of Pondicherry and A.Natarajamani, Senior Manager of the company were also inducted in the Board as additional Directors from 4-4-2005. Due to his other unexpected further commitments he resigned his office in July 2005. Owing to his other official commitments Sri.A.Natarajamani resigned his Directorship in June 2005.
3. Sri G.Swaminathan, Director of the company being disqualified under section 274(1) (g) of The Companies Act 1956, was relieved from his responsibilities of the Board since 13-5-2005.
4. Sri.S.Boopalan an eminent businessman of Pondicherry, R.Lakshminarayanan a well established agriculturist with equipped knowledge in various industries and Sri.S.Rajendran a well known business personality with intensive knowabouts of business transactions and practices from Pondicherry were also inducted in the Board to comply with the requirements of the Listing agreement with the stock exchanges.

However the Board recorded and appreciated the contribution and responsibilities shouldered by the exit Directors, during their tenure with the company.

STATUTORY DETAILS

During the year under review there were no employees with in the purview of section 217 (2a) of The Companies Act 1956. Information as required under section 217(1)(e) is enclosed

PERSONNEL

Your Directors wish to place on record their deep appreciation of the good work performed by the employees. Cordial relationship is maintained with all the employees of the company. Your Directors look forward to the same in future.

ACKNOWLEDGEMENTS

Your Directors wish to thank various Government Agencies, the Banks and other Institutions for their continued co-operation and the support to the Company by them.

For Sri Malini Spinning Mills Limited
S. RAJENDRAN
K.S.S. PRAKKAASH
Directors.

Salem
30.6.2005



SRI MALINI SPINNING MILLS LIMITED, SALEM

Annexure to the Directors' Report for the period ended 31.3.2005
Information pursuant to Section 217(1)(e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY

- | | | |
|----|--|---|
| a) | Energy Conservation measures taken | Yes |
| b) | Additional investments and proposals if any, being implemented for reduction of consumption of energy | Nil |
| c) | Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods | Inspite of increase in production and also high fluctuating own Power Generation energy cost, the consumption of energy has come down resulting in reduction in power cost. |
| d) | Total energy consumption and energy consumption per unit of production as per Form A of the annexure in respect of industries specified in the Scheduled thereto | Enclosed |

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B of the annexure	Nil
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C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | |
|----|--|-----|
| a) | Activities relating to Exports, initiatives taken to increase exports, development of new export markets for products and services | Nil |
| b) | Total Foreign exchange used and earned | Nil |



SRI MALINI SPINNING MILLS LIMITED, SALEM

FORM A

Form of disclosure of particulars with respect to conservation of energy.

	2004-2005	2003-2004
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased		
Units	69,67,935	59,46,427
Total Amount in Rupees	2,94,26,811	2,55,63,081
Rate / Unit in Rupees	4.22	4.30
b) Own Generation		
Through diesel Generator		
Units	1,37,967	2,04,604
Units per Ltr. of diesel Oil	3.25	3.20
Cost / Unit in Rupees	8.18	4.54
Through Steam Turbine Generator	---	---
2. Coal	---	---
3. Furnace Oil	---	---
4. Other Internal Generation	---	---
B. Consumption per Kg. of yarn produced		
1. Electricity	3.58	3.53
2. Furnace Oil	---	---
3. Coal	---	---
4. Others	---	---



SRI MALINI SPINNING MILLS LIMITED, SALEM

FORM B (See Rule 2)

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. ---
2. Benefits derived as a result of the above. ---
3. Future plan of action ---
4. Expenditure on R & D
 - a) Capital
 - b) Recurring Nil
 - c) Total

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Efforts in brief made towards technology absorption, adoption and innovation. ---
2. Benefits derived as a result of the above effort. e.g. product improvement, cost reduction, product development, import substitution etc. ---
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year). Following information may be furnished :
 - a) Technology imported ---
 - b) Year of import ---
 - c) Has technology, fully absorbed ---
 - d) If not, Areas where this has not taken place, reasons thereof and future plans of action. ---



SRI MALINI SPINNING MILLS LIMITED

Regd. Off. : Trichy Main Road, Sandhiyur, Mallur (via), SALEM - 636 203.

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Sri Malini Spinning Mills Limited, a Company in the textile spinning activity is committed in adopting the best possible practices of corporate governance. Corporate Governance envisages commitment of the Company towards the attainment of corporate goals at moderate cost, attaining the goal of making itself transparent and accountable with the ultimate objective of protecting the long term interests of the Shareholders and other stakeholders.

BOARD OF DIRECTORS :

The composition of the Board of Directors and other details as at 31st March, 2005 is as under :-

Name of the Director	Executive/ Non. Exec. independent	No. of meetings attended	Attendance at last AGM	No of outside Director ship	No. of Membership/Chairman ship in other Board/Committees
Sri K.S.S. PRAKKAASH	Executive Director	6	Present	Nil	Nil
Sri G. SWAMINATHAN	Independent	6	Present	5 (Public)	Nil
Sri C. S. SRIDHAR	Independent	6	Present	Nil	Nil

The total strength of the Board as on the date of the report is Four.

Board Meetings were held during the financial year 1-4-2004 to 31-3-2005 on the following dates:-

Name of the Director	DATES OF MEETINGS					
	I 26.4.2004	II 30.6.2004	III 29.7.2004	IV 27.9.2004	V 29.10.2004	VI 31.1.2005
Sri K.S.S. PRAKKAASH	Present	Present	Present	Present	Present	Present
Sri G. SWAMINATHAN	Present	Present	Present	Present	Present	Present
Sri C. S. SRIDHAR	Present	Present	Present	Present	Present	Present

AUDIT COMMITTEE :

In terms of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, an Audit Committee was constituted by the Board in the meeting held on 16.7.2001 with three independent Directors viz Sri. G. Swaminathan (Chairman of the Committee), Sri C S Sridhar and Sri. H.Abdul Azeez and Secretary of the Company as Secretary to the Committee. The powers, duties and responsibilities were delegated to the Committee as per the stipulations of the Companies Act. 1956.