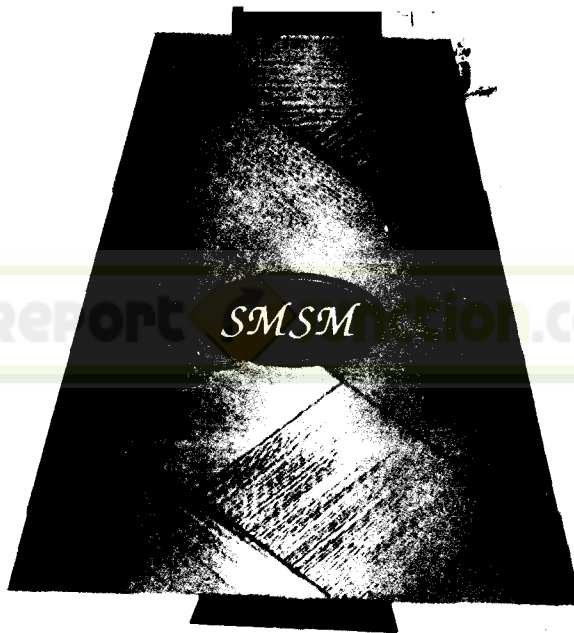


# SRI MALINI SPINNING MILLS LIMITED



16th ANNUAL REPORT  
2005 - 2006



## **SRI MALINI SPINNING MILLS LIMITED**

### **ANNUAL REPORT 2005 - 2006**

#### **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 Sixteenth Annual General Meeting of the Company will be held on Friday, 29<sup>th</sup> September, 2006, at 9.30 a.m. at the Registered Office of the Company at Sandhiyur, Trichy Main Road, Mallur (Via), Salem – 636 204, transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31<sup>st</sup> March 2006 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.

As Sri.S.Boopalan, Sri.S.Rajendran and R.Lakshminarayanan have joined our Board on the same day in the last year, for retiring by rotation Sri.S.Boopalan has been elected by lot. He being eligible for re-appointment offers himself for the same. Hence, the following resolution is placed before the shareholders.

"Resolved that Sri..S.Boopalan, Director of the Company, retiring by rotation, being eligible and offering himself for re-appointment, be and is hereby appointed as the Director of the Company."

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 – 636 007, be and is hereby appointed as the Auditor of the Company until the conclusion of the next Annual General Meeting."

By Order of the Board.

Salem.  
30.6.2006

(JAYANTHI NARAYANASWAMY)  
Company Secretary

SMSM

## SRI MALINI SPINNING MILLS LIMITED

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

### Notes :

1. A member entitled to attend and vote is authorised 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 atleast 48 Hours before the commencement for the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 19<sup>th</sup> September 2006 to 30<sup>th</sup> September 2006 (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 by the Regulations of Depositories, our Company has been denied the facilities of 'dematerialization'.
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 reach the Registered Office atleast 10 days before the AGM, so that the same can be suitably replied.

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**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 Sixteenth Annual Report with Audited Accounts of the Company

**FINANCIAL RESULTS**

Financial results for the period ended 31.3.2006 are as under

	Rs. In lacs:	
	2005-2006	2004-2005
Sales including other Income	803.37	1208.70
Profit/Loss before interest and Depreciation	57.30	117.40
Interest Provision	223.58	204.13
Depreciation	27.53	74.27
Provision for Taxation	-	-
Prior Period Adjustments	0.14	0.32
Net Profit / Loss	(-) 193.75	(-) 160.68
Deferred Tax	(-) 1.25	11.04
Add Loss brought forward from the Previous Year	(-) 1538.13	(-) 1388.49
Net Loss carried to Balance Sheet	(-) 1733.13	(-) 1538.13

**DIVIDEND:**

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

**REVIEW OF OPERATIONS AND FUTURE OUT LOOK:**

During the period under review, the Company has incurred a net loss of Rs. 195 Lacs, The total revenue i.e., sales including other income of the Company has decreased by 33.53%, the reason being stoppage of sale of yarn and undertaking to do only the assignments of conversion of cotton into yarn as per orders received. With the existing conditions of increase in the cost of Power and Labour your company could operate at a operating profit position of Rs.57.30 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 Appellate Authority for Industrial and Financial Reconstruction.

Your Directors are hopeful that the Company will be able to recover the outstanding amount from the Debtors of which legal proceedings have been taken where ever required. 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 has been made in accounts.



## SRI MALINI SPINNING MILLS LIMITED

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

### 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.
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 Mr.L.Narayanan, Chartered Accountant, 79/4, Ram Nagar, Komarasamy Patty, Salem – 636 007, was re-appointed as the Auditor of the Company in the AGM held on 29.09.2005. He is holding his office since then. His office becomes vacant with the conclusion of the 16<sup>th</sup> Annual General Meeting. As he is eligible and willing, offers himself for re-appointment during the current year.

### DIRECTORS

As Sri.S.Boopalan, Sri.S.Rajendran and Sri.R.Lakshminarayanan have joined our Board on the same day in the last year, for retiring by rotation Sri.S.Boopalan has been elected by lot. He being eligible for re-appointment offers himself for the same.

### 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.

### ACKNOWLEDGEMENT

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  
30.6.2006

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**SRI MALINI SPINNING MILLS LIMITED, SALEM****Annexure to the Directors' Report for the period ended 31st March 2006****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                                | In spite 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 |
|---|-----|

**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 |

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**SRI MALINI SPINNING MILLS LIMITED, SALEM****FORM A****Form of disclosure of particulars with respect to conservation of energy.**

	<b>2005-2006</b>	2004-2005
<b>A. Power and Fuel Consumption</b>		
1. Electricity		
a) Purchased		
Units	<b>73,05,316</b>	69,67,935
Total Amount in Rupees	<b>3,09,06,609</b>	2,94,26,811
Rate / Unit in Rupees	<b>4.23</b>	4.22
b) Own Generation		
Through diesel Generator		
Units	<b>1,26,699</b>	1,37,967
Units / Ltr. of diesel Oil	<b>3.37</b>	3.25
Cost / Unit (in Rupees)	<b>9.59</b>	8.18
Through Steam Turbine Generator	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Other Internal Generation	-	-
<b>B. Consumption per Kg. of yarn produced</b>		
1. Electricity	<b>3.47</b>	3.58
2. Furnace Oil	-	-
3. Coal	-	-
4. Others	-	-



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**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   | --- |
| 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.  | --- |

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**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.

The composition of the Board of Directors and other details as at 31<sup>st</sup> March 2006 is as under:-

Name of the Director.	Executive Non-Exec. Independent	No.of Meetings attended	Attendance at last AGM held on 24.09.2004	No.of outside Directorship	No.of Membership/Chairmanship in other Board/Committee
Sri.KSS.Prakkaash	Executive Director.	7	Present	Nil	Nil
Sri.S.Boopalan	Director	3	Present	Nil	Nil
Sri.R.Lakshmi Narayanan	Director	3	Present	Nil	Nil
Sri.S.Rajendran	Director	1	Present	Nil	Nil
Sri.G.Swaminathan	Director	1	-	Nil	Nil
Sri.G.Subramanyam	Director	3	-	Nil	Nil
Sri.A.Natarajamani	Director	3	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 1-4-2005 to 31-3-2006 on the following dates:-

Name of the Director	DATES OF MEETINGS						
	Ist 04.04.05	IIInd 30.04.05	IIIrd 08.06.05	IVth 30.06.05	Vth 30.07.05	VIth 28.10.05	VIIIth 30.01.06
Sri.KSS.Prakkaash	Present	Present	Present	Present	Present	Present	Present
Sri.S.Boopalan	-	-	-	-	Present	Present	Present
Sri.R.Lakshmi Narayanan	-	-	-	-	Present	Present	Present
Sri.G.Rajendran	-	-	-	-	-	-	Present
Sri.G.Swaminathan	Present	-	-	-	-	-	-
Sri.A.Natarajamani	-	Present	Present	Present	-	-	-
Sri.B.Subramanyam	-	Present	Present	Present	-	-	-

**AUDIT COMMITTEE :**

In Terms of section 292A of the Companies Act, 1956 and amended Clause 49 of the Listing Agreement, an Audit Committee reconstituted by the Board with three independent Directors viz Sri.S.Boopalan, Director of the Company, Sri.S.Rajendran, Director of the Company and Sri.R.Lakshmi Narayanan, Director of the Company and Secretary of the Company as Secretary to the committee. Sri.S.Boopalan being the chairman of the Committee. The Powers, duties and responsibilities were delegated to the committee as per the stipulations of the Companies Act, 1956.