

SRI MALINI SPINNING MILLS LIMITED



17th ANNUAL REPORT
2006 - 2007



SRI MALINI SPINNING MILLS LIMITED

ANNUAL REPORT 2006 - 2007

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

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 Seventeenth Annual General Meeting of the Company will be held on Friday, 28th September, 2007, 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 2007 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. Sri.S.Boopalan, Sri.S.Rajendran and R.Lakshminarayanan have joined our Board on the same day in year 2005. Last year Sri. S.Boopalan retired by rotation and being eligible, was re-appointed. This year, among Sri S. Rajendran and Sri R. Lakshmi Narayanan, Sri S. Rajendran has been elected by lot for retiring by rotation. He being eligible for re-appointment offers himself for the same. Hence the following resolution is placed before the shareholders.

"Resolved that Sri. S. Rajendran, Director of the Company, retiring by rotation, being eligible 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."

SPECIAL BUSINESS:

4. To consider the enhancement of remuneration and renewing the term of office, of Sri KSS. Prakkaash, the Executive Director of the company and if thought fit to pass the following resolution as an ordinary resolution.

"Resolved that pursuant to the provisions of sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956, the restructuring of remuneration, i.e., Rs.30000 p.m inclusive of employer's contribution towards provident fund, dearness allowance and all other allowances, exclusive of the provision of gratuity, bonus and encashment of leave as per rules of the company, of Sri KSS Prakkaash, the Executive Director of the company, as decided in the Board meeting held on 27.10.2006, be and is hereby continued to be paid to him from 01.10.2006, till the end of his tenure of office on 16.08.2007."

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" Resolved further that as this continuation of remuneration needs the approval of the shareholders, has been placed before the shareholders."

" Resolved that pursuant to the provisions of sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956, the term of office of Sri KSS.Prakkaash, the Executive Director of the company, be and is hereby increased to another 3 years from 17.08.2007 to 16.08.2010 with the remuneration as fixed by above cited resolution.

" Resolved further that as this continuation of term of office needs the approval of the shareholders has been placed before the shareholders."

5. To consider the leasing of the factory building along with the machinery of the company to Thiruvalluvar Textiles Pvt. Ltd., Post Box No: 6, 2-9, Singalandapuram Privu Road, Rasipuram-637 408.

"Resolved that the Board of Directors of the company be any is hereby authorised to lease out the factory building along with the machinery, of the company to Thiruvallur Textiles Pvt. Ltd, Post Box No: 6, 2-9, Singalandapuram Privu Road, Rasipuram-637 408 at such consideration as decided by the Board in the best interest of the company".

None of the Directors are interested in any of the above resolutions.

By Order of the Board.

Salem.
30.6.2007

(JAYANTHI NARAYANASWAMY)
Company Secretary

SANSKO

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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 of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 18th September 2007 to 30th September 2007 (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 '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 shall reach the Registered Office 10 days before the AGM, so that the same can be suitably replied.

Explanatory statement under Section 173 of the Companies Act, 1956 for Item No.4 and 5 (Special business)

ITEM – 4 "Sri KSS Prakkaash, the Executive Director of the company was paid Rs.17,000 inclusive of employer's contribution towards provident fund, dearness allowance and all other allowances, exclusive of the provision of gratuity, bonus and encashment of leave as per rules of the company. At this stage of endeavours for revival and rehabilitation of the company, his services to the company are considered and thought by the Board of Directors, as deserving immense appreciations. Hence the Board recommended to enhance his remuneration to Rs.30,000 pm, other terms remaining as before in the Board meeting held on 27.10.2006, from 1.10.2006 till the end of his tenure on 16.8.2007".

And also the term of office of Sri KSS Prakkaash, the Executive Director of the Company has come to an end with 16.8.2007. For the very reasons stated above, the Board considered the extending the term of his office to another 3 years from 17.8.2007 to 16.8.2010, with the same remuneration as above cited.

Both the above aspects needs confirmation from the shareholders. Hence the resolutions have been placed before them for approval.

ITEM 5 – The company was doing conversion job. In the absence of the adequate working capital limits from the banks, increased cost of administration and maintenance and also the expiration of the earlier conversion contracts, your Board met with the difficulty of functioning in an efficient manner. At this juncture, the party M/s Thiruvalluvar Textiles Pvt Ltd offered the proposal of lease option (which if approved by the company, come to effect from October, 2007), to the company which in the opinion of the Board is beneficial to the company. This needs the approval of the shareholders and hence the above stated resolution has been placed before the shareholders.



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DIRECTORS' REPORT

Your directors have pleasure in presenting the 17th Annual Report together with the audited accounts for the year ending 31st March 2007 and the auditor's report thereon.

FINANCIAL RESULTS

Financial results for the period ended 31st March 2007 are as under

	Rs. In lacs:	
	2006-2007	2005-2006
Sales including other Income	605.53	803.37
Profit/Loss before interest, Depreciation & Taxes	9.90	57.30
Financial Cost	157.29	223.58
Depreciation	34.35	27.33
Prior Period Adjustments	259.92	(0.14)
Provision for Taxes	---	---
Profit Before Taxation	78.18	(193.75)
Deferred Tax	(0.12)	(1.25)
Add : Loss brought forward from the previous year	(1733.13)	(1538.13)
Net Loss Carried to Balance sheet	(1655.07)	(1733.13)

DIVIDEND:

As the Company is still in Loss Status, 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. 181.74 lacs. The total revenue i.e., income from conversion operations of the company has decreased by 32.69% 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.9.9 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 in respect 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 for interest thereon has been made in accounts.

The shareholders are aware that the corporate office Unit A along with the Registered office of the Company, is situated in the National Highway NH47 at Sandhiyur post, Mallur via, Salem-636 203 and the corporate office Unit B is situated in the National Highway NH47 at Ammapalayam post, Mallur via, Salem-636 203. Because of the infrastructural activities commenced by the National Highway Authority of India in NH47 and as our company is situated on the same, they have asked our company to provide for the documentation relevant to the company situation, to decide about the space which will be needed by them for their purpose. The tentative area to be contributed by the company and the amount of compensation for the same, is not yet known. There is no damage to the functioning area or the permanent structures of the company. Only the vacant lands of the company are to be contributed to the NHAI.



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DIRECTORS RESPONSIBILITY STATEMENT :

The Board of Directors of the Company confirms;

1. That in the 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 as at the end of the financial year and of the 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 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, Komarasampatty, Salem-636 007 was re-appointed as the Auditor of the Company in the Annual General Meeting held on 29.09.2006. He is holding his office since then. His office becomes vacant with the conclusion of the 17th Annual General Meeting. As he is eligible and willing, offers himself for re-appointment during the current year.

DIRECTORS

1. Sri. S. Rajendran, the Director of the company is retiring by rotation. 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

Salem
30.6.2007

K.S.S. PRAKKAASH
Executive Director.

S. RAJENDRAN
Director

SANSKO

SRI MALINI SPINNING MILLS LIMITED, SALEM**Annexure to the Directors' Report for the year ended 31st March 2007****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	Nil
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 b) Total Foreign exchange used and earned	Nil Nil

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SRI MALINI SPINNING MILLS LIMITED, SALEM**FORM A****Form of Disclosure of Particulars with respect to Conservation of Energy.**

	2006-2007	2005-2006
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased		
Units	74,44,752	69,67,935
Total Amount (in Rupees)	3,11,02,734	2,94,26,811
Rate / Unit (in Rupees)	4.18	4.22
b) Own Generation		
Through Diesel Generator		
Units	68,485	1,37,967
Units / Ltr. of Diesel Oil	3.16	3.25
Cost / Unit (in Rupees)	10.68	8.18
Through Steam Turbine Generator	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Other Internal Generation	-	-
B. Consumption per Kg. of yarn produced		
1. Electricity	3.74	3.58
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 ---
 - 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. ---