



23rd

ANNUAL REPORT

2004



SHIVA TEXYARN LIMITED



SHIVA TEXYARN LIMITED

BOARD OF DIRECTORS

Sri S V Balasubramaniam
Chairman

Sri S V Alagappan
Vice Chairman

Sri S V Arumugam
Managing Director

Dr S V Kandasami

Sri S V Balakrishnan

Sri V Venkata Reddy

Sri C Sivasamy

Sri A Senthil

Sri P Manickavasagan

REGISTERED OFFICE

252, Mettupalayam Road
Coimbatore - 641 043, Tamilnadu

Phone : 91-422 - 2435555

Fax : 91-422 - 2434446

E-mail : afl@vsnl.com

TEXTILE MILL

Velvarkottai Village
Dindigul District - 624 803
Tamilnadu

WIND FARMS

Munduvlampatti Village
Erode District
Tamil Nadu

Gudimangalam, Athukinathupatti &
Uthukuli Villages
Coimbatore District
Tamilnadu

BANKERS

State Bank of India

Canara Bank

Indian Overseas Bank

The Karur Vysya Bank Ltd

Union Bank of India

UCO Bank

State Bank of Travancore

The Lakshmi Vilas Bank Ltd

Indian Bank

Bank of India

Punjab National Bank

ICICI Bank Ltd

AUDITORS

M/s V K S Aiyer and Coy.
Chartered Accountants

INTERNAL AUDITORS

Finance & Wind Mill Divisions

M/s C S K Prabhu & Co.
Chartered Accountants

Textile Division

M/s Srivatsan & Gita
Chartered Accountants

SHARE TRANSFER AGENTS

M/s SKDC Consultants Ltd.
11, S.N. Layout,
Street No. 1, Tatabad,
Coimbatore - 641 012.

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of the Company will be held at Nani Kalai Arangam, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037 on Thursday the 30th day of September 2004 at 10.30 A.M. to transact the business set out in the agenda given below:

You are requested to make it convenient to attend the meeting.

Agenda

1. To consider and adopt the Directors' Report and the audited Profit and Loss Account for the year ended 31st March, 2004 and the audited Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in the place of Sri SV Alagappan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri V Venkata Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

Special Business

6. To consider and if thought fit, to pass with or without modification, the following resolutions as Special Resolutions :

RESOLVED that pursuant to Section 61 and other applicable provisions, if any, of the Companies Act, 1956 and in terms of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 consent of the Company be and is hereby accorded for voluntarily delisting the equity shares of the Company from the Coimbatore Stock Exchange Limited and Madras Stock

Exchange Limited without giving any exit option to the shareholders of the regions where the said Stock Exchanges are situated.

FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorised to take all necessary steps for delisting the equity shares from the aforesaid Stock Exchanges and to do all such acts, deeds or things to give effect to and enforce the aforesaid resolution.

Note :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Proxies, in order to be effective, should be deposited with the company, forty eight hours before the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 24.9.2004 to 30.9.2004 (both days inclusive).
4. The dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 30.9.2004. In respect of dematerialized shares, dividend will be paid on the basis of the beneficial ownership furnished by the National Security Depository Limited and Central Depository Services (India) Limited at the end of the business hours on 23.9.2004.
5. The company has transferred unclaimed dividends upto the financial year ended 31st March 1996 to General Revenue Account / Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year 1997 and thereafter and remaining unclaimed for a period of 7 years will be transferred to Investor Education and Protection Fund established under Section 205C of the Companies Act,

Shiva Texyarn Limited

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| <p>1956 on the respective due dates; upon such transfer, no claim shall lie against the Company or the Central Government for such unclaimed dividend.</p> <p>6. Members are requested to bring their copy of the Annual Report along with them to the meeting.</p> | <p>7. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business under item number 6 is annexed.</p> <p>Coimbatore
24th June 2004</p> | <p>By Order of the Board
S V Balasubramaniam
Chairman</p> |
|---|--|--|
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Explanatory Statement under Section 173(2) of the Companies Act, 1956

Item No. 6

At present, the equity shares of the Company are listed in National Stock Exchange of India Limited (NSE), The Stock Exchange, Mumbai (BSE), Coimbatore and Madras Stock Exchanges. The shares of the Company are regularly traded only on NSE and BSE. Both, NSE and BSE have their nationwide terminals for trading. Moreover, the trading of our shares in Coimbatore and Madras Stock Exchanges are very nominal and in most of the days, there is no trading at all.

Considering the volume of transactions, number of trades and cost involved for continuing the

listing, the Board of Directors have proposed to voluntarily delist the Company's equity shares from Coimbatore and Madras Stock Exchanges under Clause (5) of SEBI (Delisting of Securities) Guidelines, 2003. Pursuant to Section 61 of the Companies Act, 1956 and in terms of Clause 6 of the SEBI (Delisting of Securities) Guidelines, 2003, Special Resolutions are proposed for the consideration of members.

None of the Directors is concerned or interested in the said Special Resolutions.

Coimbatore
24th June 2004

By Order of the Board
S V Balasubramaniam
Chairman

**RE-APPOINTMENT OF DIRECTORS**

A brief resume in respect of the proposed reappointment of Directors is given below in terms of clause 49 of the Listing Agreement.

Name : **Sri S V Alagappan**

Age : 63 Years

Qualification : B.Com., B L

Date of Appointment : 28.5.1980

Experience : He has more than 35 years of Managerial Experience

Other

Directorships: Annamallai Industries Ltd
 Annamallai Retreading Co., Ltd
 – Managing Director
 Annamallai Properties Ltd
 Anamallais Agencies (P) Ltd
 Annamallai Estates (P) Ltd
 Annamallai Enterprise (P) Ltd
 Bannari Amman Sugars Ltd
 Bannari Amman Finance Ltd
 Bannari Amman Exports Ltd
 Bannari Amman Spinning Mills Ltd
 – Managing Director
 Bannari Amman Enterprises Ltd
 Cream Investment & Trading Co., Ltd
 Coimbatore Agro Industries Ltd
 Kerala Alcoholic Products Ltd
 Shiva Distilleries Ltd
 Sakthi Murugan Transports (P) Ltd
 Shiva Automobiles (P) Ltd
 Shiva Cargo Movers Ltd
 Sangameswar Agencies (P) Ltd
 Vadivelan Enterprises (P) Ltd
 Vedanayagam Hospital (P) Ltd

Name : **Sri V Venkata Reddy**

Age : 65 Years

Qualification : M.B.A

Date of Appointment : 28.3.2001

Experience : He has more than 36 years of experience in business

Other

Directorships: Abirami Sugars Limited
 Bannari Amman Sugars Limited
 Sri Balaji Pilgrim Comforts
 (P) Ltd
 Sri Kollapuri Amma Agro
 Industries (P) Ltd
 Sri Kollapuri Amma Enterprises
 (P) Ltd

Member of : Investors Grievance Committee -
 Committees Chairman

Audit Committee - Chairman

Remuneration Committee - Chairman

Member of : Bannari Amman Sugars Ltd
 Committees Audit Committee - Chairman
 in other Remuneration Committee - Chairman
 Public Ltd Shareholders Committee - Member
 Companies

Shiva Texyarn Limited

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty Third Annual Report together with audited accounts of the Company for the year ended 31st March 2004.

The current financial year covers a period of 12 months from 1.4.2003 to 31.3.2004 and the previous financial year covers a period of 15 months from 1.1.2002 to 31.3.2003.

FINANCIAL RESULTS

	(Rs. in lakhs) 2003-2004
Profit before Depreciation	1089.09
Less : Depreciation	749.24
Net Profit before Tax	339.85
Provision for Tax	
- Current Tax	40.06
- Deferred Tax	34.12
- Prior Year Tax	29.71
	<u>103.89</u>
	235.96
Add : Surplus brought forward from last year	25.39
Amount available for appropriation	<u>261.35</u>
Appropriations :	
Provision for equity Dividend	162.03
Provision for tax on Dividend	20.76
Transfer to General Reserve	50.00
Surplus carried over to Balance Sheet	<u>28.56</u>
	<u>261.35</u>

DIVIDEND

Your Directors are glad to recommend payment of dividend at the rate of 7.5% as against 6% paid in the previous accounting period consisting of 15 months. The dividend on equity shares, together with distribution tax on corporate dividend, absorbs Rs 182.79 Lakhs. The dividend, will be free from income tax in the hands of shareholders.

REVIEW OF OPERATIONS

Textile Division

During the year under review, the textile mill produced 6044.38 tonnes of yarn and sold 6014.04

tonnes of yarn. The sales include 3114.06 tonnes by way of export. The total sales of this division amounted to Rs 8188.77 Lakhs of which export sales amounted to Rs 3973.54 Lakhs constituting 48.52 % of the total revenue. The proportion of exports to total turnover of the mill decreased due to outbreak of SARS in the Asian Countries in the first quarter of the year under review. However, due to improved yarn prices, both in international and domestic markets, the textile mill has contributed increased revenues to the earnings of the company.

Finance Division

During the year under review, your company deployed funds by way of secured loans on the security of automobiles, which amounted to Rs 960.43 Lakhs. Further, your Company also entered into an arrangement with M/s HDFC Bank with effect from 1.1.2004 to provide service in their business of financing commercial vehicles and thereby earned income by way of commission amounting to Rs 6.45 Lakhs. Under this business, the Company could arrange for disbursement of funds by HDFC Bank to their customers, for a total sum of Rs 275.67 Lakhs. This business is likely to grow in volume and generate higher revenue to the Company. The Company continued its attention on collection of overdue instalments of hire, lease and other finance portfolios generated out of business done in the past years. The efforts taken by the Company for recovery of the arrears before various legal forum are likely to yield results in the coming years.

Due to lower volume of outstanding financial assets and write off of financial assets, the revenue and profits of this division declined when compared with the previous year.

Wind Mill Division

The windmills produced 203.57 lakh units of wind electricity. The revenue generated by this division amounted to Rs 709.88 lakhs. Of this, electricity for a value of Rs 444.78 lakhs was consumed by the Textile Division.



PROSPECTS FOR THE CURRENT YEAR 2004-2005

Textile Division

Your Company continues to spend on improving the efficiency of operation by constant modernization of the Mill, by installing Ring Spinning Frames of higher capacity and Auto Coners of latest technology. These initiatives will ensure that the company will be able to step up the volume of exports meeting the global challenges. The captive source of power available to the textile mill will be extended further, with the proposed installation of Wind Electricity Generators for which firm orders have been placed to install wind mills for a total of 6.25 MW capacity. These windmills will also augment the textile mill with higher volume of captive source of power. Hence the performance of the textile mill is likely to generate good revenues.

Finance Division

Your Directors continue to take vigorous steps for collection of overdue instalments of hire purchase and lease receivables against business done in the past. The steps taken by the Company for recovery of arrears will help the Company to reduce outstanding financial assets and contribute more revenue by way of collection of overdue charges on final settlement of accounts with the customers. The agency business of providing services to HDFC Bank in their business of financing commercial vehicles is also likely to contribute more revenue by handling higher volume of business.

Windmill Division

The windmill division is expected to make further improvement in revenue and profits due to reduced volume of borrowings, with regular repayment of term loan.

PUBLIC DEPOSITS

As at the close of the year, there were 242 public deposits involving an amount of Rs. 36.09 Lakhs remained unclaimed pending receipt of instructions from the deposit holders. Subsequently, 43 deposits involving an amount of Rs 8.15 Lakhs have been repaid or renewed as per claims received from the deposit holders. As on date, 199 deposits, involving an amount of Rs. 27.94 lakhs

still remain unclaimed, for which regular follow up is being made to obtain instructions from the deposit holders for repayment or renewal.

DELISTING OF SHARES

Presently, the equity shares of the company are listed in National Stock Exchange of India Limited (NSE), The Stock Exchange, Mumbai (BSE), Coimbatore and Madras Stock Exchanges. Both, NSE and BSE have their nationwide terminals for trading and the shares of the Company are regularly traded only on NSE and BSE.

Taking into account the volume of transactions, number of trades and cost involved for continuing the listing, the Board of Directors have proposed to delist the Company's equity shares from Coimbatore and Madras Stock Exchanges, subject to the approval of the shareholders.

DIRECTORS

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

- (i) Sri S V Alagappan
- (ii) Sri V Venkata Reddy

PARTICULARS OF EMPLOYEES

During the year no employee was in receipt of remuneration exceeding the sum prescribed under Section 217 (2A) of the Companies Act, 1956. Hence, furnishing particulars under the Companies (Particulars of Employees) Rules, 1975 does not arise.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required to be included in terms of Section 217(1)(e) of the Companies Act, 1956 with regard to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure.

AUDIT COMMITTEE

The Audit Committee of the company comprises of 3 Directors viz. Sri V Venkata Reddy, Sri S V Balasubramaniam and Sri P Manickavasagan. Sri V Venkata Reddy, Chairman of the

Shiva Texyarn Limited

Committee and Sri P Manickavasagan, member are independent Directors.

DIRECTORS' RESPONSIBILITY STATEMENT

As stipulated in Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that:

- (i) Your directors have followed the applicable accounting standards in the preparation of annual accounts;
- (ii) Your Directors have selected such accounting policies and applied them consistently and made judgements 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 ended 31.3.2004 and of the profit of the company for that period;
- (iii) Your Directors have taken proper and sufficient care 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; and
- (iv) Your Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

A separate section on Corporate Governance, Management Discussion and Analysis and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement form part of the Annual Report.

AUDITORS

M/s V K S Aiyer and Coy., the present auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

SUBSIDIARY

During the financial year 2003-04, Annamallai Properties Limited ceased to be a subsidiary of your company. Hence the statement required to be furnished under Section 212 of the Companies Act, 1956, is not attached.

INDUSTRIAL RELATIONS

The relationship with employees continued to remain cordial throughout the year under review.

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to the Bankers who have granted financial assistance to the Company and for their continued support. Your Directors also thank the customers and depositors of the Company for their support and confidence reposed in the Company and to the employees at all levels for their co-operation and dedication.

Coimbatore
24th June 2004

By Order of the Board
S V BALASUBRAMANIAM
Chairman



ANNEXURE TO DIRECTOR'S REPORT

Information pursuant to Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

A) CONSERVATION OF ENERGY

a) Energy Conservation Measures taken -

The following devices are installed in the textile mill :

ON/OFF controller in Blowroom condenser/scutcher

ETCEL fan in carding machinery

Invertor in Autoconer machinery

Capacitor/automatic nozzles in humidification plant

125 KVA stabiliser with reduced voltage in lighting and by providing single tube lights in various departments

b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy :

It has been proposed to provide energy efficient fan 460 MM with 6.5 MM O.D. Suction tube in ring frame machine.

c) Impact of the measures (a) and (b) above for reduction of energy consumption and consequent Impact on cost of production of goods :

The measures already taken and proposed to be taken are likely to result in lower power consumption and energy savings to the extent of 50000 units per month, which will result in reduction in cost of production of yarn.

d) Form A-Particulars with respect of energy conservation

I. POWER AND FUEL CONSUMPTIONS

	Current year (12 Months)	Previous year (15 Months)
1. Electricity		
a) Purchased (*)		
Units (in Lakhs)	204.56	222.72
Amount spent (Rs. in Lakhs)	857.47	866.68
Rate per unit (Rs.)	4.19	3.89
(*includes power availed from Wind Mills)		
b) Own Generation		
i) Through Diesel Generator		
Total Units produced (in Lakhs)	12.56	24.05
Units produced per litre of diesel (Units)	3.35	3.12
Amount spent (Rs. in Lakhs)	70.78	124.92
Cost per unit (Rs.)	5.64	5.19
ii) Through steam turbine/generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others / Internal Generation	Nil	Nil