



SHIVA TEXYARN LIMITED

Report



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24th
ANNUAL REPORT - 2005

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

Sanganeri, Tirunelveli 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

Bank of India

Punjab National Bank

ICICI Bank Ltd

AUDITORS

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

SHARE TRANSFER AGENTS

M/s SKDC Consultants Ltd.
Post Box No. 2979
11, S.N. Layout,
Street No. 1, Tatabad,
Coimbatore - 641 012.

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 24th 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 29th day of September 2005 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

Ordinary Business

1. To receive and adopt the Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date together with the reports of the Directors' and the Auditors' thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri A Senthil, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri C Sivasamy, 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(s) the following as an Ordinary resolution:

"RESOLVED that pursuant to Sections 198, 269, and 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment and terms of remuneration of Sri S V Alagappan as Managing Director of the Company for a period of five years with effect from 27.06.2005 and that the remuneration payable to him as detailed below be and are hereby approved":

1. Salary : Rs 75,000/- (Rupees Seventy Five Thousand only) per month.
2. Commission : 2% of the Net Profits of the Company.
3. Perquisites : (a) Contribution to Provident Fund and

Superannuation fund, to the extent these are either singly or put together, not taxable under the Income Tax Act, 1961.

(b) Gratuity payable at the rate not exceeding half a month salary for each completed year of service and

(c) Other perquisites, as approved by the Board of Directors of the Company, subject to a limit of Rs 9,00,000/- (Rupees Nine Lakhs only) per annum.

Minimum Remuneration

Where in any financial year, during the tenure of appointment of the Managing Director, the Company has no profits or if profits are inadequate it may pay him remuneration by way of salary and perquisites up to the amounts listed above, subject to the limit as per scale of remuneration prescribed in Section II of Part II in Schedule XIII of the Companies Act, 1956.

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED that the following Object Clause shall be inserted as Clause No. 33 under other Objects of the Memorandum of Association of the Company".

"33 To construct, purchase, acquire, hold, let on hire, sell, dispose or equip, improve, develop, manage, run, take on lease or otherwise operate Renewable Energy Equipment and Devices such as Wind Mills and any specially designed devices which run on Wind Mills, any special devices including electric generators and pumps run on Wind Energy, Solar Power Generating Systems, Solar Crop Driers and Systems, Biogas Plants and Biogas Engines, Equipments for Utilising Ocean Waves and Thermal Energy and generally all kinds of equipments generating and or run on Non-Conventional Energy".

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8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED that consent be and is hereby accorded to the Board of Directors of the Company under Section 149(2)(B) of the Companies Act, 1956 and all other applicable provisions of the said Act:-

- a) to commence and thereby engage the Company in the business of cultivation and disposal of agricultural and all other products as set out in Clause 13 under Other Objects of the Company; and
- b) Upon approval of the shareholders of the Company for insertion of the proposed Clause 33 in Other Objects, to commence and engage the Company in the business of generation and sale of all kinds of Non-Conventional Energy, as authorized by the proposed Clause 33 under Other Objects of the Memorandum of Association of the Company.

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 Memorandum and Articles referred to in the explanatory statement will be available for inspection at the Registered Office of the Company during office hours on all working days between 10.00 a.m. and 5.00 p.m. up to 5.10.2005.
4. As per Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, the resolution set out in Item No. 7 attracts the provisions of the said Act and Rules.
5. The Board of Directors at their meeting held on 20.6.2005 have appointed Sri. C. Thirumurrthy, B.Com., BL, FCS, Practising Company Secretary, Coimbatore as the Scrutinizer to receive the completed ballot papers from the shareholders and scrutinize the same. The Postal Ballot form and self addressed business reply envelope bearing the address of the Scrutinizer appointed by the Board of Directors are enclosed.
6. The resolution appended herein above being special resolution shall be declared and passed if the voters cast in its favour are not less than 3 times the number of votes cast against the resolution.
7. The assent or dissent relating to Item No. 7 mentioned in the notice if received after 30 days from the issue of Notice ie., 3.9.2005, the reply will be treated as if the reply from the member has not been received.
8. Since Postal Ballot can be considered only after 30 days notice, the Annual General Meeting will be adjourned suitably with the consent of the members to await replies to the postal ballot and to declare the results in the General Meeting.
9. The Register of Members and the Share Transfer Books of the Company will remain closed from 23.09.2005 to 29.09.2005 (both days inclusive).
10. The dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 29.09.2005. 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 22.09.2005.
11. The Company has transferred unclaimed dividends upto the financial year ended 31st March 1997 to General Revenue Account/ Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year 1998 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, 1956 on the respective due dates; upon such transfer, no claim shall lie against the Company or the Central Government for such unclaimed dividend.
12. Members are requested to bring their copy of the Annual Report along with them to the meeting.
13. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business under item number 6,7 and 8 is annexed.

Coimbatore
20th June 2005

By Order of the Board
S V Balasubramaniam
Chairman



Explanatory Statement under Section 173(2) of the Companies Act, 1956

Item No. 6

Considering the vast experience gained over three decades in the textile industry backed by professional qualification and business acumen, the Board of Directors at their meeting held on 20.06.2005, appointed Sri S V Alagappan as the Managing Director for a period of five years with effect from 27.06.2005. The terms and conditions of appointment are set out in the text of the resolution contained in the Notice for the Annual General Meeting, which may also be treated as the Notice under Section 302 of the Companies Act.

The remuneration and perquisites proposed are within the limits prescribed in Part II of Schedule XIII of the Companies Act, 1956.

The necessary resolution is placed before the members for their approval.

Sri S V Alagappan, the appointee and Sri S V Balasubramaniam, Chairman, Sri S V Arumugam, Dr S V Kandasami and Sri S V Balakrishnan, Directors being his relatives are interested in this resolution.

Item No 7

At present, the electricity produced by the Wind Mills owned by the Company has been utilized by the Textile Division of the Company as a captive source of power. Surplus power was sold to a group Company. The Textile Division with a view to achieve better efficiency and restrict the cost of power in the manufacture of yarn, has acquired 5 Wind Mills of 1250 KW each, with financial assistance granted by the banks under the TUF Loan Scheme. Consequently, the electricity produced from the existing Wind Mills and the new Wind Mills to be acquired by the Company will have to be sold to TNEB or to the third party by way of outright sale of power. Considering this change in the mode of disposal of wind electricity produced by the Company, the Board of Directors are advised to amend the Object Clause of the Memorandum of Association, for inserting of a

new Clause as per the draft contained in the text of the resolution placed before the shareholders.

As per Section 192 A of the Companies Act, 1956, the proposed amendment to the Object Clause requires the approval of the shareholders by passing a Special Resolution through a Postal Ballot System. Steps are being taken to circulate the Postal Ballot to the shareholders of the Company. The results of the poll will be announced by the Chairman.

None of the Directors of the Company may be considered as personally interested in this item of Agenda.

Item No 8

The Board of Directors of the Company have identified cultivation of Jetropa Plants as intermediary crop at the lands at which the Wind Mills are erected and at the adjoining lands, as a commercially viable and profitable line of business. Jetropa oil seeds are used as the raw material for the production of Bio-Diesel, the use of which is increasingly recognized by various industries and in transport systems.

The Company is empowered to undertake the cultivation of all kinds of agricultural and natural products vide Clause 13 in Other Objects of the Memorandum of Association. The commencement of business of cultivation of Jetropa Plants requires the consent of the shareholders.

Hence necessary resolution is placed before the shareholders for their consent to commence :-

- the business of cultivation of Jetropa Plants as authorized by Clause 13 as per text contained in the Notice of the Meeting and
- Upon the approval of the shareholders through Postal Ballot system for insertion of the proposed Clause 33, the business of regular disposal by way of sale, wind energy produced by the Company as authorized by the proposed Clause 33 in objects of the Memorandum of Association of the Company.

Coimbatore
20th June 2005

By Order of the Board
S V Balasubramaniam
Chairman

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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 A Senthil**

Age : 29 Years

Qualification : B. Com., M.B.A.

Date of Appointment : 21.10.2002

Experience : He has about three years of Managerial Experience in business.

Other

Directorships: Anamallais Agencies (P) Ltd
Bannari Amman Automobiles Private Ltd
Murugan Enterprises (P) Ltd
Sakthi Murugan Transports (P) Ltd

Name : **Sri C Sivasamy**

Age : 48 Years

Qualification : Dip in Mechanical Engineering

Date of Appointment : 21.10.2002

Experience : He has about twenty five years of experience in business

Other

Directorships: Anamallais Industries Limited
Bannari Amman Spinning Mills Ltd
Bannari Amman Enterprises Ltd
Kerala Alcoholic Products Ltd
Shiva Distilleries Ltd
Sakthi Murugan Transports (P) Ltd
Shiva Automobiles (P) Ltd
Sundar Ram Enterprises (P) Ltd

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty Fourth Annual Report together with audited accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	2004-2005	2003-2004
Profit before Depreciation	1380.96	1089.09
Less: Depreciation	<u>771.84</u>	<u>749.24</u>
Net Profit before Tax	609.12	339.85
Provision for Tax		
– Current Tax	47.36	40.06
– Deferred Tax	53.25	34.12
– Prior Year Tax	<u>—</u>	<u>29.71</u>
	<u>100.61</u>	<u>103.89</u>
Profit after tax	508.51	235.96
Add: Surplus brought forward from last year	28.56	25.39
Amount available for appropriation	<u>537.07</u>	<u>261.35</u>
Appropriations:		
Provision for Equity Dividend	216.05	162.03
Provision for Tax on Dividend	30.30	20.76
Tax paid on Dividend Prior Year	0.43	—
Transfer to General Reserve	200.00	50.00
Surplus carried over to Balance Sheet	<u>90.29</u>	<u>28.56</u>
	<u>537.07</u>	<u>261.35</u>

DIVIDEND

Your Directors are glad to recommend payment of dividend at the rate of 10%. The dividend on equity shares, together with distribution tax on corporate dividend, absorbs Rs 246.35 Lakhs. The dividend, will be free from income tax in the hands of shareholders.

REVIEW OF OPERATIONS

The overall working results of the Company, contributed by better operating results from the Textile and Finance Divisions resulted in better

profitability when compared with the preceding year and hence should be considered as satisfactory. The Division wise performance of the Company has been summarized and reported below.

Textile Division

During the year under review, the textile mill produced 6249.31 tonnes of yarn and sold 6292.88 tonnes of yarn. The sales include 2225.24 tonnes by way of export. The total sales of this division amounted to Rs 8470.28 Lakhs of which export sales amounted to Rs 2782.20 Lakhs constituting 32.85% of the total revenue. The marginal fall in gross sales turnover was due to steep decline in the selling price of yarn, triggered by fall in the spot prices of cotton, the raw material. However, the sales of this division net of excise duty increased due to abolition of central excise duty in the Central Budget presented in July 2004. The profitability of the Textile Mill decreased during the first half of the year as the mill, like other units in the Industry, had to consume cotton procured at a high cost at a time when yarn prices started to decline keeping in tandem with the prices of cotton. However, the profitability of the mill improved again during the later half of the year, with stability in both the prices of yarn and cotton.

Finance Division

During the year under review, your Company increased the portfolio of advances under the agency business in arrangement with M/s HDFC Bank Ltd for financing commercial vehicles. The gross amount deployed increased to Rs 1247.19 Lakhs (Rs 275.67 Lakhs) and the earnings by way of commission increased to Rs 46.40 Lakhs (Rs 6.45 Lakhs). The company also continued deployment of funds by way of loans on security of automobiles, on a selective basis, which amounted to Rs 1075.80 Lakhs (Rs 960.43 Lakhs). Vigorous steps were taken for recovery of the arrears of instalments and overdue charges against Hire Purchase, Lease and other financial assets, generated out of business done in the past years. Efforts taken by the Company started yielding results, though slow, due to various procedural impediments which the Company had

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to encounter in pursuing legal action. The performance of this division before making provision for write off of bad and doubtful debts against past business, is found to be profitable.

Wind Mill Division

The windmills produced 185.19 lakh units of wind electricity as against 203.57 lakh units in last year. The reduction in rate of interest on term loan taken by the Company through payment of a premium, helped the Company to substantially reduce the cost of finance in this division. However, the profitability of the division declined when compared with the previous year due to lower generation of wind electricity.

PROSPECTS FOR THE CURRENT YEAR 2005-2006

Textile Division

The termination of quota regime in world trade and the phasing out of the multi-fibre agreement with effect from 1st January 2005, has thrown open challenging opportunity of growth for the Textile Industry. The consistent action taken by the Company in the past as well as in the current year for modernisation and replacement with the textile machinery of recent technology, has helped the mill to improve efficiency and successfully face global competition in the marketing of yarn, both at domestic and international market. Your directors also took constant efforts to reduce the cost of finance by availing working capital and term loans, in foreign currency, backed by mechanism of currency swap to derive currency exchange gain.

The installation of windmills for an aggregate capacity of 6.25 Mega Watts with finance availed under Technology Upgradation Fund Scheme (TUFS) during the last year, have ensured total captive source of power to the windmill which will enable the performance of the textile mill to improve further in the ensuing year.

Finance Division

The agency business of providing services to HDFC Bank in their business of financing commercial vehicles is poised to grow further and contribute larger revenue, by handling higher volume of business, arising from steady growth in the auto manufacturing sector. Efforts are

continued to be taken for direct lending of finance against used vehicles at a good margin of profit, to select customers. Vigorous steps will continue to be taken to collect the arrears of HP and Lease receivables, together with overdue charges and expenses, which will improve the profitability of the division.

Windmill Division

The Company has installed 18 Nos of Wind Mills of 225 KW each aggregating to 4.05 MW of installed capacity which will add to generation of power and revenue in the ensuing years. The power produced from these wind mills will be sold to TNEB.

The wind electricity produced by this division will be sold to TNEB. The interest burden against existing Term Loan will decline substantially, by revision of the rate of interest granted by the Bank. However the overall performance and profitability of this Division, heavily depends upon the nature, as production of wind electricity squarely depend upon the wind velocity during the peak season period.

PUBLIC DEPOSITS

As at the close of the year, there were 248 public deposits involving an amount of Rs 38.89 Lakhs remained unclaimed pending receipt of instructions from the deposit holders. Subsequently, 64 deposits involving an amount of Rs 14.94 Lakhs have been repaid or renewed as per claims received from the deposit holders. As on date, 184 deposits, involving an amount of Rs. 23.95 lakhs still remain unclaimed, for which regular follow up is being made to obtain instructions from the deposit holders for repayment or renewal.

DIRECTORS

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

- (i) Sri A Senthil
- (ii) Sri C Sivasamy

The tenure of Sri S V Arumugam as the Managing Director of the Company expires on 26.08.2005 and he seeks no further re-appointment. The Board whole heartedly wish to take on record



and thank for the valuable services rendered by him for the development of the Company.

Sri S V Alagappan is appointed as the new Managing Director of the Company w.e.f. 27.06.2005.

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 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 31.3.2005 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.

AMENDMENTS TO OBJECTS AND COMMENCEMENT OF NEW BUSINESS

Your Directors have proposed to undertake cultivation of 'Jatropha Plants' on a larger scale at the Wind Mills lands as a regular source of business as authorized by the Memorandum of Association.

Due to change in mode of disposal of wind electricity produced from the existing windmills, it is proposed to amend the Objects Clause by insertion of a new clause enabling disposal of wind electricity by way of sale. Necessary resolution is being placed before the shareholders for amendment of the Objects Clause and also for the commencement of business.

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.

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 for modernisation of the textile mill and reduction of cost of finance. Your Directors also thank the employees at all levels for their co-operation and dedication.

By Order of the Board

Coimbatore
20th June 2005

S V BALASUBRAMANIAM
Chairman