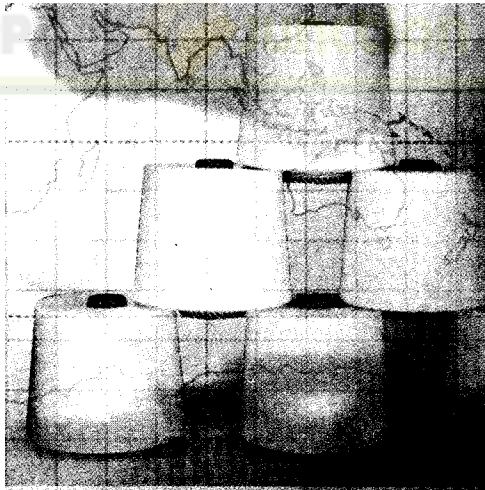




SHIVA TEXYARN LIMITED



**25th Annual Report
2005 - 2006**

SHIVA TEXYARN LIMITED

BOARD OF DIRECTORS

Dr S V Balasubramaniam
Chairman

Sri S V Alagappan
Managing Director

Sri A Senthil
Executive Director

DIRECTORS

Sri S V Arumugam

Sri S V Balakrishnan

Sri S K Sundararaman

Sri V Venkata Reddy

Sri S Palanisami

Dr K R Thillainathan

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

Munduvelampatti Village

Erode District

Tamil Nadu

Gudimangalam, Athukinathupatti and

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 25th 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 **Monday, the 21st day of August, 2006 at 10.00 AM** to transact the business set out in the agenda given below:

Agenda

Ordinary Business

1. To receive and adopt the Balance Sheet as at 31st March, 2006 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 S V Arumugam, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri S V Balakrishnan, 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, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of and terms of remuneration payable to **Sri A Senthil** as Executive Director of the Company for a period of five years with effect from 25.01.2006 and that the remuneration payable to him as detailed below be and are hereby approved:-

Salary

Rs 30,000/- (Rupees Thirty Thousand only) per month.

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 3,60,000/- (Rupees Three Lakh Sixty Thousand only) per annum."

Minimum Remuneration

Where in any financial year, during the tenure of appointment of the Executive Director, the Company has loss or if profits are inadequate, it may pay him remuneration by way of salary and perquisites upto 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 as an Ordinary Resolution:

"RESOLVED THAT **Dr K R Thillainathan** who was appointed on 28-12-2005 as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and who will cease to hold his office at the ensuing Annual General Meeting and in respect of whom the Company has received a notice proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

8. To consider and if thought fit, to pass with or without modification the following as an Ordinary Resolution:

"RESOLVED THAT **Sri S Palanisami**, who was appointed on 28-12-2005 as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and who will cease to hold his office at the

Shiva Texyarn Limited

ensuing Annual General Meeting and in respect of whom the Company has received a notice proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

9. To consider and if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution :

"RESOLVED THAT **Sri S K Sundararaman**, who was appointed on 15.05.2006 as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and who will cease to hold his office at the ensuing Annual General Meeting and in respect of whom the Company has received a notice proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

Notes:

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 14.08.2006 to 21.08.2006 (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 21.08.2006. 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 13.08.2006.
5. **The Company has transferred unclaimed dividends upto the financial year ended 31st March 1998 to General Revenue Account/Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year ended 31.03.1999 and for subsequent years 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.**
6. Members are requested to bring their copy of the Annual Report along with them to the meeting.
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, 7, 8 and 9 is annexed.

Coimbatore
15th May, 2006

By Order of the Board
S V BALASUBRAMANIAM
CHAIRMAN



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

Item No. 6

Sri A Senthil, an MBA from Rotterdam University, Netherlands has wide experience in textiles and has been a Director of the Company since 21.10.2002. Considering his educational qualification and rich exposure in textiles, the Board of Directors has proposed the appointment of Sri A Senthil as Executive Director of the Company with effect from 25.01.2006 for a period of five years.

The terms and conditions of appointment are set out in the text of the resolution contained in the Notice of the Annual General Meeting which may also be treated as the Notice under Section 302 of the Companies Act, 1956.

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 A Senthil, the appointee and **Sri S V Arumugam**, Director, being a relative is interested in this resolution.

Item No.7

Dr K R Thillainathan was appointed by the Board of Directors as an Additional Director of the Company with effect from 28-12-2005. Pursuant to Section 260 of the Companies Act, 1956, Dr K R Thillainathan will hold his office upto the date of the ensuing Annual General Meeting and is eligible for appointment as a Director. The Company has received a notice in writing from a shareholder proposing the candidature of Dr K R Thillainathan for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with the required deposit amount. Information such as brief resume, nature of expertise in specific functional areas and details of his other Directorships etc., as required to be furnished under clause 49 of the Listing Agreement with the Stock Exchanges are annexed.

Your Directors recommend this resolution for your approval.

None of the Directors except Dr K R Thillainathan, the appointee, is interested in this resolution.

Coimbatore
15th May, 2006

Item No.8

Sri S Palanisami was appointed by the Board of Directors as an Additional Director of the Company with effect from 28-12-2005. Pursuant to Section 260 of the Companies Act, 1956, Sri S Palanisami will hold his office upto the date of the ensuing Annual General Meeting and is eligible for appointment as a Director. The Company has received a notice in writing from a shareholder proposing the candidature of Sri S Palanisami for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with the required deposit amount. Information such as brief resume, nature of expertise in specific functional areas and details of his other Directorships etc., as required to be furnished under clause 49 of the Listing Agreement with the Stock Exchanges are annexed.

Your Directors recommend this resolution for your approval.

None of the Directors except Sri S Palanisami, the appointee, is interested in this resolution.

Item No.9

Sri S K Sundararaman was appointed by the Board of Directors as an Additional Director of the Company with effect from 15-05-2006. Pursuant to Section 260 of the Companies Act, 1956, Sri S K Sundararaman will hold his office upto the date of the ensuing Annual General Meeting and is eligible for appointment as a Director. The Company has received a notice in writing from a shareholder proposing the candidature of Sri S K Sundararaman for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with the required deposit amount. Information such as brief resume, nature of expertise in specific functional areas and details of his other Directorships etc., as required to be furnished under clause 49 of the Listing Agreement with the Stock Exchanges are annexed.

Your Directors recommend this resolution for your approval.

None of the Directors except Sri S K Sundararaman, the appointee, is interested in this resolution.

By Order of the Board
S V BALASUBRAMANIAM
CHAIRMAN

Shiva Texyarn Limited

ANNEXURE

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.

Sri S V Arumugam, aged 57 years, is a Promoter Director of the Company. He holds a Bachelors Degree in Science and is a qualified Chartered Accountant. He has more than two decades of experience in the textile industry in planning, procurement, execution and management

Other

Directorships :

Annamallai Industries Limited
 Annamallai Infrastructures Limited
 Bannari Amman Sugars Limited
 Bannari Amman Exports Limited
 Bannariamman Finance Limited
 Bannari Amman Spinning Mills Limited
 Bannari Amman Enterprises Limited
 Coimbatore Agro Industries Limited
 Cream Investment & Trading Company Limited
 Kerala Alcoholic Products Limited
 Shiva Cargo Movers Limited
 Shiva Distilleries Limited
 Annamallai Retreading Company Private Limited
 Anamallais Agencies Private Limited
 Annamallai Enterprise Private Limited
 Annamallai Estates Private Limited
 Bannari Amman Automobiles Private Limited
 Sangameswar Agencies Private Limited
 Shiva Automobiles Private Limited
 Murugan Enterprise Private Limited
 Vedanayagam Hospital Private Limited
 Murugan Infrastructures Private Limited
 Sakthi Murugan Transports Private Limited

Number of Shares held in the

Company : 15,300

Member of

Committees : Investors Grievance Committee

Member of Committees

in other

Public Limited

Companies : **Bannari Amman Sugars Limited**

Shareholders' Committee -

Chairman

Audit Committee - Member

Sri S V Balakrishnan, aged 53 years, is a Bachelor of Law and has more than two decades of experience in the business agro processing.

Other

Directorships :

Annamallai Industries Limited
 Annamallai Infrastructures Limited
 Bannariamman Finance Limited
 Coimbatore Agro Industries Limited
 Shiva Cargo Movers Limited
 Annamallai Retreading Company Private Limited
 Anamallais Agencies Private Limited
 Annamallai Estates Private Limited
 Bannari Amman Automobiles Private Ltd
 Sakthi Murugan Transports Private Limited
 Sangameswar Agencies Private Limited
 Vedanayagam Hospital Private Limited
 Vedanayagam Enterprises Private Limited
 Murugan Infrastructures Private Limited

Number of Shares held in the

Company : 26,700

Member of

Committees : Nil

Member of

Committees

in other

Public Limited

Companies : Nil

Sri S K Sundararaman, aged 33 years, is an MBA from Judge Institute of Management Studies,



Cambridge University, United Kingdom. He has wide experience in the field of Information Technology and Technical Education especially in the field of Information Technology. He joined the Board as a Director w.e.f. 15.5.2006.

Other

Directorships :

Bannari Amman Spinning Mills Limited
Bannari Infotech Private Limited

**Number of
Shares held
in the**

Company : 900

**Member of
Committees : Nil**

**Member of
Committees
in other
Public Limited
Companies : Nil**

Dr. K.R. Thillainathan, aged 53 years is an MBBS by qualification. He joined the Board as a Director w.e.f. 28.12.2005.

Other

Directorships : Nil

**Number of
Shares held
in the**

Company : Nil

**Member of
Committees : Nil**

**Member of
Committees
in other
Public Limited
Companies : Nil**

Sri S Palanisamy, aged 63 years is BE in Electrical Engineering. He has more than three decades of experience in the field of Vertical Transportation Elevators, Escallators and allied products. He joined the Board as a Director w.e.f. 28.12.2005.

Other

Directorships : Nil

**Number of
Shares held
in the
Company : Nil**

**Member of
Committees : Nil**

**Member of
Committees
in other
Public Limited
Companies : Nil**

Shiva Texyarn Limited

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Twenty Fifth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	FINANCIAL YEAR	
	2005-2006	2004-2005
Profit before Depreciation	2007.82	1380.96
Less: Depreciation	697.04	771.84
Profit before extraneous items	1310.78	609.12
Add : Excess Depreciation withdrawn	778.57	
Prior year Income (net)	14.77	
	793.34	
Less : Provision against Financial Assets	582.38	
	210.96	-
Profit before Tax	1521.74	609.12
Provision for Tax		
- Current Tax	(7.23)	47.36
- Deferred Tax	-	53.25
		100.61
Profit after Tax	1528.97	508.51
Add : Surplus brought forward from last year	90.29	28.56
Amount available for appropriation	1619.26	537.07
Appropriations:		
Provision for Equity Dividend	324.07	216.05
Provision for Tax on Dividend	45.45	30.30
Tax paid on Dividend Prior Year	-	0.43
Transfer to General Reserve	1200.00	200.00
Surplus carried over to Balance Sheet	49.74	90.29
	1619.26	537.07

DIVIDEND

Your Directors are glad to recommend payment of dividend at the higher rate of 15% as against 10% in last year. The dividend on equity shares together with distribution tax on corporate dividend

will absorb Rs. 369.52 Lakhs (Rs.246.35 Lakhs). The dividend, will be free from Income Tax in the hands of shareholders.

REVIEW OF OPERATIONS

Your Directors are glad to report that the Company's overall performance has shown substantial improvement contributed by better operating results and higher profits from the Textile and Finance Divisions.

A review on division wise performance of the Company is furnished below:

Textile Division

The textile mill produced 6,418.31 tonnes of yarn and sold 6,474.09 tonnes of yarn. The sales include 2,402.66 tonnes by way of export. The total sales of this division amounted to Rs. 8,107.20 Lakhs of which export sales amounted to Rs. 2,825.16 Lakhs constituting 34.30% of the total revenue. The marginal fall in sales turnover was due to a decline in the selling price of yarn, caused by fall in the prices of cotton, the raw material. However, the profitability of the mill substantially improved due to availability of domestic cotton of better quality at a lower price than in the preceding year.

Finance Division

The Company continued the agency business of marketing and management of portfolio of advances made by HDFC Bank Limited for financing commercial vehicles. The gross amount disbursed by the Bank under this arrangement increased to Rs.1,524.29 Lakhs (Previous Year Rs.1,247.19 Lakhs). The earnings from this Division by way of commission increased to Rs.63.68 Lakhs (Previous Year Rs.46.40 Lakhs). The business of deployment of surplus funds of the Company by way of loans on security of automobiles on a selective basis was continued. The amount disbursed under this portfolio was Rs.992.27 Lakhs (Previous Year Rs.1,075.80 Lakhs). Various avenues of action for recovery of arrears of instalments together with overdue charges are pursued against Hire Purchase, Lease and other customers for business done in the past. The outcome of these efforts are likely to ensure substantial recovery over a period of



time. The profits of this division before making provision or write off for bad and doubtful debts against past business showed marked improvement when compared with the previous year.

Wind Mill Division

The Wind Mills, with an installed capacity of 16.795 MW produced 211.57 Lakh units of Wind Electricity as against 185.19 Lakh units in last year. Due to change in wind velocity and non availability of state owned grid, the production was lower on comparable basis. As the newly installed Wind Mills for 3.60 MW worked only for a part of the wind season, the profits of this division after providing for interest and depreciation was lower when compared with the previous period.

PROSPECTS FOR THE CURRENT YEAR 2006-2007

Textile Division

With the abolition of quota regime the textile industry is upbeat witnessing a huge expansion in capacity in all segments of the industry. India is considered to be an important hub for production of all kinds of textile products to cater to the world market. Hence your Company apart from constant modernization and upgradation of its existing unit has evolved plans to enter into manufacture of knitting and other downstream products leading to upward vertical integration. With this objective, plans are being finalised to expand the spinning capacity by about 50,000 Spindles. Cost of these projects and the financial tie up will be finalised during the ensuing months.

For the year 2006-07, the profitability of the textile division will continue to be satisfactory subject to availability of domestic cotton of good quality at a remunerative price. The Wind Mills installed for captive generation are also expected to contribute to the earnings of the mill by savings in power cost.

Finance Division

The business of marketing and managing the receivable of lending by HDFC Bank will be continued. The advances by way of secured loans against vehicles will also be continued at the existing level. The profitability of this division is likely to improve further with substantial recovery of arrears of instalments from HP/Lease

customers against past business. The one time provision made in the accounts against such assets will also eliminate any future impact for short fall in recovery and thereby the profitability is likely to improve further.

Windmill Division

The contribution from the Wind Mills towards turnover and earnings of the Company may improve when compared with the preceding year subject to favourable wind velocity and availability of grid without interruption for transmission of the wind energy produced. With a declining cost of interest on repayment of loan this division is likely to contribute higher profits in the year ahead.

PUBLIC DEPOSITS

As at the close of the year, there were 265 public deposits involving an amount of Rs. 55.23 Lakhs remained unclaimed pending receipt of instructions from the deposit holders. Subsequently 73 deposits involving an amount of Rs. 20.68 Lakhs have been repaid or renewed as per claims received from the deposit holders. As on date 192 deposits involving an amount of Rs. 34.55 lakhs still remain unclaimed for which regular follow up is being made to obtain instructions from the deposit holders for repayment or renewal.

DIRECTORS

Dr S V Kandasami a Director on the Board of the Company resigned with effect from 15-05-2006.

Sri C Sivasamy and **Sri P Manickavasagan** also resigned as Directors of the Company with effect from 27.12.2005. Your Directors wish to place on record the valuable services rendered by them during the tenure of their Directorship.

Sri A Senthil was appointed by the Board as an Executive Director of the Company with effect from 25.01.2006 for a period of five years. A resolution is placed before the shareholders at the ensuing Annual General Meeting for their approval of the appointment and terms of remuneration payable to him.

Dr K R Thillainathan and **Sri S Palanisami** have been appointed as Additional Directors of the Company with effect from 27-12-2005.

Sri S K Sundararaman has also been appointed as an Additional Director of the Company with