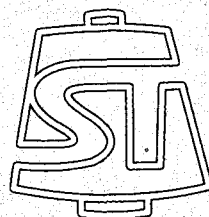


growing strong
YEAR after YEAR

26th
Annual
Report
2007



SHIVA TEXYARN LIMITED

SHIVA TEXTYARN LIMITED

BOARD OF DIRECTORS

Sri 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
Sri S Marusamy

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
Tamilnadu
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
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 26th 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 24th day of September 2007 at 9.30 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, 2007** 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 K Sundararaman**, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of **Sri S Palanisami**, 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 as an Ordinary Resolution:

"RESOLVED THAT **Sri S Marusamy**, who was appointed on 22.08.2006 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".

7. To consider and if thought, fit, to pass with or without modification, the following resolution, as an ordinary resolution :

RESOLVED THAT in supersession of the earlier Resolution passed in this regard and pursuant to Section 293 (1) (d) of the Companies Act, 1956, the consent be and is hereby granted to the Board of Directors of the Company to borrow for the purposes of its business, apart from temporary loans obtained and or to be obtained from the Company's bankers in the ordinary course of business, a sum or sums of money not exceeding Rs. 500 Crores (Rupees five hundred Crores only) over and above the paid up capital and its free reserves, that is to say, reserves not set apart for any specific purpose, from the Company's bankers or from any person or persons, firms, bodies corporate or financial institutions and by way of public deposits, advances or other loans whether unsecured or secured by mortgage, charge, hypothecation or pledge of any or all of the company's assets and properties existing and future, on such terms and conditions as the Board of Directors may from time to time, deem fit.

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 14.09.2007 to 24.09.2007 (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 24.09.2007. 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 13.09.2007.

Shiva Texyarn Limited

5. The Company has transferred unclaimed dividends upto the financial year ended 31st March 1999 to General Revenue Account/ Investor Education and Protection Fund of the Central Government. **The dividend declared for the financial year ended 31.03.2000 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 and 7 is annexed.

Coimbatore
28th May 2007

By Order of the Board
S V BALASUBRAMANIAM
CHAIRMAN

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

Item No. 6

Sri S Marusamy was appointed by the Board by co-option as Additional Director of the Company with effect from 22.08.2006. As per section 260 of the Companies Act 1956, Sri S Marusamy will be vacating his office at the ensuing Annual General Meeting. Considering responsibility assigned to him as a Director of the Company, the Board recommends appointment of Sri S Marusamy as a regular Director of the Company. The Company has also received a Notice proposing his appointment as a regular Director of the Company.

None of the Directors may be considered as personally interested in this Item of Agenda except Sri S Marusamy, the appointee to the extent of his appointment.

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

Coimbatore
28th May 2007

Item No. 7

As per section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of the Company can borrow money (other than temporary borrowings from company's bankers) in excess of the Paid up share capital and free reserves only with the prior consent of the shareholders. Considering the proposed expansion of the business, the existing limit of Rs. 250 Crores approved by the Shareholders at their meeting held on 30.8.1995 is likely to be fully utilized soon. Therefore, the borrowing powers of the Board have to be suitably revised considering the likely growth in borrowings which the Company may have during the next few years. Hence, the shareholders are requested to fix the limit as recommended in the resolution.

None of the Directors of the Company is interested in the above item of Agenda.

By Order of the Board
S V BALASUBRAMANIAM
CHAIRMAN



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.

Name : **Sri S K Sundararaman**

Age : 34 Years

Qualification : MBA

Date of Appointment : 15.05.2006

Experience : He has wide knowledge and experience in the field of Technical Education especially in the field of Information Technology.

Other Directorships : Bannari Amman Spinning Mills Ltd

Bannari Infotech Private Ltd

Member of Committee : Nil

Member of Committees in other Public Limited Companies : Nil

Number of Shares held in the Company : 900

Name : **Sri S Palanisami**

Age : 64 Years

Qualification : BE

Date of Appointment : 28.12.2005

Experience : He has more than three decades of experience in the field of Vertical Transportation Elevators, Escalators and allied Products and handled global market in marketing such products.

Other

Directorships : Nil

Member of Committee : Nil

Member of Committees in other Public Limited Companies : Nil

Number of Shares held in the Company : Nil

Name : **Sri S Marusamy**

Age : 52 Years

Date of Appointment : 22.08.2006

Experience : He has more than two decades of experience in agro processing and transport agency.

Other

Directorships : Nil

Member of Committee : Nil

Member of Committees in other Public Limited Companies : Nil

Number of Shares held in the Company : 1705

Coimbatore
28th May 2007

By Order of the Board
S V BALASUBRAMANIAM
CHAIRMAN

Shiva Texyarn Limited

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Twenty Sixth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2007.

Financial Results

	(Rs. in Lakhs)	
	Financial Year	
	2006-2007	2005-2006
Profit before Depreciation and extraneous items	2318.59	2007.82
Less: Depreciation	720.79	697.04
Profit before prior year / extraneous items	1597.80	1310.78
Add (deduct) : Net adjustment for excess depreciation withdrawn, Provision for financial assets etc.,	(44.57)	210.96
Profit before Tax	1553.23	1521.74
Provision for Tax		
– Income Tax - Prior year	1.85	(8.95)
– Wealth Tax - Current year	0.31	0.30
– Prior year	–	1.42
– Fringe Benefit Tax - Current year	4.27	–
– Prior year	3.63	–
Profit after Tax	1543.18	1528.97
Add : Surplus brought forward from last year	49.74	90.29
Amount available for appropriation	1592.92	1619.26
Appropriations:		
Provision for Equity Dividend	324.07	324.07
Provision for Tax on Dividend	55.08	45.45
Transfer to General Reserve	1200.00	1200.00
Surplus carried over to Balance Sheet	13.77	49.74
	1592.92	1619.26

DIVIDEND

Your Directors are glad to recommend payment of dividend at the rate of 15% (Last year 15%). The dividend on equity shares together with

distribution tax on corporate dividend will absorb Rs. 379.14 Lakhs (Rs.369.52 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 from all the three divisions.

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

Textile Division

The textile mill produced 7322.08 tonnes (6418.31 tonnes) of yarn and sold 7103.24 tonnes (6474.09 tonnes) of yarn. The sales include 2373.13 tonnes (2402.66 tonnes) by way of export. The total sales of this division amounted to Rs. 8993.95 Lakhs (Rs. 8107.20 Lakhs) of which export sales amounted to Rs. 3033.04 Lakhs (Rs. 2825.16 Lakhs) constituting 35.96% of the total revenue.

During the year, the Company could procure entire cotton, the raw material, through the domestic markets. Both the cotton and yarn prices remained stable. Hence the Company could maintain its profitability from the textile division at the same level as in last year. Optimum product mix and increase in productivity per spindle enabled the division to improve overall production and sales during the year.

Finance Division

The Company's agency business of marketing and managing the portfolio of advances made by the HDFC Bank Limited for financing commercial vehicles decreased with the lower disbursement of Rs.1048.52 lakhs (Previous year Rs.1524.29 lakhs). However, the earnings from this division by way of commission was at satisfactory level at Rs. 64.44 lakhs (Previous year Rs.63.68 lakhs) due to business done in the past. Efforts are on to increase the volume in this business. As a policy, the Company continues to restrict its fund based business of granting secured loans against vehicles; the



disbursement during the year was only Rs.546.98 lakhs (Previous year Rs.992.27 lakhs). The overdues in the erstwhile HP and Leasing businesses are slowly recovered and irrecoverable amounts are written off.

The Finance division, with fall in interest expenses arising from reduction of public deposits and also due to disposal of investment and surplus fixed assets, contributed to the profits of the Company significantly.

Wind Mill Division

The Wind Mills, with an installed capacity of 16.795 MW produced 251.04 Lakh units of Wind Electricity as against 211.57 Lakh units in last year. Windmills with an aggregate capacity of 3.60 MW which were operational only for part of the year during 2005-06 have worked for the full year during 2006-07 contributing to the higher generation of power. The profits of this division after providing for Interest and Depreciation was significantly higher compared to the previous year.

PROSPECTS FOR THE CURRENT YEAR 2007-2008

Textile Division

The production, productivity, sales and profitability of the existing mill has reached optimum level.

For the year 2007-08, the profitability of the textile division is expected to be satisfactory subject to availability of domestic cotton of good quality at a remunerative price and also the yarn prices remaining stable. Banks should maintain their interest rates at reasonable level, as the steady increase in the rates of interest may affect the profitability of the industry. Foreign exchange fluctuation may also have a bearing on the performance of textile division.

Finance Division

The business of marketing and managing the receivables 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.

Windmill Division

The contribution of Windmills by way of revenue and profit will increase substantially if the wind velocity is favourable during the season. The State Electricity Board should also create adequate grid facilities and receive the power generated during the monsoon seasons by the windmills. In the past years, windmills lost production due to non availability of state grid.

EXPANSION / NEW PROJECTS / JOINT VENTURE

Establishment of new Spinning Mill

With a view to expand the spinning capacity by about 72000 spindles, the Company will shortly install a new textile mill near Palladam in Coimbatore District. This unit will cater to requirement of quality yarn in the proposed diversification projects for manufacture of knitted garments. Necessary financial arrangements have been made by way of term loan and the balance to be met out of internal resources from the existing unit and other sources. This project is expected to commence commercial production during the financial year 2008-09.

Open End Spinning Unit

It has also been proposed to establish an Open End Spinning Unit near the existing textile unit at Dindigul at an estimated cost of Rs. 4000 lakhs. Commercial production is expected to commence during the financial year 2008-09.

Knitting, Processing and Garment Division

A project for manufacture of knitted garments is being implemented at a cost of Rs. 8500.00 Lakhs. This will be funded out of term loan and internal accruals from the existing spinning division and other means of finance. These projects are proposed to be located near Palladam in Coimbatore District, Cuddalore and Tirupur respectively and the new projects will commence commercial production during the financial year 2008-09.

Shiva Texyarn Limited

Joint Venture for manufacture of branded Garments

The Company alongwith its associate, namely, M/s.Bannariamman Spinning Mills Limited, entered into a joint venture agreement with M/s. Jacob Apparel Limited, having their head quarters in Republic of Mauritius. In the proposed joint venture project, your Company alongwith its associate will hold 50% interest in the equity and representation on the Board. A new Company by name M/s.Bannariamman Apparel Private Limited has been incorporated to implement the project. The remaining 50% will be held by the joint venture partner whose branded garments are well established in the international market. A new garment production unit is under establishment in Kancheepuram District, Tamilnadu and commercial production is expected to commence in the current financial year.

Technology Upgradation Fund

The Government of India, Ministry of Textiles, is in the process of modifying the TUF Scheme for the textile sector even though it has been announced that the scheme is being extended beyond March 31, 2007. The extension of the scheme augurs well for the Industry but any change in the scope of the scheme could have some impact for the industry.

PUBLIC DEPOSITS

As at the close of the year, there were 203 public deposits involving an amount of Rs. 32.83 Lakhs remained unclaimed pending receipt of instructions from the deposit holders. Subsequently 47 deposits involving an amount of Rs. 9.97 Lakhs have been repaid or renewed as per claims received from the deposit holders. As on date 156 deposits involving an amount of Rs. 22.86 lakhs still remain unclaimed for which regular follow up is being made to obtain instructions from the deposit holders for repayment or renewal.

DIRECTORS

Sri S Marusamy has been appointed as an Additional Director of the Company with effect from 22-08-2006. He will hold office upto the date of the ensuing Annual General Meeting of the Company and he is eligible for re-

appointment. Your approval for his appointment as a Director has been sought in the Notice convening the Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 the following Directors retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

(i) **Sri S K Sundararaman and**

(ii) **Sri S Palanisami**

The Directors recommend their re-appointment.

PARTICULARS OF EMPLOYEES

The information required as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is furnished in Annexure - I and forms part of this report.

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 is furnished in Annexure-II and forms part of this report.

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 2006-2007 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 this Annual Report.

AUDITORS AND THEIR REMARKS

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.

With regard to the auditors remark on non-provision of deferred tax as required by AS-22 of the ICAI and its impact on current profits, the relevant Note No.8 on Notes on accounts is self

explanatory. Hence, no further comments are made.

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 by way of Term Loans, Working Capital Loan and Cash Credits 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.

By Order of the Board

Coimbatore
28th May 2007

S V BALASUBRAMANIAM
CHAIRMAN

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