



29<sup>th</sup>  
*Annual*  
*Report*  
2010



**SHIVA TEXTYARN LIMITED**



## SHIVA TEXYARN LIMITED

### BOARD OF DIRECTORS

Dr S V Balasubramaniam  
Chairman

Sri S V Alagappan  
Managing Director

Sri A Senthil  
Executive Director

Sri S V Arumugam

Sri S V Balakrishnan

Sri S K Sundararaman

Sri V Venkata Reddy

Sri K N V Ramani

Sri C S K Prabhu

Sri S Palaniswami

Dr K R Thillainathan

Sri S Marusamy

### COMPANY SECRETARY

Ms M Shyamala

### BANKERS

Canara Bank

Indian Overseas Bank

ICICI Bank Ltd

UCO Bank

State Bank of Hyderabad

Bank of Maharashtra

Bank of Boarda

### AUDITORS

M/s. V K S Aiyer & Co.

Chartered Accountants

Coimbatore

### SHARE TRANSFER AGENT

M/s. SKDC Consultants Ltd

Kanapathy Towers

3<sup>rd</sup> Floor, 1391/A-1 Sathy Road

Ganapathy, Coimbatore - 641 006

### REGISTERED OFFICE

252, Mettupalayam Road

Coimbatore - 641 043. Tamilnadu

Phone : 91-422-2435555

Fax : 91-422-2434446

E-mail : afl@vsnl.com

### TEXTILE DIVISION

#### Spinning Unit - I

Velvarkottai Village

Dindigul District - 624 803

Tamilnadu

#### Spinning Unit - II

Kodangipalayam Village

Karadivavi Road

Paruvai (P.O), Coimbatore District

Tamil Nadu.

#### Knitting Unit

Kodangipalayam Village

Karadivavi Road

Paruvai (P.O), Coimbatore District

Tamil Nadu.

#### Garment Unit

Kodangipalayam Village

Karadivavi Road

Paruvai (P.O), Coimbatore District

Tamil Nadu.

### WIND MILL DIVISION

Munduvlampatti Village

Erode District

Tamilnadu

Gudimangalam, Athukinathupatti and

Uthukuli Villages

Coimbatore District

Tamilnadu

Sanganeri

Tirunelveli District

Tamilnadu



## CONTENTS

Notice to Shareholders .....	3
Director's Report .....	8
Annexure to Director's Report .....	11
Corporate Governance .....	14
Management Discussion and Analysis .....	19
Auditors' Certificate on Corporate Governance .....	20
Auditor's Report .....	21
Balance Sheet .....	24
Profit and Loss Account .....	25
Cash Flow Statement .....	27
Schedules .....	28
Balance Sheet Abstract .....	49
Key Financial Data .....	50

## NOTICE TO SHAREHOLDERS

**NOTICE** is hereby given that the **29<sup>th</sup>** Annual General Meeting of the Members of the Company will be held at Nani Kalaiarangam, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore – 641 037 on the 20<sup>th</sup> day of September 2010 at 9.15 AM to transact the business set out in the agenda given below:

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

## AGENDA

### ORDINARY BUSINESSES

1. To receive and adopt the Balance Sheet as at 31<sup>st</sup> March, 2010 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 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 Palaniswami, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Sri C S K Prabhu, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESSES

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

**RESOLVED** that Under Section 314(1)(b) and other applicable provisions of the Companies Act, 1956, approval of shareholders be and is hereby accorded to the Board of Directors, for their appointment of Smt A Lalitha as Chief Executive of YESWE CREATIONS (Garments Division of the Company) with effect from 02.11.2009, and to carry on the day-to-day operation and administration of the Garments Division, subject to the superintendence, control and direction of the Managing Director of the Company and that Smt A Lalitha be paid Rs.45,000/- per mensem, with effect from 01.04.2010, as remuneration for the services rendered to the Company.

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

**RESOLVED** that pursuant to Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the approval of the shareholders be and is hereby accorded to the Board of Directors for appointment and payment of remuneration to Sri S V Alagappan, Managing Director with effect from 27.06.2010 for a further period of 5 years, as detailed below:

**SALARY** : Rs.3,00,000/- per month (Rupees Three Lakhs only).

#### PERQUISITES:

- (A) Contribution to Provident Fund to the extent not taxable under the Income Tax Act, 1961.
- (B) Gratuity at the rate of half a month's salary for each completed year of service, payable from the tenure of his first appointment.
- (C) Encashment of leave at the end of the tenure as per the rules of the Company.

#### OTHER PERQUISITES:

As may be decided by the Board of Directors payable in cash or kind for aggregate value not exceeding annual salary.



If in any Financial Year, the perquisites stated above are not availed in full, the unavailed portion thereof may be encashed at the end of the year or carried over to be availed in any subsequent year or at the end of the term, either by encashment or by availing of the perquisite.

**COMMISSION:**

3% of the Net Profits of the Company, subject to the maximum ceiling specified in Section I of Part II of Schedule XIII to the Companies Act, 1956.

**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 Class 1(A) of Section II of Part II in Schedule XIII of the Companies Act, 1956.

**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 15.09.2010 to 20.09.2010 (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 20.09.2010. 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 14.09.2010.
5. The Company has transferred unclaimed dividends upto the financial year ended 31.12.2001 to General Revenue Account/Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year ended 31.03.2003 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. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business under items 7 and 8 of the Agenda is annexed.
7. Members are requested to bring their copy of the Annual Report along with them to the meeting.

Coimbatore  
27<sup>th</sup> May, 2010

By Order of the Board  
**S V BALASUBRAMANIAM**  
CHAIRMAN

## EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

### Item No.7:

Smt A Lalitha, was appointed, by the Board of Directors, as Chief Executive of Garments Division of the Company named as YESWE CREATIONS with effect from 02.11.2009 to carry on the day-to-day operation and administration of the Garments Division, subject to the superintendence, control and direction of the Managing Director of the Company on a monthly remuneration of Rs.45,000/- with effect from 01.04.2010 subject to the approval of shareholders. Smt A Lalitha looks after the day to day affairs of the Garments Division of the Company.

A suitable resolution for the approval of the aforesaid appointment and payment of remuneration is placed before the shareholders for their approval.

None of the Directors except Sri S V Alagappan, Managing Director is interested in the aforesaid resolution as a relative.

### Item No.8:

The term of office of Sri S V Alagappan, Managing Director of the Company will expire on 26.06.2010. He is associated with the Textile Industry for about 25 years. Under his stewardship, the Company has grown from strength to strength and has achieved the status of one of the most reputed Companies in the textile industry. Considering the increase in the volume of business, duties and responsibilities on account of the implementation of the expansion and modernisation projects and the commendable performance achieved by the Company during his present tenure, the Board of Directors have proposed to re-appoint Sri S V Alagappan as Managing Director and to increase the remuneration payable to him, with effect from 27.06.2010, for further period of 5 years. The aforesaid re-appointment and increase in remuneration was approved by the Remuneration committee at its meeting held on 25.05.2010.

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 the Notice required under Section 302 of the Companies Act, 1956.

The remuneration proposed is within the limits prescribed in Schedule XIII of the Companies Act, 1956.

Necessary resolutions are placed before the Members for their approval.

None of the Directors except Sri S V Balasubramaniam, Sri S V Alagappan (the appointee), and Sri S V Arumugam is interested in this item of the Agenda.

Coimbatore  
27<sup>th</sup> May, 2010

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.

I.	1	Name	:	<b>Sri S V Alagappan</b>
	2	Age	:	69 Years
	3	Qualification	:	B.Com., B.L
	4	Date of Appointment	:	27.06.2005
	5	Experience	:	He has more than 25 years of experience in Textile Industry.
	6	Other Directorships	:	Annamallai Infrastructures Limited Bannari Amman Enterprises Limited Bannari Amman Exports Limited Bannari Amman Spinning Mills limited Bannari Amman Sugars Limited Bannariamman Finance Limited Bannari Amman Flour Mill Limited Kerala Alcoholic Products Limited Shiva Cargo Movers Limited Shiva Distilleries Limited Madras Sugars Limited Anamallais Agencies Private Limited Anamallais Automobiles Private Limited Annamallai Enterprise Private Limited Annamallai Estates Private Limited Annamallai Retreading Company Private Limited Bannari Amman Apparel Private Limited Bannari Amman Infrastructures Private Limited Bannari Techno Park Private Limited Kwality Clothes Private Limited Sakthi Murugan Transports Private Limited Shiva Automobiles Private Limited Vedanayagam Hospital Private Limited
	7	Member of Committee	:	Share Transfer Committee - Member
	8	Member of Committee in other Public Limited Companies	:	Bannari Amman Sugars Limited: Share Transfer Committee - Member
	9	Number of Shares held in the Company	:	19,200
II.	1	Name	:	<b>Sri S K Sundararaman</b>
	2	Age	:	36 Years
	3	Qualification	:	M B A
	4	Date of Appointment	:	15.05.2006
	5	Experience	:	He has more than 10 years of experience in Industry/Business
	6	Other Directorships	:	Bannari Amman Spinning Mills Limited Bannari Infotech Private Limited
	7	Member of Committee	:	Audit Committee - Member
	8	Member of Committees in other Public Limited Companies	:	Nil
	9	Number of Shares held in the Company	:	900

III.	1	Name	:	<b>Sri S Palaniswami</b>
	2	Age	:	66 years
	3	Qualification	:	B.E Electrical Engineering
	4	Date of Appointment	:	28.12.2005
	5	Experience	:	He has more than 30 years of experience in the field of Vertical Transportation Elevators, Escalators and allied products.
	6	Other Directorships	:	Bannari Amman Spinning Mills Limited
	7	Member of Committee	:	Audit Committee - Member Remuneration Committee - Member
	8	Member of Committees in other Public Limited Companies	:	Bannari Amman Spinning Mills Limited : Audit Committee - Member
	9	Number of Shares held in the Company	:	Nil
IV.	1	Name	:	<b>Sri C S K Prabhu</b>
	2	Age	:	55 Years
	3	Qualification	:	B.Com., FCA
	4	Date of Appointment	:	26.05.2008
	5	Experience	:	He has more than 30 years of experience in Audit Profession
	6	Other Directorships	:	Bannari Amman Spinning Mills Limited Super Spinning Mills Limited Kakatiya Textile Limited Scientific Fertilizer Company Private Limited
	7	Member of Committee	:	Audit Committee- Member
	8	Member of Committee in other Public Limited Companies	:	Super Spinning Mills Limited : Audit Committee - Chairman Remuneration Committee - Chairman Investor's Grievance Committee - Member Kakatiya Textiles Limited : Audit Committee - Member Remuneration Committee - Member Investor's Grievance Committee - Member Bannari Amman Spinning Mills Limited : Audit Committee - Chairman Remuneration Committee - Member Investor's Grievance Committee - Member
	9	Number of Shares held in the Company	:	Nil

Coimbatore  
27<sup>th</sup> May, 2010

By Order of the Board  
**S V BALASUBRAMANIAM**  
CHAIRMAN





## REVIEW OF OPERATIONS

Your Directors report that though the Company's performance in terms of production and sales of Cotton Yarn and Fabric has improved considerably, there is only a marginal increase in net profit for the year due to higher outlay for Power cost, Interest on loans and Depreciation charge on account of commissioning of new Spinning Unit.

Division wise review of performance of the Company is furnished below:

### Textile Division

The textile mills produced 12574.49 tonnes (6143.78 tonnes) of yarn and sold 12665.36 tonnes (7064.92 tonnes) of yarn. The sales include 2063.83 tonnes (1845.87 tonnes) by way of export including Merchant Export. During the year, the Company has exported Waste Cotton also to an extent of 822.38 tonnes (Nil) amounting to Rs.444.58 lakhs (Nil). The total sales of the Spinning division aggregated to Rs.17935.41 lakhs (Rs.9317.98 lakhs) of which export sales including waste cotton export amounted to Rs.3152.29 lakhs (Rs.2085.70 lakhs) constituting 17.58% of the total revenue.

The profits of the Textile units were affected for a major part of the year due to increase in cotton prices, increase in power cost and frequent shut down measures imposed by TNEB and increase in other operating costs. The adverse impact of the above increase in costs was to some extent offset by increase in Yarn prices witnessed in the last quarter of the financial year. Moreover the installation of expanded spinning capacity of 50,400 spindles at Unit-II was completed only in the last quarter. Hence profitability from the textile division did not improve significantly during the current year, in tune with increase in turnover.

The capacity of the knitting division was increased by the addition of 22 knitting machines which helped in value addition. During the year the knitting division produced 1668.42 tonnes of fabric (128.09 tonnes) and sold 1667.78 tonnes (128.09 tonnes) including 71.224 tonnes (Nil) by way of export. The newly started garment division under the name "YESWE CREATIONS" also contributed to the revenue with the value added products.

### Wind Mill Division

The Wind Mills, with an installed capacity of 16.795 MW, produced 246.18 lakh units of Wind Electricity as against 211.59 lakh units in last year. At the beginning of the year, windmills with a capacity 3.15 MW were under captive use category out of the 16.795 MW capacity. During the course of the year windmills with an aggregate capacity of 13.195 MW were also shifted to captive use category in stages. Hence, Power sold to TNEB was lower at 110.25 lakh units (154.57 lakh units) which reduced the sales revenue to Rs.303.20 lakhs (Rs.425.07 lakhs).

## PROSPECTS FOR THE CURRENT YEAR 2010-2011

### Textile Division

The Spinning unit I with 39072 spindles capacity has reached optimum production level. The Unit II near Coimbatore has capacity of 50,400 spindles and is expected to reach optimum capacity utilisation from the first quarter of 2010-11 onwards. The Knitting division with capacity to produce about 12 MT of knitted fabric is expected to contribute to the overall improvement in performance of the Company. The Garmenting division has also stabilized its operations. Hence, the full benefit of the expanded capacity in spinning, knitting and garmenting will be derived in the ensuing year. The improvement in demand for Textile products in both domestic and export markets augurs well for the Company.

In order to control the spiraling Cotton & Yarn prices, the Government has suspended export of Cotton and Waste Cotton and also made registration of export contract with the Office of the Textile Commissioner mandatory in respect of cotton yarn. These measures are expected to stabilize the Cotton and Yarn prices in the coming months.

Four Wind turbines with an aggregate capacity of 5.75MW to augment windmill capacity further have been installed and will be operational in the first quarter. The generation from the new windmills will be captively consumed by the textile divisions improving the profitability.