

31<sup>st</sup>  
ANNUAL  
REPORT  
2012



**SHIVA TEXTYARN LIMITED**



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## IMPORTANT COMMUNICATION

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued a circular clarifying that the companies would be in compliance of Section 219(1) of Companies Act 1956 in case copy of notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc is sent by electronic mail to its members. Hence, members who have not registered their e-mail addresses so far are requested to register their e-mail addresses with the depository through their Depository Participants to enable the company to send the notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc. through e-mail. Members who hold shares in physical form are requested to register their e-mail address with the Registrar and Share Transfer Agent viz. SKDC CONSULTANTS LIMITED, COIMBATORE.

**BOARD OF DIRECTORS**

Sri S V Alagappan	Chairman & Managing Director
Sri S V Arumugam	
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	

**AUDITORS**

M/s. V K S Aiyer & Co.  
Chartered Accountants  
Coimbatore - 641 045

**INTERNAL AUDITORS**

M/s Srivatsan & Gita  
Chartered Accountants  
Coimbatore - 641 018

**COST AUDITOR**

Sri M Nagarajan  
Cost Accountant  
Coimbatore - 641 018

**REGISTERED OFFICE**

252, Mettupalayam Road  
Coimbatore - 641 043.  
Tamilnadu  
Phone : 91-422-2435555  
Fax : 91-422-2434446  
E-mail : shares@shivatex.co.in

**COMPANY SECRETARY**

Mrs M Shyamala

**BANKERS**

Canara Bank  
Indian Overseas Bank  
ICICI Bank Ltd  
UCO Bank  
State Bank of Hyderabad  
Bank of Maharashtra  
Bank of Baroda  
Allahabad Bank

**SHARE TRANSFER AGENT**

M/s. SKDC Consultants Ltd  
Kanapathy Towers  
3<sup>rd</sup> Floor, 1391/A-1 Sathy Road  
Ganapathy, Coimbatore - 641 006



## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of the Company will be held at Nani Kalai Arangam, Mani High Secondary School, Pappanaickenpalayam, Coimbatore - 641 037 on the 24<sup>th</sup> day of September 2012 at 10.15 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, 2012 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 appoint a Director in the place of Sri S V Arumugam, who retires by rotation and being eligible, offers himself for re-appointment.
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 Marusamy, 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 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 for appointment of Sri S K Sundararaman, as Executive Director with effect from 13.8.2012 for a period of 5 years and for remuneration payable to him as detailed below:

**SALARY :** Rs.2,00,000/- per month (Rupees Two 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.
- (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 of a 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:**

2% 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 Executive 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 clause 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 18.9.2012 to 24.9.2012 (both days inclusive).
4. The Company has transferred unclaimed dividends upto the financial year ended 31.3.2004 to General Revenue Account/Investor Education and Protection Fund of the Central Government. The dividend declared for the financial year ended 31.3.2005 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.
5. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business under item 6 is annexed.
6. Members are requested to bring their copy of the Annual Report along with them to the meeting.

Coimbatore  
13<sup>th</sup> August, 2012

By Order of the Board  
**S V ALAGAPPAN**  
**CHAIRMAN & MANAGING DIRECTOR**



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

**Item No.6**

Sri S K Sundararaman, Director of the company is associated with the Textile Industry for about 12 years, and holding MBA from Cambridge University, United Kingdom. Considering his educational and technical background the Board of Directors have proposed to appoint Sri S K Sundararaman as Executive Director with the aforementioned remuneration payable to him, with effect from 13.8.2012 for a period of 5 years.

The aforesaid appointment and remuneration was approved by the Remuneration Committee at its meeting held on 6.8.2012.

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 K Sundararaman, Director is interested in this item of the Agenda.

Coimbatore  
13<sup>th</sup> August, 2012

By Order of the Board  
**S V ALAGAPPAN**  
**CHAIRMAN & MANAGING DIRECTOR**

## 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	:	Sri S V Arumugam
	2	Age	:	63 Years
	3	Qualification	:	B.Sc., ACA
	4	Date of Appointment	:	28.5.1980
	5	Experience	:	He has more than 38 years of experience in Industry/Business
	6	Other Directorships	:	Annamallai Infrastructures Limited Bannari Amman Flour Mill Limited Bannari Amman Spinning Mills Limited Bannari Amman Sugars Limited Madras Sugars Limited Sakthi Murugan Transports Limited SIMA Textile Processing Centre Limited Apptex Manpower Development Services Limited The Cotton Textiles Export Promotion Council Confederation of Indian Textile Industry Anamallais Agencies Private Limited Anamallais Automobiles Private Limited Anamallais Motors Private Limited Bannari Amman Apparel Private Limited Bannari Techno Park Private Limited Kwality Clothes Private Limited Murugan Enterprise Private Limited Senthil Infrastructure Private Limited Vedanayagam Enterprises Private Limited
	7	Member of Committee	:	Investor's Grievance Committee - Member
	8	Member of Committees in other Public Limited Companies	:	<b>Bannari Amman Sugars Limited</b> Audit Committee - Member Shareholders Committee - Chairman
	9	Number of Shares held in the Company:	:	NIL



II.	1	Name	:	Sri S K Sundararaman
	2	Age	:	39 years
	3	Qualification	:	M B A
	4	Date of Appointment	:	15.5.2006
	5	Experience	:	He has more than 13 years of experience in Industry/ Business
	6	Other Directorships	:	Bannari Amman Spinning Mills Limited S K S Agencies Limited Vedanayagam Hospital Limited Abirami Ecoplast Private Limited Sundar Ram Enterprise Private Limited
	7	Member of Committee	:	Audit Committee - Member
	8	Member of Committees in other Public Limited Companies	:	<b>Bannari Amman Spinning Mills Limited</b> Investors Grievance Committee - Member
	9	Number of Shares held in the Company :		900
III.	1	Name	:	Sri S Marusamy
	2	Age	:	67 Years
	3	Date of Appointment	:	22.8.2006
	4	Experience	:	He has more than 33 years of experience in agro processing and transport agency business.
	5	Other Directorships	:	M S S Realtors Private Limited
	6	Member of Committee	:	Nil
	7	Member of Committee in other Public Limited Companies	:	Nil
	8	Number of Shares held in the Company :		3283

Coimbatore  
13<sup>th</sup> August, 2012

By Order of the Board  
**S V ALAGAPPAN**  
**CHAIRMAN & MANAGING DIRECTOR**



## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Thirty first Annual Report together with Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2012.

## FINANCIAL RESULTS

		Rs. in lakhs	
		Financial Year	
		2011-2012	2010-2011
<b>Profit before Depreciation</b>		<b>(992.85)</b>	5567.24
Less: Depreciation		<b>1870.32</b>	1765.98
<b>Profit before Tax</b>		<b>(2863.18)</b>	3801.26
Less : Provision for Tax			
- Income Tax	- Current year	<b>0.00</b>	726.44
	Prior year	<b>0.00</b>	85.81
- Wealth Tax	- Current year	<b>0.00</b>	0.00
	Prior year	<b>0.00</b>	2.22
- Deferred Tax	- Current year	<b>(920.83)</b>	1046.01
- MAT Credit Entitlement	- Current year	<b>0.00</b>	(719.70)
<b>Profit after Tax</b>		<b>(1942.35)</b>	2660.48
Add : Surplus brought forward from last year		<b>327.74</b>	43.90
Amount available for appropriation		<b>(1614.61)</b>	<b>2704.38</b>
<b>Appropriations :</b>			
Provision for Equity Dividend		<b>0.00</b>	324.07
Provision for Tax on Dividend		<b>0.00</b>	52.57
Transfer to General Reserve		<b>0.00</b>	2000.00
Surplus carried over to Balance Sheet		<b>0.00</b>	327.74
<b>T O T A L</b>		<b>(1614.61)</b>	<b>2704.38</b>

## DIVIDEND

Your Directors regret to inform that no dividend has been proposed for the current year (last year Rs.376.64 lakhs including Distribution Tax on Corporate Dividend) as the Company has incurred loss due to external factors .



## REVIEW OF OPERATIONS

During the year under review, the textile mills produced 13280.94 tonnes (19066.18 tonnes) of yarn and sold 10194.43 tonnes (18516.40 tonnes) of yarn. The sales include 4317.22 tonnes (4031.09 tonnes) amounting to Rs.8530.92 lakhs (Rs.8111.76 lakhs) by way of export of yarn including Merchant Export. During the year, the Company exported Waste Cotton to an extent of 1038.70 tonnes (1088.81 tonnes) amounting to Rs.795.55 lakhs (Rs.487.70 Lakhs). The total sales of the Spinning Division aggregated to Rs.30116.59 lakhs (Rs.37729.60 lakhs) of which export sales including waste cotton export amounted to Rs.9326.47 lakhs (Rs.8599.46 lakhs) constituting 30.96% (22.84%) of the total revenue.

The Knitting Division with 41 knitting machines produced 1355.56 tonnes of fabric (2101.31 tonnes) and sold 967.99 tonnes (2054.87 tonnes) including 387.91 tonnes (269.36 tonnes) by way of export. The Garment Division produced 516288 pieces (423603 pieces) of Garments and contributed revenue of Rs.1665.44 Lakhs (Rs.1571.41 Lakhs)

The Wind Mills, with an installed capacity of 28.795 produced 419.03 lakh units of Wind Electricity as against 436.78 lakh units (28.345 MW) in the last year. Two Wind Mills with a capacity of 0.45 MW which were under sale to Tamil Nadu Electricity Board category, has been shifted to Captive use category during the course of the year, as a result of which the entire power generation by Wind Mills is utilized for captive consumption.

Your Directors report that the performance of the textile spinning units was impacted seriously due to various adverse factors which affected the textile industry. The prices of cotton (raw material) witnessed a wild fluctuation in the cotton season 2010-11. Frequent changes in the policies of the Central Government on yarn export and also export of cotton, had adverse effect on price realized by sale of yarn and also on the prices of raw materials. The severe economic crisis and recession in the overseas market had adverse impact on producers of garments, resulting in subdued demand for yarn in the domestic market. Consequently the yarn and the fabric produced by the textile units out of high priced cotton was sold at a loss during the first six months of the financial year 2011-12. Even though the prices of cotton decreased substantially, during the second half of the year, the Company could not recover the losses in full.

The restriction and control measures of Tamil Nadu Electricity Generation and Distribution Company (TANGEDCO) also caused disruption in production, affecting the utilization and efficiency of spinning production. The spinning units were to operate at a higher power cost by purchase of power at a higher price from third party.

Hence the Textile Units incurred cash loss on account of reasons described above. In spite of cash loss suffered, the Company honoured all financial commitments in time for servicing of term loans, by tight control on working capital.

## PROSPECTS FOR THE CURRENT YEAR 2012 - 2013

The Spinning units with an aggregate capacity of 89472 spindles have reached optimum production level. The scope for increasing capacity utilization in Knitting division is being explored to maximise profits from the division. The Garmenting Division has stabilized the operations and the volume of business is likely to further increase during the current year.