



56th
ANNUAL REPORT
2002 - 2003



SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED
SATHYAMANGALAM 638 402



SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED

Board of Directors

Sri. R. DORAISWAMI
(Chairman)

Sri. D. LAKSHMINARAYANASWAMY
(Managing Director)

Sri L. DAMODARASWAMY

Sri N. JOTHIKUMAR

Sri R. NARAYANAMURTHY

Sri R. RADHAKRISHNAN

Sri R. RAMDAS

(Nominee Director - IDBI)

Vice-President, (Planning & Finance)

Sri N. NARASIMHALU

Internal Auditor

Smt SHASHIREKHA VENKATESH

Auditors

M/s. M. S. JAGANNATHAN & VISVANATHAN
COIMBATORE.

Bankers

INDIAN BANK

INDIAN OVERSEAS BANK

STATE BANK OF HYDERABAD

STATE BANK OF TRAVANCORE

BANK OF BARODA

THE SOUTH INDIAN BANK LTD.

Registered Office

No.3, Bhavani River Street

Ariappampalayam

Sathyamangalam - 638 402

Phone /Fax : 04295-220681

E-mail: srmc@vsnl.com

Mills

1. COIMBATORE

2. NAGARI (A.P.)

3. SATHYAMANGALAM

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SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED

NOTICE OF THE 56th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 56th Annual General Meeting of the Company will be held at the Registered Office of the Company at No.3, Bhavani River Street, Ariappampalayam, Sathyamangalam - 638 402 on Friday, the 23rd January 2004 at 9.30 a.m. to consider the following Agenda. All the members of the Company are requested to attend the same.

A G E N D A

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the audited Profit and Loss Account for the year ended 30th September, 2003, the audited Balance Sheet as at that date and the Auditors' Report thereon.
2. To elect a Director in the place of Sri L. Damodaraswamy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To appoint Sri R. Narayanamurthy, a Director of the Company, who vacates his office at this Annual General Meeting and, if thought fit, to pass with or without modification the following ordinary resolution for which the prescribed notice has been received by the Company.

"RESOLVED that Sri R. Narayanamurthy, a Director, who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 28-04-2003 and who holds office as such upto the date of the ensuing Annual General Meeting and in respect of whom a notice under Sec. 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Sri R. Narayanamurthy as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

5. To appoint Sri R. Radhakrishnan, a Director of the Company, who vacates his office at this Annual General Meeting and, if thought fit, to pass with or without modification the following ordinary resolution for which the prescribed notice has been received by the Company.

"RESOLVED that Sri R. Radhakrishnan, a Director, who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 28-04-2003 and who holds office as such upto the date of the ensuing Annual General Meeting and in respect of whom a notice under Sec. 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Sri R. Radhakrishnan as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

6. To consider and, if thought fit, to pass with or without modification the following resolution as a special resolution.

"RESOLVED that subject to the SEBI Guidelines on delisting dated 17-02-2003, approval be and is hereby accorded for delisting of the Company's Shares from Madras and Coimbatore Stock Exchanges."

EXPLANATORY STATEMENT PURSUANT TO SEC.173 OF THE COMPANIES ACT, 1956.

Item No.4 & 5 of the Agenda

Sri R. Narayanamurthy and Sri R. Radhakrishnan who were appointed as additional Directors with effect from 28-04-2003 vacate their office at this Annual General Meeting pursuant to Sec. 260 of the Companies Act, 1956. Notices have been received from members under Section 257 of the said Act, along with the requisite fee, signifying their intention to propose the names of Sri R. Narayanamurthy and Sri R. Radhakrishnan as Directors of the Company.

Sri R. Narayanamurthy and Sri R. Radhakrishnan have already filed with the Company their consent to act as Directors. In terms of Clause 49 of the Listing Agreement on Corporate Governance Sri R. Narayanamurthy and Sri R. Radhakrishnan are independent directors.

None of the Directors of the Company except Sri R. Narayanamurthy and Sri R. Radhakrishnan, directors of the company are interested in the resolution.

Item No.6 of the Agenda

SEBI has now notified fresh guidelines for voluntary delisting of shares by companies which provide for the following conditions

- i) Shares should continue to be listed on National Stock Exchange (NSE)/The Stock Exchange, Mumbai (BSE) having nationwide trading terminals.
- ii) To obtain prior approval of the shareholders by a special resolution.

As the shares of the Company are actively traded at BSE, having nation-wide trading terminals, it is proposed to delist the shares from Madras and Coimbatore Stock Exchanges, where no trading takes place.

The proposal is now being placed for the approval of the shareholders as a special resolution.

None of the directors of the Company is concerned or interested in the resolution.

GANAPATHY
COIMBATORE 641 006
12-12-2003

By Order of the Board
For Sri Ramakrishna Mills (Coimbatore) Ltd
(Sd/-) D. LAKSHMINARAYANASWAMY
Managing Director

NOTE :

1. Every member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
2. Pursuant to Section 205A of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1999, all unclaimed dividends shall be transferred to the "Investor Education and Protection Fund" of the Central Government after a period of 7 years from the date of declaration. It may be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim can be made thereof.
Members who have not encashed dividend warrant(s) so far for the financial year ended 31.3.97 or any subsequent financial year are requested to make their claim to the Company.
3. The Register of Members of the company will remain closed from 20.01.2004 to 23.01.2004 (both days inclusive).
4. Members desirous of making a nomination in respect of their shareholding in the company as permitted under Sec. 109A of the Companies Act, 1956 are requested to submit the prescribed Form 2B for this purpose to the Company.
5. Members holding shares in physical form are requested to intimate their change of address if any, to the Company's Security Transfer Agents, M/s. S.K.D.C. Consultants Ltd., P.B. No. 2979, No.11, Seth Narayandoss Layout, Street No.1, (West Power House Road), Coimbatore - 641 012 quoting their respective folio numbers.
Members holding shares in Demat form are requested to intimate their change of address if any, to the concerned Depository Participant where they have Demat Account.
6. The company's ISIN No. is INE306D01017.

SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED**REPORT OF THE DIRECTORS TO THE SHAREHOLDERS**

Ladies and Gentlemen,

Your Directors submit the following report on the working of the company for the year ended 30.9.2003.

After meeting all working expenses, interest, repairs to machinery and buildings the working results of the company are as follows:

FINANCIAL RESULTS:

	Year ended 30-9-2003 (12 months) Rs.	Period ended 30-9-2002 (18 months) Rs.
Gross Loss	8,67,10,524	11,55,15,643
ADD:		
Provision for Bonus	39,46,302	61,36,512
Managerial remuneration	15,05,920	24,76,635
Depreciation	2,35,29,712	2,94,52,021
Net Loss for the year	11,56,92,458	15,35,80,811
Adding thereto the following payments:		
Donations	7,600	25,100
Prior year Bonus	16,18,544	24,96,438
Prior year expenses	14,53,111	17,318
Income-tax of prior years	21,58,178	----
	12,09,29,891	15,61,19,667
DEDUCT:		
Prior year income	----	15,71,770
Liabilities/Excess provision treated as profit	6,894	----
Investment Allowance Reserve Trfd	----	93,65,000
Investment Allowance (utilised) Reserve Trfd	----	88,31,000
Trfd from Central Investment Subsidy	----	15,00,000
Trfd from State Genset Subsidy	----	3,58,000
Trfd from Debenture Redemption Reserve	----	2,50,00,000
Depreciation Written Back	----	2,08,63,033
Deferred Tax Asset	1,22,35,964	6,21,09,245
Balance of Loss	10,86,87,033	2,65,21,619

The above Loss has been carried over to be set off against future Profits.

PERFORMANCE

During this year also we have been working under tremendous pressure on working capital and escalation in costs. The recession in the industry also continued. The company has endeavoured to take all efforts to reduce the loss incurred during the year.

However, due to loss incurred during the year, the entire networth of the company has been eroded and the company is required to make a reference to the Board for Industrial and Financial Reconstruction (BIFR) for determination of measures for rehabilitation of the Company. The Company had also taken up a Corporate Debt Restructuring Proposal with the Secured Creditors - IDBI and Working Capital Bankers and we are pleased to inform you that the same has been approved by the CDR Empowered Group at their meeting held on 15.09.2003 giving reliefs and concessions in rate of interest, funding of interest and re-schedulement of repayment of loans, etc. which will be implemented during the current year. IDBI has communicated their approval and approvals from banks are expected shortly.

FINANCE

Your Directors acknowledge with gratitude the valuable assistance and support extended by Industrial Development Bank of India and Consortium Banks lead by Indian Bank in finalising a package and getting it approved by the Corporate Debt Restructuring Cell to strengthen the financial position of the company with effect from 01.10.2002. The timely assistance thus rendered will go a long way to ease the financial strain on the company and in improving its working results.

PROSPECTS

The working of the Company during the current year will improve on account of the reliefs and concessions granted under the Corporate Debt Restructuring plan and on account of other cost saving measures taken by the company. In addition, the cotton prices are also softening and there are signs of increase in demand and prices of yarn especially in export sector. With these advantages, the Directors feel that the working results of the company will improve.

REVALUATION OF FIXED ASSETS

The Company has revalued its Buildings, Plant & Machinery as at 30.09.2002 in order to match their values with the market value and it has revalued the Lands as at 30.09.2003 to bring the value of all assets near market values.

DIRECTORS

Sri R. Narayanamurthy and Sri R. Radhakrishnan joined the Board on 28.04.2003 as additional Directors.

Sri L. Damodaraswamy, one of the Directors of the Company retires by rotation at the ensuing Annual General Meeting of the Company. The place so vacated by him has to be filled up in the same meeting. The retiring Director is eligible for re-appointment.

ENERGY CONSERVATION ETC.,

Information relating to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to the Companies (Declaration of Particulars in the Report of Board of Directors) Rules, 1988 are annexed separately and form part of this report.

EMPLOYEES

No employee of the company has drawn salary in excess of Rs. 2,00,000/- per month. Hence the particulars of employees as per Section 217(2A) of the Companies Act, 1956 has not been given.

STATEMENT OF RESPONSIBILITY OF DIRECTORS

As required under section 217 (2AA) of the Companies Act, 1956 your Directors state :

- i) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- ii) that the accounting policies selected and applied are consistent and the judgements and estimates made 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 and of the profit or loss of the company for that period.
- iii) that proper and sufficient care has been taken 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.
- iv) that the annual accounts have been prepared on a going concern basis.

UNCLAIMED DIVIDEND

Unclaimed Dividend pertaining to the year ended 31.03.1996 amounting to Rs.17,296/- has been paid to Investor Education Protection Fund on the due date viz., 6.10.2003, as required.

CORPORATE GOVERNANCE

As per the amended Listing Agreement with the Stock Exchanges, your Company is required to comply with the requirements of Corporate Governance during 2002-2003. Several steps have been already taken by the company in this direction and a separate Report on Corporate Governance is attached to this Report.

SPECIAL RESOLUTIONS

The following Special Resolutions seeking your approval have been included in the Agenda for the ensuing Annual General Meeting:

1. Mr. R. Narayanamurthy and Mr. R. Radhakrishnan were appointed as additional directors by the Board of Directors at their meeting held on 28.04.2003 pursuant to Section 260 of the Companies Act, 1956. Notices have been received from two members under Section 257 of the Act signifying their intention to nominate Mr. R. Narayanamurthy and Mr. R. Radhakrishnan for the office of Directors at the ensuing Annual General Meeting of the Company.
 2. As the shares of the Company are traded at the Stock Exchange, Mumbai, having nation-wide trading terminals, it is proposed to delist the shares from Madras and Coimbatore Stock Exchanges, where no trading takes place. Accordingly the proposal is now being placed for the approval of the shareholders as a Special Resolution.
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SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED

GENERAL

The Auditors of the company M/s. M. S. Jagannathan & Visvanathan retire at the ensuing Annual General Meeting and are eligible for re-appointment at the same meeting.

The cost accounting records maintained by the Company as required under Sec. 209(1)(d) of the Companies Act, 1956 would be audited by M/s. S. Mahadevan & Co., Cost Accountants, duly approved by the Government for the year ended 30-9-2003 to comply with statutory requirements.

Our thanks are due to Indian Bank, Indian Overseas Bank, State Bank of Hyderabad, State Bank of Travancore, Bank of Baroda and South Indian Bank Ltd., and also to Industrial Development Bank of India for their continued support and assistance in meeting our financial needs.

The Directors appreciate the services rendered by the Officers, Staff and the employees of the Company.

We pray for the Grace of Almighty Sri Jaganatha Perumal for the prosperity of the Company.

GANAPATHY
COIMBATORE 641 006
12-12-2003

For the Board of Directors
(Sd.) **R. Doraiswami**
Chairman

ADDENDUM TO DIRECTORS' REPORT

"Regarding the Auditors remarks under item i to vii we have to state that Note Nos. 10(a) to 10(d), 11, 23 and 28(a) of the notes annexed to and forming part of the Balance Sheet are self-explanatory".

GANAPATHY
COIMBATORE 641 006
12-12-2003

For the Board of Directors
(Sd.) **R. Doraiswami**
Chairman

ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- a) Energy Conservation measures taken: None
- b) Additional investments and proposals being implemented for reduction of consumption and consequent impact on cost of production: ...NIL...
- c) Impact of measures (a) and (b) for reduction of energy consumption and consequent impact on cost of production: The Proposals implemented in the earlier years are being closely monitored.
- d) Total energy consumption and energy consumption per unit of production as prescribed in Form-A.

	Year ended 30-9-2003	Period ended 30-9-2002
(A) Power and Fuel Consumption:		
1. Electricity		
a) Purchased:		
Units (in lakhs)	218.72	331.33
Total amount (Rs.in lakhs)	933.46	1395.40
Rate per Unit (Rs.)	4.27	4.21
b) Own Generation:		
i) Through Diesel Generator		
Units (in lakhs)	3.10	44.24
Units per litre of Diesel Oil	2.79	2.97
Cost / unit (Rs.)	4.99	4.59
ii) Through Steam turbine/Generator	Nil	Nil
2. Coal	Not used	Not used
3. Furnace oil	Not used	Not used
4. Other/internal generation	Nil	Nil
(B) Consumption per unit of production:		
Electricity - Units per kg of yarn	5.29	4.12

B. TECHNOLOGY ABSORPTION

Efforts made in Technology absorption as per Form B:

Indigenous technology alone is used and Research and Development is carried out by a separate Textile Research Association viz. South India Textile Research Association for Textile Units situated in the Southern Region of which the Company is a member.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans:
Presently exporting yarn. Steps are being taken to increase export of yarn further and to explore new markets.
- ii) Total foreign exchange earned and used (excluding on capital goods, components and spares) :
Rs.
Earned :
 Export of yarn - in foreign exchange (FOB) 10,79,95,106
Used :
 a) Expenditure in Foreign Currency on account of :
 Commission on sales 5,40,170
 Travel 2,16,053
 b) Value of imports calculated on CIF basis :
 Capital Goods 18,13,044
 Raw material 1,54,37,302

GANAPATHY
COIMBATORE 641 006
12-12-2003

For the Board of Directors
(Sd.) R. Doraiswami
Chairman

SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

Industry Structure and Development :

The Spinning industry is fragmented and competitive, with the presence of a large number of players in the organised and unorganised sector.

Domestic over-capacity resulting in strong competition in the domestic and export markets has caused continuous recession in the textile industry in India over the last 5 years.

As Raw-Cotton is the main raw-material for the industry, which could be grown to meet the domestic demand fully in India, we will be internationally competitive in selling our products of yarn.

Opportunities and Threats :

With the company's installed capacity of capable of producing and selling market required products, company is expected to benefit from the same and by increasing its exports.

Segmentwise or Productwise Performance :

The company's products fall broadly in the same segment. The company continues to hold a share in the domestic market for yarn.

Outlook/Risks and Concerns :

In spite of the threats listed above, the company considers the outlook favourable because of not only the growing Indian market but also the strengthening of India as a strong global player in textiles.

Internal Control Systems and Procedures :

The Company has strong internal control systems, commensurate with its size in all financial and functional areas.

Performance of the Company :

Due to the recession prevailing in textile industry for the 5th year in succession, we have faced serious financial problems and on account of the steps taken by Management to correct the situation and by availing the reliefs and concessions under Corporate Debt Restructuring scheme approved by CDR Forum, there will be reduction in interest and other costs as compared to previous years, which will result in improvement of Company's working results in future.

Material Development in human Resources/Industrial relations front including number of employees employed :

The company believes that human resources and industrial relations are at the core of its business strategy. The company is constantly upgrading of work assignments and proposes to implement rationalisation of labour to reduce its cost as part of its Corporate Debt Restructuring Proposal.

CORPORATE GOVERNANCE**Company's Philosophy on Code of Governance :**

Sri Ramakrishna Mills believes that good corporate governance is essential to achieve long term corporate goals and enhance shareholders value. At Ramakrishna Mills the pursuit of perfection is an ongoing process enabling it to look back with immense satisfaction on its past achievements and look forward with confidence to a promising future, though it may be challenging. This is done with the sole view to enhance stakeholders value.

The report on corporate governance is divided into five parts :

- I. Board of Directors
- II. Remuneration of Directors
- III. Committees of the Board
- IV. Shareholder Information
- V. Other disclosures

I. Board of Directors :

The company has a combination of executive and non-executive directors. The Board is headed by an executive Chairman and ably supported by Managing Director and independent non-executive directors including a nominee director representing IDBI.

The table below give the particulars of attendance of each director at the Board Meetings held during the financial year and during the tenure and at the last AGM as also the number of directorships in other companies and memberships in other Board Committees.

Name of the Director	Position	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships in other companies	No. of Membership in Board Committee of other companies
(1)	(2)	(3)	(4)	(5)	(6)
Sri R Doraiswami	Executive - Chairman	3	Present	02	Nil
Sri D Lakshmi - narayanaswamy	Executive - Managing Director	4	Present	07	Nil
Sri L Damodaraswamy	Non-Executive - Independent	4	Present	01	Nil
Sri N Jothikumar	"	4	Present	01	Nil
Sri G R Karthikeyan*	"	-	No	03	Nil
Sri R Narayanamurthy	"	2	Appointed w.e.f. 28-4-03	01	Nil
Sri R Radhakrishnan	"	2	Appointed w.e.f. 28-4-03	01	Nil
Sri R Ramdas	"	4	Leave applied	01	---

* Sri G R Karthikeyan ceased to be Director on 30.01.2003.

Board Meetings :

From 1.10.02 to 30.09.03 four board meetings held on the following dates :

15.11.2002, 30.01.2003, 28.04.2003 and 31.07.2003.

As required under Clause 49 XI(A), particulars of directors seeking appointments/re-appointments is given in the explanatory statement in the Notice for the Annual General meeting to be held on 23.01.2004.

II. Remuneration of Directors :

The Chairman and the Managing Director are paid salary as approved by the Remuneration Committee and approved by the Shareholders/Central Government wherever necessary. No sitting fee has been paid to them.

III. Committees of the Board :

Remuneration Committee constituted on 28.04.2003 consists of the following members:

1. Sri L Damodaraswamy - Chairman
2. Sri N Jothikumar - Member
3. Sri R Narayanamurthy * - Member

*Appointed on 28.04.2003

The Remuneration Committee has been formed to determine the remuneration packages for Chairman and Managing Director subject to the approval of the shareholders and the Central Government, wherever applicable.

During the year, the Remuneration Committee met once on 28th April 2003.