



59<sup>th</sup>  
ANNUAL REPORT  
2005 - 2006

Report  junction.com

**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

## Company Secretary Cum

Vice-President (Planning & Finance)

Sri N. NARASIMHALU

## Internal Auditor

Smt. SHASHIREKHA VENKATESH

## Auditors

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

## Bankers

INDUSTRIAL DEVELOPMENT BANK OF INDIA LTD.  
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 : 04295-220681, 0422-2531022

Fax : 04295-220681, 0422-2531579

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 59<sup>th</sup> ANNUAL GENERAL MEETING

NOTICE is hereby given that the 59<sup>th</sup> ANNUAL GENERAL MEETING of the members of SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED will be held on Monday, 18<sup>th</sup> September 2006 at 10:00 A.M. at No. 3, Bhavani River Street, Ariappampalayam, Sathyamangalam - 638402 Erode District to transact the following business:

### ORDINARY BUSINESS:

- To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Account of the Company for the year ended on that date and the Report of the Director's and Auditor's thereon.
- To appoint Mr. R Radhakrishnan as a Director, who retires by rotation and being eligible, offers himself for re-appointment.
- 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:

- To Consider and if thought fit, to pass with or without modification(s), the following resolution, as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or enactment thereof for the time being in force) and subject to the provisions in the Memorandum of Association and Articles of Association of the Company and in accordance with the Listing Agreement entered into by the Company with the Bombay Stock Exchange, where the equity shares of the Company are listed, and such approvals, consents, sanctions, and permissions as may be necessary, the Articles of Association of the Company be and is hereby altered in the manner and to the extent as follows:

- New Article No.2B as set out in Annexure "A" accompanying this Notice be and is hereby added after the Existing Article 2A.
- Existing Article No. 3 of the Articles of Association of the Company be and is hereby deleted.
- Existing Article No. 4 to 26 of the Articles of Association be re-numbered as Article nos.3 to 25.
- Amendments proposed in Annexure "B" accompanying this Notice be and are hereby carried out.

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this resolution"

Place : Coimbatore  
Dated : 31<sup>st</sup> July, 2006

For and On Behalf of the Board of Directors  
Sri Ramakrishna Mills (Coimbatore) Limited  
(Sd.) D. LAKSHMINARAYANASWAMY  
Managing Director

### NOTES :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- ANY INSTRUMENT APPOINTING A PROXY OR PROXIES SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special business under item 4 is appended hereto.
- The Register of Members and Share Transfer Books of the Company will remain closed from 13<sup>th</sup> day, September, 2006 to 18<sup>th</sup> day of the September, 2006 (both days inclusive).
- Members/Proxy holders are requested to bring their copies of the Annual Report to the meeting as no further copies would be made available.
- The shareholders are requested to (a) intimate, if shares are held in the same name or in the same order and names, but more than one folio to enable the Company to consolidate the said folios into one folio and (b) notify immediately, any change in their recorded address along with pin code number, to the Registrar & Share Transfer Agent, M/s. SKDC Consultants Limited, No. 11, S. N. Layout, Street No. 1 (West PowerHouse Road), Tatabad, Coimbatore - 641012.
- Members desirous of making nomination in respect of their shareholding in the company as permitted under Section 109A of the Companies Act, 1956 are requested to submit the prescribed Form 2B for this purpose to the Company.
- The company's ISIN No. is INE306D01017
- BRIEF RESUME OF PERSONS PROPOSED TO BE RE-APPOINTED AS DIRECTORS OF THE COMPANY AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT :

Name	Mr. R. Radhakrishnan
Age	63 years
Qualification	L T M
Nature of Expertise	Management of Textile Spinning Mills and in manufacture of Textiles
Experience	More than 40 years
Name of Companies in which also holds Directorship	Sidesen Realtime P.Ltd.
Name of the companies in committees of which also holds Membership / Chairmanship	Also Member of Audit Committee and Remuneration Committee of our company

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

#### Item No. 4:

#### The Company has executed

- a Warrant Subscription Agreement dated July 7, 2006 (the "Subscription Agreement") with Sri D. Lakshminarayanawamy, Sri R. Doraiswami, Smt D. Ranganayakiammal, Smt L. Nagaswami, Ms. L. Suhasini, Ms. L. Swathy, Swathy Processors Limited, Suhasini Spinners Limited, Sri Ramakrishna Yarn Carriers Limited, Sri Jaganatha Textiles Limited, Sri Jaganatha Ginning & Oil Mills, Sri Ranga Enterprises - Firm and Sri Jaganatha Agencies - Firm (the "Promoters") and Clearwater Capital Partners (Cyprus) Limited, a company duly organized and existing under the laws of Cyprus with its principal office at 27 Pindarou Street, Alpha Business Centre, 2nd Floor P.C. 1060, Nicosia, Cyprus (the "Investor"); and
- a Loan Agreement dated July 7, 2006 ("Loan Agreement") with Clearwater Capital Partners India Private Limited, a company incorporated in India under the provisions of the Companies Act, 1956 and having its registered office at 202, 2nd Floor, Central Plaza, 166, CST Road, Kalina, Mumbai 400 098 (the "Lender") and Sri D. Lakshminarayanawamy, Sri R. Doraiswami, Smt D. Ranganayakiammal, Smt L. Nagaswami, Ms. L. Suhasini, Ms. L. Swathy, Swathy Processors Limited, Suhasini Spinners Limited, Sri Ramakrishna Yarn Carriers Limited, Sri Jaganatha Textiles Limited, Sri Jaganatha Ginning & Oil Mills, Sri Ranga Enterprises - Firm and Sri Jaganatha Agencies - Firm (the "Sponsors"). The Subscription Agreement and the Loan Agreement shall hereinafter be collectively referred to as the "Agreements". Under the terms of these Agreements, the Company needs to suitably amend its Articles of Association to provide for the terms and conditions of the Agreements. Hence, it is proposed to amend the Articles by inserting certain provisions, which are set out in "Annexure A" and "Annexure B" hereto. Please note that since the promoters of the Company are also signatories to the Agreements and certain rights and obligations are assumed by them, the Promoter Directors to the extent set out in these new Articles should be deemed to be concerned or interested in this resolution.

In terms of Section 31 of the Companies Act, 1956 any amendment to the Articles of Association requires approval of members by way of a Special Resolution. The Board of Directors therefore recommends this resolution for the approval of members. A copy of the Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at Company's Registered Office situated at No.3, Bhavani River Street Ariappampalayam Sathyamangalam - 638 402

Place : Coimbatore  
Dated : 31<sup>st</sup> July, 2006

For and On Behalf of the Board of Directors  
Sri Ramakrishna Mills (Coimbatore) Limited  
(Sd.) D. LAKSHMINARAYANASWAMY  
Managing Director

## ANNEXURE "A"

Article 2B as referred in Sub- Agenda No. (I) Of Agenda No. 4 of the Notice dated 31<sup>st</sup> July, 2006 convening the Annual General Meeting of the Company.

The following shall be inserted as New Article No. 2B immediately after Article No. 2A of the Articles of Association of the Company:

2B. For the Purpose of this Article, unless otherwise defined herein, all capitalized terms used but not defined herein shall have the same meaning assigned to them as in the Loan Agreement, being the Loan Agreement dated July 7, 2006 executed between the Company, Clearwater Capital Partners India Private Limited, a company incorporated in India under the provisions of the Companies Act, 1956 and having its registered office at 202, 2nd Floor, Central Plaza, 166, CST Road, Kalina, Mumbai 400 098 (the "CCPIPL") and the Sponsors amended, supplemented or replaced or otherwise modified in accordance with the provisions contained therein. a) Notwithstanding anything to the contrary contained in these Articles, as long as any monies remain owing by the Company to CCPIPL out of the loan granted by CCPIPL to the Company,

CCPIPL shall have a right to appoint from time to time any person as a Director, (which Director is hereinafter referred to as "CCPIPL Director") on the Board of the Company and to remove from such office any person so appointed and to appoint any person in his place. The Board of Directors of the Company shall have no power to remove from office the CCPIPL Director. The CCPIPL Director shall not be required to hold qualification shares and not be liable to retire by rotation. Subject to the aforesaid, the CCPIPL Director shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The CCPIPL Director appointed shall be entitled to receive all notices of and attend all general meetings, board meetings of the committee of which the CCPIPL Director is member as also the minutes of such meetings. CCPIPL shall also be entitled to receive all such notices and minutes.

The CCPIPL Director shall be entitled to all the rights and privileges of other directors of the Company, including the sitting fees and expenses as payable to other directors of the Company but, if any other fees, commission, monies or remuneration in any form are payable to other non-executive directors of the Company, the fees, commission, monies and remuneration in relation to such CCPIPL Director shall accrue to CCPIPL and the same shall accordingly be paid by the Company directly to CCPIPL.

Provided that if any such CCPIPL Director is an officer of CCPIPL the sitting fees in relation to such CCPIPL Director shall also accrue to CCPIPL and the same shall accordingly be paid by the Company directly to CCPIPL.

Any expenditure reasonably incurred by CCPIPL or the CCPIPL Director in connection with the appointment or directorship shall be borne by the Company.

The CCPIPL Director shall be a non-executive Director, shall not be responsible for the day-to-day management of the Company, and shall not be liable for any failure by the Company to comply with applicable law. The Company shall nominate directors or persons other than the CCPIPL Director as "persons in charge" as contemplated under applicable law and shall ensure that the CCPIPL Director is not included within the scope of "Officer who is in default" under applicable law.

The Company shall, subject to the terms of its Memorandum and Articles of the Association, and on or before the CCPIPL Director is appointed, obtain director's liability insurance for an amount and on terms satisfactory to CCPIPL. In the event the Company is unable to obtain directors liability insurance, CCPIPL may procure the same and the Company undertakes to reimburse CCPIPL. The Company and the Sponsors hereby agree and undertake to indemnify and keep indemnified the CCPIPL Director against:

- i) any act, omission or conduct of or by the Company, the Sponsors or their employees or agents as a result of which, in whole or in part, any CCPIPL Director is made a party to, or otherwise incurs any loss pursuant to, any action, suit, claim or proceeding arising out of or relating to any such conduct; or
- ii) any action or failure to act undertaken by the CCPIPL Director at the request of or with the consent of the Company or any of the Sponsors; or
- iii) contravention of any law including, without limitation, applicable laws relating to provident fund, gratuity, labour, environment and pollution; and any action or proceedings taken against the CCPIPL Director in connection with any such contravention or alleged contravention. Provided that none of the aforesaid shall be the result of any willful misconduct, collusion or gross negligence on the part of the CCPIPL Director. The CCPIPL Director so appointed shall be a member of the audit sub-committee and other committees of the Board, if so desired by CCPIPL. If at any time the CCPIPL Director is not able to attend a meeting of the Board or any of its committees, of which he is a member, CCPIPL may depute an observer to attend the meeting. The expenses incurred by CCPIPL in this connection shall be borne by the Company. All decisions at any meeting of the Board shall be in accordance with the vote of a simple majority save such decisions regarding the Fundamental Issues which require the affirmative vote of the CCPIPL Director.

Notwithstanding anything contained in these Articles, as long as any monies are due and outstanding to CCPIPL under the Loan Agreement, any decision to be taken at any meeting of the Board of Directors or a committee thereof, as the case may be, in connection with the Fundamental Issues shall require the affirmative vote of the CCPIPL Director.

### b) Management

As long as monies are due and outstanding to CCPIPL from the Company, CCPIPL shall be entitled to, in consultation with the Company, appoint and remove the Chief Financial Officer ("CFO") of the Company. Terms and conditions pertaining to his appointment and remuneration will be as agreed amongst the Company, the CFO and CCPIPL. Unless CCPIPL otherwise agrees, the Company shall not change or remove the CFO or any person, by whatever name called, exercising substantial powers of management of the affairs of the Company at the time of execution of the Loan Agreement.

- c) As long as monies are due and outstanding to CCPIPL from the Company, CCPIPL will have the right to suggest proposals regarding appointments or replacement of key managerial personnel if they feel that the addition of any other key managerial personnel would enhance the performance of the Company, and subject to mutual agreement such appointment or replacements will be decided.

### d) Restriction against Disposal of Shares

- i) Subject to Article 2B (d) (ii) below, the Company shall not recognize or register any transfer of shares in the Company's capital made or to be made, by the Sponsors, save and except any transfer of shares of the Company made amongst the Sponsors and shall not permit to withdraw any monies brought in by principal shareholders/ directors/ depositors except as may be permitted in writing by CCPIPL.
- ii) The Sponsors shall be entitled to effect inter-se transfers amongst the Sponsors provided that prior intimation of all such inter-se transfers have been given to CCPIPL and provided further, such inter-se transfer shall in no way dilute, diminish, jeopardize or otherwise prejudice the rights and remedies of CCPIPL under the Loan Agreement and/or the Finance Documents.

### e) Memorandum of Association

As long as monies are due and outstanding to CCPIPL from the Company, the Company shall not amend, modify or supplement its Memorandum of Association and Articles of Association in any material manner without the prior written consent of CCPIPL, except as provided for in the Loan Agreement.



## SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED

## ANNEXURE "B"

List of the amendments as referred in Sub-Agenda No. (IV) Of Agenda No. 4 of the Notice dated 31<sup>st</sup> July, 2006 convening the Annual General Meeting of the Company.

(I) The following shall be inserted as New Article No. 26 immediately after Article No. 25 of the Articles of Association of the Company:

## ARTICLE 26:

## (1) Overriding effect of this Article

The provisions of this Article 26 shall have full force and effect notwithstanding anything to the contrary contained in these Articles of Association.

## (2) Definitions:

For the Purpose of this Article, unless otherwise defined herein, all capitalized terms shall have the meaning assigned to them in the Subscription Agreement, being the Warrant Subscription Agreement dated July 7, 2006 executed between the Company, the Investor and the Promoters amended, supplemented or replaced or otherwise modified in accordance with the provisions contained therein.

## (3) EXERCISE OF THE INVESTOR WARRANTS

The Investor may exercise the right under the Investor Warrants to acquire the Equity Shares within a period of 18 months from the date of allotment of the Investor Warrants, in accordance with the SEBI DIP Guidelines. The Equity Shares acquired and allotted to the Investor on the exercise of the right under the Investor Warrants shall rank *pari passu* in all respects and identical with the existing Equity Shares with reference to all the rights and benefits including but not limited to voting rights, rights to dividends, stock splits, bonus issuance and rights issuance.

## (4) TRANSFER RESTRICTIONS

- a. The Investor Warrants and the Equity Shares acquired on exercise of the right under the Investor Warrants shall be subject to a lock-in in terms of the SEBI DIP Guidelines.
- b. Subject to Article 26 (4) (e) and the aforesaid lock-in, where the Investor wishes to Transfer the Investor Warrants and/or the Equity Shares acquired on exercise of the right under the said Investor Warrants ("Offer Securities"), the Investor agrees and undertakes to offer the Offer Securities to the Promoters at a price as decided by the Investor ("Offer Price"). The Investor shall send a written notice ("Offer Notice") to the Promoters indicating the total number of Offer Securities that are proposed to be sold, the Offer Price, the name, identity and beneficial ownership of the proposed third party purchaser of such Offer Securities ("Purchaser"), if any, and the terms and conditions of the proposed sale with the Purchaser.
- c. The Promoter(s) shall be entitled to purchase all but not some of the Offer Securities provided they shall communicate their written acceptance within 3 (three) days from the date of receipt of the Offer Notice and complete the sale with payment within a period of 2 days from the date of acceptance of the offer. If such offer is not accepted within the aforesaid period, the Investor shall be free to sell the Offer Securities over the following 60 (sixty) days from the date of refusal at a price no lower than the Offer Price.
- d. The Promoters and the Company shall co-operate completely in such a sale process and the Investor shall be allowed to share confidential information about the Company with the third parties under a confidentiality agreement for the purpose of the transaction.
- e. For the avoidance of doubt, it is clarified that notwithstanding anything to the contrary stated herein, the provisions of Article 26 (4) (a), 26 (4) (b), 26 (c) and 26 (4) (d) shall apply only in respect of the Transfer of the first 1,000,000 Investor Warrants or part thereof and/or the Equity Shares acquired on exercise of the right under the said 1,000,000 Investor Warrants or part thereof.

## (5) INVESTOR PROTECTION RIGHTS:

- a. So long as the Investor holds atleast 10% of the total subscribed equity shareholding of the Company on a Fully-Diluted Basis, the Investor shall be entitled to exercise the following rights:
  - i. Investor Director: Subsequent to the allotment of Investor Warrants, the Investor shall be entitled to nominate 1 member on the Board of Directors. The Promoters agree and undertake to vote to elect the individual nominated. The Investor Director shall not be liable to retire by rotation and shall be entitled to equal rights and privileges including sitting fees and expenses as the remainder of the Board.
  - ii. To recommend an alternate Director in case the Investor Director is absent or fill in the vacancy, if caused, due to the resignation, death or removal of the Investor Director.
  - iii. To recommend the Investor Director to be the member of any committee constituted by the Board.
- b. Meetings of the Board:
  - i. The Board shall meet at least 4 meetings in a Financial Year, and meet at least once every 3 (three) months, in accordance with the provision of the Act. Notice of any meeting of the Board shall be given to each Director, and must specify the date and time of the meeting (which may generally be no earlier than 15 days following the date of the notice) and its location, provided however, that shorter notice of the meeting may be provided with consent of all the Directors in case of emergency. Each notice of a meeting of the Board shall contain, inter alia, an agenda specifying, in reasonable detail, the matters to be discussed at the relevant meeting and shall be accompanied by all necessary written information. The introduction of any matter that was not part of the agenda circulated to the Directors shall require the consent of the Investor Director.
  - ii. The quorum for all Board meetings, including any adjourned meetings of the Board shall be as required under the Act, subject to the presence of the Investor Director at the beginning of and throughout such meeting. If a quorum is not present within 30 minutes after the time specified for a Directors' meeting in the notice of the meeting then it will be adjourned for 7 days at the same time and place.
  - iii. If at the adjourned meeting a quorum is not present within 30 minutes after the time specified for the meeting then those Directors present shall count as the quorum, provided no decision with respect to the Certain Matters shall be taken in such adjourned Board meeting.
  - iv. All decisions at any meeting of the Board shall be in accordance with the vote of a simple majority save such decisions regarding the Certain Matters which require the affirmative vote of the Investor Director.
  - v. Resolution by Circulation: A written resolution circulated to all the Directors or members of committees of the Board, whether in India or overseas and signed by a majority (which majority shall constitute the Investor Director) of them as approved, shall (subject to compliance with the relevant requirements of the Act) be as valid and effective as a resolution duly passed at a meeting of the Board or committee of the Board called and held in accordance with the Agreement and the Articles of Association of the Company (provided that it has been circulated in draft form, together with the relevant papers, if any to all the Directors).
- c. Directors:
  - i. Increase of Directors: If at any time the Company is required under any applicable law or under any statutory requirement including the listing agreement which the Company would enter into with any stock exchange to increase or decrease the number of Directors, the increase or decrease shall be effected in a way that preserves the aforesaid representation on the Board between the Promoters and the Investor.
  - ii. The Investor Director shall be a non-executive Director, shall not be responsible for the day-to-day management of the Company, and shall not be liable for any failure by the Company to comply with applicable Law. The Company shall nominate Directors or persons other than the Investor Director as "persons in charge" as contemplated under applicable Law and shall ensure that the Investor Director is not included within the scope of "Officer who is in default" under applicable Law. The Investor Director shall not be required to be an Independent Director and the Company shall have such number of Independent Directors (other than the Investor Director) as are required under the provisions of the listing agreement with the Stock Exchange.
- d. General Meetings
  - i. AGM or EGM: Annual general meetings and extra-ordinary general meetings shall be held according to the provisions of the Act read with the Articles of Association of the Company. The Board shall provide the Company's relevant Financial Year's audited financial statements and the annual report to all shareholders in accordance with the Act.
  - ii. Quorum: Quorum for the general meetings shall be as per the Act, provided no quorum shall be validly constituted, without the presence of at least one representative of the Investor (either in person or through duly authorised representative/proxy).
  - iii. Certain Matters: Notwithstanding anything contained in this Article, all decisions at any general meeting shall be in accordance with the provisions of the Act be voted, save such decisions regarding the Certain Matters which shall require the Investor Consent.

## (6) RIGHTS OF THE INVESTOR TO AN AFFIRMATIVE VOTE:

Notwithstanding anything contained in these Articles, as long as the Investor holds atleast 10% of the total subscribed equity shareholding of the Company on a Fully-Diluted Basis, the Investor Consent or the affirmative vote of the Investor Director, as the case may be, shall be required by the Company in any general meeting of shareholders and/or any meeting of the Board of Directors or Committee thereof as the case may be, in respect of the Certain Matters.

## (7) CORPORATE GOVERNANCE

The Company shall, and the Promoters shall procure that the Company shall, endeavour to maintain high standards of governance and reporting to the Board, the shareholders of the Company and analysts. The Company shall organize presentations to the Board, the shareholders of the Company and analysts, from time to time, as may be directed by the Board. In addition to the information they are entitled to receive under the provisions of applicable Law, the Investor, the Directors (including the Investor Director) shall also be entitled to receive, from the Company additional information in terms of the Subscription Agreement.

For and On Behalf of the Board of Directors  
Sri Ramakrishna Mills (Coimbatore) Limited

(Sd.) D. LAKSHMINARAYANASWAMY  
MANAGING DIRECTOR

Place : Coimbatore  
Dated : 31<sup>st</sup> July, 2006

**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 31.03.2006.

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

**FINANCIAL RESULTS:**

	Year ended 31-03-2006 (12 months) Rs.	Period ended 31-03-2005 (6 months) Rs.
Gross Profit / Loss ( - )	1,67,47,786	( - ) 2,80,41,039
ADD Deduct		
Provision for Bonus	34,31,609	23,75,402
Managerial remuneration	15,02,800	7,51,400
Depreciation	2,20,50,280	1,11,94,635
Net Loss for the year	1,02,36,903	4,23,62,476
Adding thereto the following payments:		
Donations	17,000	11,000
Prior year adjustments	--	36,39,448
Provision for FBT	1,54,786	--
	1,04,08,689	4,60,12,924
DEDUCT:		
Prior year adjustments	6,05,859	--
Refund of Sales Tax	--	48,190
Deferred Tax Asset	1,00,90,985	11,21,974
Balance of Profit/Loss ( - )	2,88,155	( - ) 4,48,42,760

The above Profit has been set off against the losses of earlier years.

**PERFORMANCE**

In the last year's report the Management anticipated to make a turnaround this year and accordingly the company had made it possible to achieve profit after a few years.

The Management is confident of improving the working results significantly during the current year.

**FINANCE**

As reported last year, the CDR Scheme could not be implemented fully and as suggested by the CDR monitoring committee, the company is in the process of making an one time settlement to secured creditors and reduce its debts to sustainable level.

**DIRECTORS**

Sri R.Radhakrishnan, retires by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself 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 :

- that in the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- 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.
- 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.
- that the annual accounts have been prepared on a going concern basis.

**UNCLAIMED DIVIDEND**

Unclaimed Dividend pertaining to the year ended 31.03.1998 amounting to Rs.24,619/- has been paid to Investor Education and Protection Fund on the due date viz., 20.09.2005, as required.

**CORPORATE GOVERNANCE**

A separate Report on Corporate Governance is attached to this Report.

**CODE OF CONDUCT**

The Company has adopted a code of conduct for the Board of Directors and Senior Management of the company and all of them have affirmed compliance of the same.

**GENERAL**

The Auditors of the company M/s. M. S. Jagannathan &amp; 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 &amp; Co., Cost Accountants, duly approved by the Government up to the period ended 31.03.2006 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 The South Indian Bank Ltd. and also to Industrial Development Bank of India Ltd / (SASF) 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 Jagannatha Perumal for the prosperity of the Company.

Ganapathy  
Coimbatore-641 006  
28.06.2006

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

**ADDENDUM TO DIRECTORS' REPORT**

"Regarding the Auditors' remarks under para No.5 item Nos. i to iv, we have to state that Note Nos. 9(a), 9(b), 10 and 24(a) of the notes annexed to and forming part of the Balance Sheet are self-explanatory. As regards the Auditors' remarks in para No.6 and in Annexure (i) (c) & (xi), We have to state that the Management is discussing with IDBI/ Banks to get adequate reliefs and concessions for an early revival".

Ganapathy  
Coimbatore-641 006  
28.06.2006

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

# SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED

## 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 31-03-2006 (12Months)	Period ended 31-03-2005 (6Months)
(A) Power and Fuel Consumption:		
1. Electricity		
a) Purchased:		
Units (in lakhs)	287.59	138.31
Total amount (Rs.in lakhs)	1,123.80	554.77
Rate per Unit (Rs.)	3.91	4.01
b) Own Generation:		
i) Through Diesel Generator		
Units (in lakhs)	2.40	1.46
Units per litre of Diesel Oil	3.19	3.27
Cost / unit (Rs.)	9.96	8.51
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	6.12	4.49

### 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)	1,13,49,897
Used :	
a) Expenditure in Foreign Currency on account of :	
Commission on sales	4,27,580
Travel	1,00,678
b) Value of imports calculated on CIF basis :	
Capital Goods	Nil
Raw material	Nil

GANAPATHY  
 COIMBATORE 641 006  
 28-06-2006

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT:

Indian GDP grew by 8% during 2005-06 on top of a growth of 6.9% in the previous year. The growth has been possible due to good monsoon influencing growth in agriculture and related sectors. The year 2005-06 witnessed a sizeable growth of industrial production. Production of the textile industry recorded the highest levels. The following table shows production data of the industry:

Segment	2005-06	2004-05	Growth %
Yarn (Mn. Kgs)	3387	3221	5.15
Garments (Mn. Sq.Mtrs)	49007	45378	8.00

Source: TXC India

With Indian companies gaining stature in the international market as manufacturers of high quality textiles, the industry has recorded a well earned growth through a combination of domestic and export sales. The overall trend is likely to continue as the economy grows further and domestic production in all segments increases. Exports also show faster growth. The higher volume of sales on account of increase in own production has resulted in the company achieving significant improvement in working results.

The supply of input particularly Cotton was continuously soft during the year helping the textile spinning sector to achieve higher gross margins. The availability of quality cotton throughout the year also helped in maintaining the quality and realisation of higher yarn prices possible.

The company was also able to reduce its cost of production by implementing a VRS scheme in the beginning of the year at its Ganapathy Unit. The company always emphasised that the manufacturing excellence and consumer focus result in delivery of high quality products at the lowest possible cost within its limited resources and thus to meet any level of competition in the industry.

The excellent image enjoyed by the company and its ability to meet customer expectations in terms of product quality, price and delivery and the capability to create adequate capacities provided a platform for a great future in the domestic and export markets. The company is also envisaging to implement a revised financial restructuring plan including a modernisation programme. With the implementation of the above proposal and undertaking the other cost cutting measures barring unforeseen circumstances, prospects for the year 2006-07 appear to be bright.

**CORPORATE GOVERNANCE :****1. 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.

**2. Board of Directors :**

The Board consists of the Executor Sri R. Doraiswami as the Chairman and Sri D. Lakshminarayanawamy as the Managing Director as Executive Directors and Sri L. Damodaraswamy, Sri N. Jothikumar, Sri R. Narayanamurthy and Sri R. Radhakrishnan as the non-executive and independent Directors.

The table below gives the particulars of attendance of each director at the Board Meetings held during the year ended 31.03.2006 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	No. of shares held
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sri R Doraiswami	Executive - Chairman	4	Present	Nil	Nil	79782
Sri D Lakshminarayanawamy	Executive - Managing Director	4	Present	06	Nil	141071
Sri L Damodaraswamy	Non-Executive-Independent	4	Present	Nil	Nil	3525
Sri N Jothikumar	"	4	Present	Nil	Nil	12600
Sri R Narayanamurthy	"	3	Present	01	Nil	500
Sri R Radhakrishnan	"	4	Present	01	Nil	500

**Board Meetings :**

From 01.04.2005 to 31.03.2006, four board meetings were held on the following dates:  
27.05.2005, 27.07.2005, 28.10.2005 and 31.01.2006.

As required under Clause 49 XI(A), particulars of director seeking re-appointment is given in the explanatory statement in the Notice for the Annual General Meeting to be held on a date to be finalised:

**3. Committees of the Board :**

a) Remuneration Committee constituted on 28.04.2003 consists of the following members:

Sri L. Damodaraswamy	-	Chairman
Sri N. Jothikumar	-	Member
Sri R. Narayanamurthy	-	Member

This Committee has been formed to recommend to the Board the appointment/reappointment of the executive and non-executive directors, the induction of Board members into various committees. 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. The committee has also been empowered to determine the periodic increments in Salary and annual incentive of the executive director(s).

This committee comprises entirely of independent directors. The committee met on one occasion during the year. The names and attendance of committee members are given below:

Name of member	Meetings attended
Sri L. Damodaraswamy	1
Sri N. Jothikumar	1
Sri R. Narayanamurthy	1

**Remuneration to Non-executive Directors for the Year ended 31.03.2006.**

Director	Sitting Fees (Rs.)
Sri L. Damodaraswamy	4000
Sri N. Jothikumar	4000
Sri R. Narayanamurthy	3000
Sri R. Radhakrishnan	4000

b) Audit Committee consists of the following independent Directors:

Sri N. Jothikumar	-	Chairman
Sri L. Damodaraswamy	-	Member
Sri R. Radhakrishnan	-	Member

The Audit Committee would monitor and provide effective supervision and also assure the Board in compliance of adequate internal control systems and other financial disclosures in addition to the issues confirming to the requirements specified by the Company Law / Stock Exchanges etc.

The Audit Committee met four times on 20th May 2005, 25th July 2005, 19th October 2005 and 18th January 2006. The attendance during the year is as under:

Members	Meetings attended
Sri L. Damodaraswamy	4
Sri N. Jothikumar	4
Sri R. Radhakrishnan	4

c) Shareholder's/Investor's Grievance Committee consists of the following members :

Sri N. Jothikumar	-	Chairman
Sri D. Lakshminarayanawamy	-	Member
Sri L. Damodaraswamy	-	Member

The Committee has been formed to specifically look into shareholders / investors complaints, if any, on transfer of shares, non-receipt of balance sheet, non-receipt of interest and redemption of debentures etc.

Sri N. Narasimhalu, Vice President (Planning & Finance) and Company Secretary is the Compliance Officer. During the year no complaint was received from any investor.



## SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED

The Shareholders/Investors Grievance Committee met four times on 18th May 2005, 25th July 2005, 14th October 2005 and 25th January 2006. The attendance during the year is as under:

Members	Meetings attended
Sri N. Jothikumar	4
Sri D. Lakshminarayanswamy	4
Sri L. Damodaraswamy	4

### d) Share Transfer Committee

The Share Transfer Committee not being a Statutory / Mandatory one, has been formed by the members of the Board and representatives from Registrar and Share Transfer Agent. In the normal course, the representatives from Share Transfer Agent are authorised to effect the transfers.

The committee meets at frequent intervals to review and approve transfers and transmission of equity shares. The committee met 18 times during the financial year ended 31st March 2006.

## 4. Shareholders Information :

### a. Annual General Meeting :

Day & Date	} yet to be finalised
Time	
Venue	

### b. Date of Book Closure :

-do-

### c. Financial Calendar (Tentative)

Results announced	: 28.06.2006
Posting of Annual Reports	: August 2006
Last date of receipt of Proxy forms	: yet to be finalised
Announcement of Quarterly Results	: July 2006
	: Oct. 2006
	: Jan. 2007
	: Apr. 2007

### d. Listing on Stock Exchanges

: Company's shares are listed in The Mumbai Stock Exchange, Mumbai.

### e. Stock Code & ISIN Number

Stock Exchange	: Scrip Code No.
Mumbai Stock Exchange	: 521178
ISIN NO.	: INE306D01017

### f. Market Price Data :

The High & Low prices during each month in last financial year in The Stock Exchange, Mumbai, are given below:

Month	BSE	
	High (Rs.)	Low (Rs.)
2005		
Apr	13.25	10.70
May	18.70	10.55
June	23.65	14.75
July	36.50	22.00
Aug	33.90	24.00
Sep	31.50	23.35
Oct	29.00	17.75
Nov	25.20	18.90
Dec	23.95	19.00
2006		
Jan	23.70	20.00
Feb	24.00	17.20
Mar	20.60	15.75

### g. Registrar & Share Transfer / Demat Agents :

M/s.SKDC Consultants Ltd., No.11, S N Layout, Street No.1, Tatabad, Coimbatore - 641 012.

### h. Share Transfer System

The Company's share transfer work, both physical and electronic form, is done by M/s.SKDC Consultants Limited, No.11, S.N.Layout, Street No.1, Coimbatore-641 012, Phone No.0422-5549995, Fax No : 0422-2499574 E-mail : info@skdc-consultants.com

Applications for share transfer held in physical form are received at the office of the Registrar and Share Transfer Agent of the Company and if the documents are found to be in order the transfer work is completed and the documents are returned within a period of 20 days from the date of receipt.

The shares held in the demat form are electronically traded in the depository and the Registrar and Transfer Agents of the company periodically receive from the depository the beneficiary holdings to enable them to update their records.

### i. Distribution of Shareholding (As on 31.03.2006) :

Range (No. of shares)	No. of Shareholders	No. of Shares	% to total Shares
Upto 500	1719	320935	9.926
501 - 1000	242	180938	5.596
1001 - 2000	132	184950	5.720
2001 - 3000	53	133446	4.127
3001 - 4000	20	70217	2.172
4001 - 5000	19	87470	2.705
5001 - 10000	23	157651	4.876
Above 10000	31	2097723	64.878
<b>TOTAL</b>	<b>2239</b>	<b>3233330</b>	<b>100.000</b>

## j. Categories of Shareholding as on 31st Mar. 2006

Category	No. of Shareholders	No. of Shares	% Shareholding
Promoter's Holding	15*	16,44,892	50.873
Directors & Relatives	19	1,06,007	3.279
Private Corporate Bodies	77	1,76,698	5.465
Banks	1	100	0.003
Financial Institution	1	1	0.000
NRI	2	1,100	0.034
Other Public	2,124	13,04,532	40.346
Total	2,239	32,33,330	100.000

\* including 4 Bodies Corporate (promoter companies) for 683,655 (21.144%) shares.

## k. Dematerialisation of Shares

As per SEBI guidelines the shares in the company have come under compulsory dematerialised trading. The Company has entered into agreements with NSDL and CDSL for the purpose. As on 31.03.2006, 8,08,978 shares i.e., 25.02% of the equity shares of the company have been dematerialised. The company's ISIN No. is INE306D01017.

## l. Nomination Facility

As provided in the Companies Act, 1956, nomination facility is available for the shares held in the company. The nomination form (Form 2B) also will be provided to the members on request.

## m. Plant Location :

Unit - 1	Unit - 2	Unit - 3 & 4	Unit - 5
1493, Sathyamangalam Road Ganapathy Post Coimbatore-641006.	VKR Puram Nagari-517590 Chittoor Dist.(AP)	Sathy-Gobi Main Road Ariappampalayam Sathyamangalam-638402	Sathy Doubling Unit SFNo. 391/1, Sathy-Athani Road Sathyamangalam-638401.

## 5. Address for Correspondence :

## Registrar &amp; Share Transfer Agent

M/s. S.K.D.C. Consultants Ltd.,  
P.B. No. 2979, No.11, S.N Layout,  
Street No.1 (West Power House Road)  
Coimbatore - 641 012.  
Tel : 0422 - 5549995, 5549990  
Fax : 0422 - 2499574

## Regd. Office

No.3 Bhavani River Street  
Ariappampalayam  
Sathyamangalam - 638 402.  
Phone : 04295 - 220681  
Fax : 04295 - 220681

## Admn. Office

1493, Sathyamangalam Road  
Ganapathy Post  
Coimbatore - 641 006.  
Phone : 0422 - 2531022, 2531122  
Fax : 0422 - 2531579

## 6. Other Disclosures :

## Details of Annual General Meetings

Information regarding last 3 years Annual General Body meetings are given below:

Location	Nature of Meeting	Day	Date	Time
1) No.3, Bhavani River Street Ariappampalayam Sathyamangalam-638402	AGM	Wednesday	10.08.2005	9.30 A.M.
2) - do -	AGM	Wednesday	23.02.2005	9.30 A.M.
3) - do -	AGM	Friday	23.01.2004	9.30 A.M.

## 7. Means of Communication

The quarterly results are published in the Newspapers in the proforma prescribed by Stock Exchange.

## AUDITORS' CERTIFICATE

To the Members of

M/s. SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED  
COIMBATORE.

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by M/s.SRI RAMAKRISHNA MILLS (COIMBATORE) LIMITED, for the period ended on March 31, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with Mumbai Stock Exchange. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and on the basis of our examination described above, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

On the basis of Certificate issued by the share transfer agents we state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the shareholders/investors grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Coimbatore  
Date : 28.06.2006

For M S Jagannathan & Visvanathan  
(Sd.) M J Vijayaraghavan  
Partner, M No.7534  
Chartered Accountants