



**THAMBBI MODERN
SPINNING MILLS LIMITED**

27th

Report Junction.com

Annual Report

01-10-2003

to

31-03-2005

BOARD OF DIRECTORS

R. Jagadeesan

Managing Director

Mrs. Malathi Jagadeesan

M. Pugazhendhi

Ashok P. Shah

Avanish Upadhyay

(Nominee for IIBI)

BANKERS

State Bank of India

Siruthozhil Branch

Salem 636 007.

AUDITORS

M/s. Sankaran & Krishnan

Chartered Accountants

Chennai 600 034.

REGISTERED OFFICE & UNIT I

Omalur Road,

Jagir Ammapalayam Post

Salem 636 302.

UNITS II & III

Opp. TNER Sub Station

Udayapatti By-Pass Road

Kamaraj Nagar Colony Post

Salem 636 014

DYEING PLANT

THAMBBI DELTA DYEING PLANT

Kombaipatti Village,

Chinnakollapatti Post

Salem 636 008.

REGISTRAR & TRANSFER AGENT

Cameo Corporate Services Limited,

Subramanian Building, V Floor,

No. 1, Club House Road,

Chennai-600 002.

NOTICE

NOTICE is hereby given that the *Twenty-Seventh Annual General Meeting* of the Company will be held at the Company's Mill Premises at *Unit II, Opp. TNEB Sub Station, Udayapatti By-pass Road, Kamaraj Nagar Colony Post, Salem 636 014 on Wednesday, the 28th December 2005 at 10 a.m.* to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31st March 2005, the Balance Sheet as at that date, and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.M.Pugazhendhi , who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider the re-appointment of retiring auditors Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai 600034 to hold office from the conclusion of this Annual General Meeting, till the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION:

Resolved that pursuant to Securities & Exchange Board of India (Delisting of securities) guidelines - 2003 and other applicable provisions of law, the approval of the shareholders be and is hereby accorded for delisting of shares of the company from the Stock Exchange, Ahmedabad and The Coimbatore Stock Exchange and the Board of Directors of the company be and is hereby authorised to take all necessary actions as may deem fit proper and appropriate for giving effect to the resolution.

By Order of the Board of Directors

R.Jagadeesan
Managing Director

Salem, 30th May 2005

NOTES:

- (a) The relative explanatory statement with regard to item No. 4 of the Notice are annexed hereto pursuant to Section 173(2) of the Companies Act, 1956.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT APROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER.
- (c) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
- (d) The Instrument appointing a proxy, in order to be effective, must be deposited at the Company's Registered Office at Omalur Road, Jagir Ammapalayam Post, Salem 636 302 not less than 48 hours before the meeting.
- (e) The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 14th December, 2005 to Wednesday 28th December, 2005 (both days inclusive).
- (f) In terms of clause 49 of the listing agreement with stock Exchanges, a brief resume of director who is proposed to be appointed / re-appointed at this meeting is given below.
 - (i) Sri. M. Pugazhendhi is on the Board from 8-6-2002 and has since been reappointed over the years by rotation. He is a Mechanical Engineer having 20 years of experience in the textile field.

EXPLANATORY STATEMENT

(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)

The following explanatory Statement set out the material facts relating to item No. 4 of the accompanying Notice dated 30th May 2005.

ITEM No 4

The shares of the company are presently listed on The Stock Exchange, Ahmedabad (ASE), The Coimbatore Stock Exchange (CSE), The Stock Exchange, Mumbai (BSE)

The Shares of the company are traded only in BSE, in the remaining stock exchanges, THAMBBIMODERN SPINNING MILLS LIMITED (TMSL) shares are either not traded or the trading is negligible. It is therefore proposed to delist the shares of the company from ASE & CSE. However with extensive networking of the BSE, who have nationwide trading terminals, the investors will have sufficient opportunity to trade in TMSL shares.

As per the securities & Exchange Board of India (Delisting of Securities) guidelines 2003 shares of any listed company can be voluntarily delisted from all or some of the Stock Exchanges where the securities are listed, by following procedures laid down therein. In terms of the guidelines prior approval of the shareholders of the company by way of special resolution passed in its General Meeting is required for de-listing.

Since the companies shares will continue to be listed in BSE who have nation wide trading terminals, the company is not required to give exit option to the shareholders within the Jurisdiction of ASE & CSE.

Your directors recommend the special resolution for approval of the Shareholders.

None of the Directors of the company is concerned or interested in this special resolution.

By Order of the Board

Salem, 30th May 2005

R.Jagadeesan
Managing Director

Director's Report

Your Directors present their 27th Annual Report on the business and operations of the Company with the Audited Statement of Accounts of the Company for period ended 31st March 2005.

With the requisite approvals, the Company had extended its financial year from 30th September 2004 to 31st March 2005. Henceforth the company would observe April-March as its financial year. The accounts under review therefore cover an 18 month period from 1st October 2003 to 31st March 2005. The previous year's figures, which cover a 12 month period, are therefore not strictly comparable with the figures for the 18 month period ended 31st March 2005

Financial Results

The financial results for the year under review are summarised below:

	2003 - 2005 (18 Months) Rs. in '000	2002-2003. (12 Months) Rs. in '000
Turnover	56,66,39	37,58,74
Loss before depreciation and taxation	19,81,91	14,47,76
Add Depreciation	1,38,93	1,45,95
Loss before taxation	21,20,84	15,93,71
Add: Provision for taxation	—	—
Net Loss	21,20,84	15,93,71
Add: Prior year adjustments	39,96	10,98
	21,60,80	16,04,69
After adding the amount of Loss brought forward from the previous year of	46,63,55	30,58,86
The aggregate loss carried to the balance sheet is	68,24,35	46,63,55

Dividend

Your directors are unable to recommend any dividend for the year in view of the losses suffered by the company.

Performance

The Company's total sales and other operational income during the period under review amounted to Rs. 5977 lacs (18 months) as against Rs. 3798 lacs during 2002-03. The Company has incurred a cash loss of Rs. 1982 lacs during the year (18 months) as compared to a cash loss of Rs. 1448 lacs in the previous period.

Director's Report Contd....

Exports

The Company's export turnover during the year was Rs. 604 Lacs as compared to Rs. 693 lakhs in the previous period.

Financials

The application made to the Board for Industrial and Financial Re-construction (BIFR) under the Sick Industrial Companies (special provisions) Act, 1985 (SICA) has been heard and the Hon'ble Bench declared the Company as Sick Industrial Company on 02.12.2004 and appointed Industrial Development Bank of India as the operating agency. The company is in the process of submitting a suitable rehabilitation scheme.

Prospects

The company is hopeful of obtaining a rehabilitation scheme from financial institutions and bank which would improve its prospects in due course.

Deposits

During the year, your company has repaid all the deposits and has not accepted any deposits during the year.

Directors

In accordance with the provisions of Articles of Association Sri M. Pugazhendhi retires by rotation. The board regrets to convey to the members that Sri R. Krishnamoorthi, a Director associated with the Company since 10th January 2002 passed away on March 27, 2005.

De-Listing of Shares

Your company's shares are listed on The Stock Exchange Mumbai (BSE). The Stock Exchange, Ahmedabad (ASE) and The Coimbatore Stock Exchange (CSE).

While there was no trading of your Company's shares on ASE and CSE during 2004-2005, As such, almost the entire trading of the company's shares done on BSE. The BSE exchange have nation-wide trading terminals and, therefore, provide full liquidity to the investors. In view of this, your Director's recommend the de-listing of Company's shares from ASE and CSE. The de-listing of shares is subject to approval of the members at the ensuing Annual General Meeting.

Directors' Responsibility statement

The Directors confirm that in the preparation of the Annual Accounts for the period ended 31st March, 2005 that -

Director's Report Contd....

- (i) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (ii) the selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent were made 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 of the Company for that period;
- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 had been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts were prepared on a 'going-concern' basis.

Corporate Governance

In terms of listing agreement with the Stock Exchanges, a Compliance report on Corporate Governance is given at Annexure. The Management discussion & Analysis report is given at Annexure. A certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is placed at Annexure.

Auditors

The Auditors of the Company, Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai 600 034 are due to retire at the ensuing Annual General Meeting of the Company. Being eligible for re-appointment, they have consented to act as the Auditors of the Company, if re-appointed.

Personnel

During the period under review, none of the employees of the Company was in receipt of remuneration which in the aggregate was in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 and the rules framed there under.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

In accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, a statement showing details of Conservation of Energy, Technology Absorption, Exports and Foreign Exchange Earnings and Outgo is enclosed as Annexure - I.

Industrial Relations

The industrial relations in the Company have been cordial.

Acknowledgement

Your Directors place on record their appreciation of the continued co-operation extended to the Company by the financial institutions, Banks, and the Company's customers, suppliers, employees and shareholders particularly during extreme difficult period.

Director's Report Contd....**ADDENDUM**

Regarding the Auditors remarks in their report, your directors wish to clarify as follows:

1. Item no (h)

The company has been declared as Sick by BIFR vide its order dated 02-12-2004. The company is in the process of submitting rehabilitation scheme seeking waiver of interest. Hence no interest was provided for secured loans for the period 01-04-2004 to 31-03-2005.

2. Item No.: (ix) (a) of Annexure to Auditors Report.

The company is unable to pay the provident fund and sales tax on the due dates owing to the cash loss suffered by the company. The company would pay the said dues as early as possible. However part of the dues being paid on installments as per the direction of the High Court, Chennai.

By Order of the Board
for Thambbi Modern Spinning Mills Limited

Report  Junction.com

Salem, 30th May 2005

R.Jagadeesan
Managing Director

ANNEXURE I**INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****A. Conservation of Energy**

The Company is continuously identifying areas where energy can be saved and appropriate measures are being taken for optimising the energy conservation.

	2003-2005 (18 Months)	2002-2003 (12 Months)
Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Total Units (in '000 Kwh)	17773.79	7289.23
Total amount (Rs. In 000)	79320.81	30273.06
Rate per unit (Rs.)	4.46	4.15
(b) Own Generation (through Generators)		
Units (in '000 Kwh)	293.65	299.45
Units per litre of Diesel	3.09	3.30
Cost per Unit (Rs.)	8.10	6.20
2. Coal		
3. Furnace Oil	Nil	Nil
4. Other / Internal generation	Nil	Nil
Consumption per unit of production (Production of various counts has been converted to the Standard count of 40s)	Nil	Nil
Consumption per kg. (in Kwh)	4.17	5.82

B. Technology Absorption**(a) Research and Development (R&D)**

Your Company has an in-house Research and Development and a Quality Control Department with potential to bring out new varieties of yarn and for improving the productivity and quality.

(b) Technology absorption, adoption and innovation

The Company has not imported any technology.

C. Foreign Exchange earnings and outgo

The required details are given in item 11 of Schedule 20 to the Accounts (Notes on Accounts).

On behalf of the Board of Directors.

R. Jagadeesan
Managing Director

Salem, 30th May 2005

REPORT ON CORPORATE GOVERNANCE

Report on the corporate governance pursuant to clause 49 of the listing agreement is furnished below

Composition of Board of Directors and meetings held

The board of directors comprises a Managing Director and four non-executive Directors.

During the year under review six board meetings were held on 29/11/2003, 30/01/2004, 30/04/2004, 09/07/2004, 29/10/2004, and 24/01/2005

Attendance of each director at the board meetings and the Last Annual General Meeting and details of outside directorship and committee position held by each of the director is given below.

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Attendance at last AGM held on 29-03-2004	No. of other companies in which director	No. of committees other than the company in which chairman/member.
R.Jagadeesan	Managing Director	3	YES	1	--
R.Krishnamoorthi*	Non-Executive	5	YES	--	--
Mrs.Malathi Jagadeesan	Non-Executive	3	--	1	--
Ashok P Shah	Non-Executive / Independent	4	YES	--	--
M.Pugazhendhi	Non-Executive / Independent	2	--	--	--
Avanish Upadhyay	Non-Executive / Independent	6	--	--	--

(* Passed away on March 27, 2005).