

BOARD OF DIRECTORS

R. Jagadeesan
Chairman & Managing Director
Mrs. Malathi Jagadeesan
M. Pugazhendhi
Ashok P. Shah

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. TNEB Sub Station
Udayapatti By-pass Road
Kamaraj Nagar Colony Post
Salem 636 014

REGISTRAR & TRANSFER AGENT

Cameo Corporate Services Limited
Subramanian Building, V Floor,
No.1, Club House Road,
Chennai 600 002

Directors' Report

To

The Members,

Your Directors have pleasure in presenting their 33rd Annual Report together with Audited Accounts for the year ended 31st March 2011

Financial Results

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

	2010-2011 ₹ In '000	2009-2010 ₹ In '000
Turnover	34,06,39	38,55,85
Profit before depreciation and taxation	27,32	1,20,13
Depreciation	107,97	64,20
Profit / (Loss) Before Taxation	(80,65)	55,93
Less Income Tax Paid	0	0
Net Profit / (Loss)	(80,65)	55,93
Less provision for FBT	0	0
Net Profit / (Loss) after Taxation and FBT Provision	(80,65)	55,93

Performance

During the year under review, your company achieved a sales turnover of ₹ 3406 lakhs compared to the sales turnover of ₹ 3856 lakhs achieved in the previous year. The Company made Cash profit of ₹ 27 lakhs for the financial year as against the Cash Profit of ₹ 120 lakhs in the previous year. The company made net loss of ₹ 80.65 lakhs for the financial year, as against net profit of ₹ 55.93 lakhs for the previous year. The profit was drastically affected due to steep increase in cost of raw materials and power and low production caused by shortage of working capital and stiff competition in the market.

Dividend

The Company incurred loss in the financial year. In view of this and the accumulated loss, your directors are unable to recommend any dividend for the year. Your Directors are confident that, barring unforeseen circumstances, the company will wipe out the accumulated loss in a few years and start paying dividend thereafter.

Prospects and Future Plans

Although 2010-2011 was a bad year for the textile industry, hit by fluctuation in cotton prices, power problem, yarn market problem and dyeing unit problems, the past has been put behind and the outlook for the current year is improving. Based on the ability of the unit to come out of the current working capital shortage, the company is hopeful of getting positive results in the current year.

Deposits

Your company has not accepted any deposits during the period.

Directors

There was no change in the Board of Directors during the financial year.

In accordance with the provisions contained in the Articles of Association, Mr. M. Pugazhendhi retires by rotation at the ensuing Annual General Meeting and, being eligible, he offers himself for reappointment.

Directors' Responsibility statement

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2011

- (i) the applicable accounting standards had been followed and there were no material departures,
- (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 loss of the Company for the year,
- (iii) proper and sufficient care had 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, and
- (iv) the annual accounts were prepared on a 'going-concern' basis.

Corporate Governance

In terms of listing agreement with the Stock Exchange, Compliance Report on Corporate Governance is given at Annexure-II. A certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is also placed as Annexure-III.

Management Discussion and Analysis of the Operations

The management had a detailed discussion on the operational results for the year ended 31st March 2011 and analysed the factors that affected production, sales and profit. The management was satisfied with the efforts taken in the situation faced by the company and the adverse market conditions prevailed during the year.

Auditors

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

Personnel

During the year 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, Foreign Exchange Earnings and Outgo is enclosed as Annexure - I.

Industrial Relations

The industrial relations in the Company continued to be cordial during the year.

Acknowledgement

Your Directors place on record their appreciation of the continued co-operation and unstinted support extended to the Company by the Company's customers, suppliers, employees and shareholders.

SALEM
14th July 2011

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited
R. Jagadeesan
Chairman & Managing Director

ADDENDUM TO DIRECTORS' REPORT

The Auditors, in their report dated 14th July 2011, for the year ended on 31st March 2011, have made the following comments in Clause (h).

h) In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the Notes thereon and subject to

- (i) Note No. 4 regarding amount due to SSI Units exceeding 1 lakh for more than 30 days
- (ii) Note No. 5 with regard to non-ascertainment of overdue amount as on 31.3.2011 and non-provision of interest to Micro, Small & Medium Enterprises for the year ended 31.3.2011 give the information required by the Companies Act 1956 in the manner required and give a true and fair view.

The Board's reply to the above comments is given below.

h) (i) The names of Small Scale Industrial Undertakings to whom the company owes a sum exceeding ₹ 1 lakh which are outstanding for more than 30 days are given in Note No. 4 of the Notes on Accounts, as required under the Act. These outstanding amounts are within the agreed terms of purchase. As per agreed terms, no interest is payable. Therefore, the company has not made any provision in the accounts towards interest on these outstanding amounts.

h) (ii) As per company's records, there are no Micro, Small & Medium Enterprises as on 31.03.2011. However, the company sent letters to Sundry Creditors requesting to confirm whether they are Micro, Small or Medium Enterprises (as defined in the Micro Small & Medium Enterprises Development Act 2006). The company has not received confirmation from any creditor. Hence the company could not ascertain the amounts due to Micro, Small & Medium Enterprises as on 31.03.2011 and make provision in the accounts towards interest on such overdue amounts.

SALEM
14th July 2011

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited
R. Jagadeesan
Chairman & Managing Director

ANNEXURE - I

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988

Conservation of Energy, Technology absorption and Research and Development and Foreign exchange earnings and outgo

(a) Conservation of Energy

Our company is always on the lookout for potential areas for energy conservation towards reduction in manufacturing cost and takes all measures to conserve energy. The cost of energy is kept at the minimum level and consumption is reduced wherever possible.

(b) Power and Fuel Consumption

	2010-2011	2009-2010
1. Electricity		
(a) Purchased		
Total Units (in '000 Kwh)	5756.854	6932.657
Total amount (₹ In 000)	32920.675	33499.001
Rate per unit (₹)	5.72	4.84
(b) Own Generation		
(Through Generators)		
Units (in '000 Kwh)	974.859	1327.236
Units per liter of Diesel	3.09	3.16
Cost per Unit (₹)	12.65	11.15
2. Coal		
3. Furnace Oil	NIL	NIL
4. Other/Internal generation	NIL	NIL
5. Consumption per unit of production	NIL	NIL
(Production of various counts has been converted to the Standard count of 40s).		
Consumption per kg. (in Kwh)	6.04	6.07

c. Technology Absorption and Research and Development

NIL

NIL

d. Foreign Exchange Earnings and Outgo

i. Earnings in Foreign Exchange

NIL

NIL

ii. Expenditure in Foreign Exchange on Imports

iii. Spares

₹ 7,77,034

₹ 1,47,540

iv. Expenditure in foreign currency on account of Travel and other matters

₹ 1,45,993

₹ 4, 90,384

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited

SALEM
14th July 2011

R. Jagadeesan
Chairman & Managing Director

ANNEXURE - II**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To

The Members of Thambbi Modern Spinning Mills Limited
Salem.

We have examined the compliance of conditions of Corporate Governance by M/s. Thambbi Modern Spinning Mills Limited, for the year ended 31/03/2011, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Chennai
14th July 2011

For SANKARAN & KRISHNAN
Chartered Accountants
Firm Registration No: 003582S
M. Balachandran
Partner
Membership No. 16271

ANNEXURE - III

Report on Corporate Governance

The Report on the Corporate Governance pursuant to Clause 49 of the listing agreement is furnished below

Company's philosophy on Corporate Governance

The company believes in preserving core values and ethical conduct of business towards maximizing shareholder value on a sustained basis. The company seeks to achieve professionalism, transparent process and reporting systems and go beyond the mandated Corporate Governance Code in the interest of its stake holders.

Board of Directors

The Board is composed in accordance with clause 49 of the listing agreement The Board of directors comprise of Chairman cum Managing Director and three non-executive Directors

During the year under review eight board meetings were held on 14/05/2010, 04/06/2010, 14/08/2010, 24/09/2010, 01/11/2010, 12/11/2010, 17/12/2010 and 14/02/2011. The maximum gap between any two meetings was less than four months as stipulated under clause 49 of the listing agreement.

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 20/09/2010	No of other companies in which director	No of committees other than the company in which chairman/ member
R. Jagadeesan	Executive / Chairman & Managing Director	8	No	2	--
Mrs. Malathi Jagadeesan	Non-Executive	6	No	2	--
Ashok P Shah	Non-Executive / Independent	8	Yes	--	--
M. Pugazhendhi	Non-Executive / Independent	8	No	--	--

Remuneration to Directors

Director	Sitting Fees
Mrs. Malathi Jagadeesan	₹ 6000/-
Ashok P Shah	₹ 8000/-
M. Pugazhendhi	₹ 8000/-

COMMITTEES OF THE BOARD

Remuneration Committee

The present committee comprises of the following directors as members:

- | | | | |
|----|----------------|----------|-------------------------------|
| 1. | M. Pugazhendhi | Chairman | (Non-Executive & Independent) |
| 2. | Ashok P Shah | Member | (Non-Executive & Independent) |

No meeting of the committee was held during the year.

The terms of reference of the Remuneration Committee cover determination of remuneration package to directors including Executive Directors and Managing Director and revision thereof.

Audit Committee

During the year ended March 31st 2011, five Meetings were held. The dates on which the said meetings were held are 14/05/2010, 04/06/2010, 14/08/2010, 12/11/2010 and 14/02/2011

The constitution of the committee and the attendance of each member of the committee are given below.

Name	Designation	No of Meetings attended
R. Jagadeesan	Member (Executive)	5
Ashok P Shah	Chairman (Non-Executive & Independent)	5
M. Pugazhendhi	Member (Non-Executive & Independent)	5

The terms of reference of this committee are wide enough covering the matters specified for Audit Committee under the listing agreement, which includes, interalia, the following:

- A. To hold periodic discussions with the statutory auditors, internal auditors of the company concerning the accounts of the company, internal control system, review the quarterly, half yearly and annual financial results of the company.
- B. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee covering matters prescribed as role for the Audit Committee.

Share holder / Investor Relations Committee

Terms of Reference

The committee meets at frequent intervals to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificate and review of investors grievances.

Composition

The present shareholder/investor Relations committee comprises the following directors as members.

- | | | |
|----|----------------|----------|
| 1. | M. Pugazhendhi | Chairman |
| 2. | Ashok P Shah | Member |

Sri R. Jagadeesan Chairman & Managing Director is the compliance officer of the company.

The committee met 11 times during the year 2010-2011 to approve share transfers/transmissions. The company has no shares pending for transfer at the close of the year.