



**THAMBBI MODERN
SPINNING MILLS LIMITED**

34th

ANNUAL REPORT

2011-2012

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 34th Annual Report together with Audited Accounts for the year ended 31st March 2012

Financial Results

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

	2011-12 Rs. In '000	2010-11 Rs. In '000
Turnover	12,15,18	34,06,39
Profit /(Loss) before depreciation and taxation	(453.49)	27,32
Depreciation	105,46	107,97
Profit /(Loss) Before Taxation	(558.95)	(80,65)
Net Profit /(Loss)	(558.95)	(80,65)

Performance

During the year under review, your company achieved a sales turnover of Rs.1215 lakhs compared to the sales turnover of Rs.3406 lakhs achieved in the previous year. The steep drop in sales turnover during the current year can be attributed to non operating unit-I from November'2011 onwards mainly on account of power problems, obsolete machinery and non availability of labours. The Industry also faced severe recession during the year due to change in Government policies with respect to yarn exports which led to steep drop in yarn realization compared to increasing cotton prices and non availability of working capital. The Company made Cash loss of Rs.453 lakhs for the financial year as against the Cash Profit of Rs.27 lakhs in the previous year. The company made net loss of Rs.559 lakhs for the financial year, as against net loss of Rs.81 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

The year 2011-12 was a worst year for the Textile Industry. There was steep increase in cost of raw materials and power, which mainly pushed up the production cost. Production was low due to lack of working capital and poor off take in the market caused by stiff competition. Profit dwindled and performance resulted in loss due to lower selling prices and the cumulative effect of all factors mentioned above. The Government's policy is not conducive to existence and growth of Textile Industry and the prospects are quite uncertain. Further, the existing plant and machinery of the company are old and have become less efficient, compared to new modern machines. The position and prospects of textile industry being most uncertain, it is not worthwhile replacing the existing plant and machinery with new modern machinery incurring huge cost. Your directors are, therefore, seriously contemplating to delve into new lines of activities, within the Objects of the company, so as to improve profit, for the benefit of the shareholders. At the same time, till concrete plans crystallize, your Directors will continue to run the company with the existing plant and machinery in the best possible ways so as to improve performance 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. Ashok P. Shah retires by rotation at the ensuing Annual General Meeting and, being eligible, he offers himself for re-appointment.

Directors' Responsibility Statement

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2012

- (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 2012 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.

Cost Auditors

- a) Particulars of the cost auditors appointed for the Financial Year : B.Venkateshwar, Cost Auditor, 31/3E, Ramakrishna Nagar, Kavundampalayam, Coimbatore 641030.
- b) Due date for filing of the Cost Audit Report : 30.09.2011.
- c) Actual date of filing of the Cost Audit Report by the Financial Year 2010-2011 : 14.11.2011

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.

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

R.Jagadeesan
Chairman & Managing Director

SALEM
30th May 2012

ADDENDUM TO DIRECTORS' REPORT

The Auditors, in their report dated 30th May 2012, for the year ended on 31st March 2012, 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.5.1 regarding amount due to SSI Units exceeding 1 lakh for more than 30 days
- II. Note No.5.2 with regard to non-ascertainment of overdue amount as on 31.3.2012 and non-provision of interest to Micro, Small & Medium Enterprises for the year ended 31.3.2012 give the information required by the Companies Act 1956 in the manner required and give a true and fair view.
- III. Non-provision of liability towards Electricity Tax of Rs.30.11 lakhs (Refer Note No.5.3).

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 Rs.1 lakh which are outstanding for more than 30 days are given in Note No.5.1 forming part of the 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 31.03.2012. 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 31.03.2012 and make provision in the accounts towards interest on such overdue amounts.

h) (iii) The company received notice of demand from the Tamilnadu Generation and Distribution Corporation Ltd. for belated payment surcharge on E.Tax amounting to Rs.30.11 lakhs. The company has filed a writ petition before the Hon'ble High Court seeking to quash the demand on the ground that the company has cleared all the E.Tax dues as per the direction of the court and the writ petition is waiting to be numbered. It is understood that, in similar cases, companies who filed writ petitions have obtained favourable court decision. The company is hopeful of getting favorable orders on the writ petition, when it is taken up for consideration. Hence provision was not made in the accounts for this amount. However, the facts and details have been disclosed in Note No.5.3. forming part of the accounts.

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

SALEM
30th May 2012

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

	2011-2012	2010-2011
1. Electricity		
(a) Purchased		
Total Units (in '000 Kwh)	3047.348	5756.854
Total amount (Rs. In 000)	21821.295	32920.675
Rate per unit (Rs.)	7.16	5.72
(b) Own Generation		
(Through Generators)		
Units (in '000 Kwh)	123.232	974.859
Units per liter of Diesel	3.34	3.09
Cost per Unit (Rs.)	15.00	12.65
2. Coal	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Other/Internal generation	NIL	NIL
5. Consumption per unit of production		
(Production of various counts has been converted to the Standard count of 40s and production includes conversion production also).		
Consumption per kg. (in Kwh)	6.27	6.04

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

NIL

NIL

iii. Spares

Rs.

NIL

Rs

7,77,034

iv. Expenditure in foreign currency on account of

Travel and other matters

Rs. 4,25,616

Rs

1,45,993

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

SALEM

30th May 2012

R.Jagadeesan
Chairman & Managing Director

ANNEXURE II**AUDITOR'S 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 31.03.2012, 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.

Place : Chennai

Date : 30th May 2012

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 six board meetings were held on 14/06/2011, 14/07/2011, 13/08/2011, 14/11/2011, 15/02/2012, and 15/03/2012. 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 26/09/2011	No of other companies in which director	No of committees other than the company in which chairman/ member
R.Jagadeesan	Executive/Chairman & Managing Director	6	No	2	--
Mrs.Malathi Jagadeesan	Non-Executive	6	No	2	--
Ashok P. Shah	Non-Executive / Independent	6	Yes	--	--
M.Pugazhendhi	Non-Executive / Independent	5	No	--	--

Remuneration to Directors

Director	Sitting Fees
Mrs. Malathi Jagadeesan	Rs.6000/-
Ashok P. Shah	Rs.6000/-
M.Pugazhendhi	Rs.5000/-

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 2012, five Meetings were held. The dates on which the said meetings were held are 14/06/2011, 14/07/2011, 13/08/2011, 14/11/2011 and 15/02/2011

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)	4

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 10 times during the year 2011-12 to approve share transfers/transmissions. The company has no shares pending for transfer at the close of the year.

Annual General Body Meetings

Details of the Annual General Body Meeting during the last three years.

Year	Date and Time	Venue
2009*	07/09/2009 10:00 am	Unit II, Opp TNEB Sub Station, Udayaptti By-Pass Road, Kamaraj Nagar Colony, Salem -636014
2010*	20/09/2010 10:00 am	--do--
2011*	26/09/2011 10:00 am	--do--

*No special resolution passed

No Special Resolutions were passed through Postal Ballot.

Disclosures

1. Related party transactions

The company has not entered into any transactions of material nature with the promoters, directors, etc' that may have potential conflict with the interest of the company.

2. Compliance by the company

The company has complied with the requirements of the stock exchanges, SEBI, etc... on all matters related to capital markets. No penalties or strictures have been imposed on the company by the Stock Exchanges, SEBI or any statutory authority on any matter related to capital market during the last three years.

The company has put in place a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

Means of communication

The Quarterly, Half Yearly and Annual Financial Results of the company are announced and are published in English and Tamil Newspapers.

General Shareholders Information

- I. Annual General Meeting

AGM Date, Time & Venue	Monday 17 th September 2012 at 10:00 a.m at Unit II, Opp TNEB Sub Station, Udayaptti By-Pass Road, Kamaraj Nagar Colony, Salem -636014
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