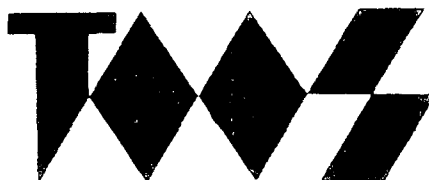


THAMBBI MODERN SPINNING MILLS LIMITED

Regd. Office : Omalur Road, Jagir Ammapalayam, Salem - 636 302

MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHH	✓
YE	✓	✓		✓



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21st ANNUAL
REPORT
1997 - 98





THAMBBI MODERN SPINNING MILLS LIMITED

BOARD OF DIRECTORS

N. Ramasamy Udayar

Chairman

R. Jagadeesan

Managing Director

Dr. V. Siddharthan

Mrs. Malathi Jagadeesan

Mrs. J. Rajalakshmi

V. Sadanandhan

J. Ramkumar

BANKERS

STATE BANK OF INDIA

Salem Main,

Salem 636 001.

AUDITORS

Messrs. SANKARAN & KRISHNAN

Chartered Accountants

"Rose Wood" Offices Complex,

130, Mahatma Gandhi Road,

Chennai - 600 034.

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REGISTERED OFFICE & UNIT I

Omalur Road,

Jagir Ammapalayam,

Salem 636 302.

UNIT II & UNIT III

Opp. TNEB Sub-Station,

By-Pass Road,

Kamaraj Nagar Colony Post,

Salem 636 140

DYEING PLANT

THAMBBI-DELTAA DYEING PLANT

Kombaipatti Village,

Chinnakollapatti Post,

Salem 636 008.

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THAMMBI MODERN SPINNING MILLS LIMITED



NOTICE OF THE TWENTY-FIRST ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty-first Annual General Meeting of the Company will be held at the *Conference Hall of Hotel Dwaraka, Five Roads, Salem 636 004* on Saturday, the 5th day of September, 1998 at 4.00 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31st March 1998, 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 Shri N. Ramasamy Udayar, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Smt. Malathi Jagadeesan, who retires by rotation and, being eligible, offers herself for reappointment.
4. To appoint Auditors 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:

5. To consider and if thought fit to pass the following Resolution, with or without modification, as an Ordinary Resolution:

'RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of The Industrial Credit and Investment Corporation of India Limited (ICICI) to secure Guarantee Assistance of US\$ 2.5 million towards principal plus interest thereon at 1.25% over the London Inter Bank Offered Rate

(LIBOR) together with interest at the agreed rates, additional interest, liquidated damages, compound interest, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to ICICI in terms of their Guarantee Agreement / Letter of Sanction entered into/to be entered into by the Company in respect of the said Guarantee Assistance and to the Board of Directors of the Company agreeing with the said ICICI in terms of their Guarantee Agreement/ Letter of Sanction to reserve a right to take over the management of the business and concern of the Company in certain events;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with ICICI the documents for creating the aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolution.

6. To consider and if thought fit to pass the following Resolution, with or without modification, as an Ordinary Resolution:

RESOLVED THAT pursuant to Sections 198, 269, and 309, Schedule XIII and other applicable provisions of the Companies Act, 1956, Shri R. Jagadeesan, be and is hereby reappointed as Managing Director of the Company for a period of 5 (five) years from 1.4.1999 to 31.3.2004 on the following terms of remuneration, benefits and perquisites :

I. SALARY

Salary of Rs. 50,000 (Rupees fifty thousand only) per month with such annual increments not exceeding Rs. 5,000 per month as may be sanctioned by the Board of Directors from time to time.

II. COMMISSION:

Commission on the net profits of the Company of such amount as may be sanctioned by the Board of Directors of the Company for each financial year, subject to the overall ceilings laid



THAMBBI MODERN SPINNING MILLS LIMITED

down under Sections 198, 309, and Schedule XIII of the Companies Act, 1956.

III. PERQUISITES:

In addition to salary and commission as above, Shri R. Jagadeesan shall be entitled to the following perquisites:

(i) Housing:

Suitable residential accommodation, free of cost with all facilities and amenities (including gas, electricity, water and furnishings). In case Shri R. Jagadeesan does not opt for Company provided accommodation at any time he shall be paid house rent allowance of a sum not exceeding 40% of his salary. The expenditure incurred by the Company on gas, electricity, water and furnishings provided to Shri R. Jagadeesan shall be evaluated as per the Income Tax Rules, 1962.

(ii) Medical Reimbursement :

Reimbursement of such medical expenses incurred by Shri R. Jagadeesan on himself and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years or such higher amount as may be sanctioned by the Board from time to time. For the purpose, the term "family" shall mean wife, dependent children and dependent parents.

(iii) Leave and Leave Travel Concession:

Shri R. Jagadeesan shall be entitled to one month's leave for every year of service and in payment of such leave travel concession, once in a year, for himself and his family viz., wife, dependent children and dependent parents, as may be sanctioned by Board of Directors, subject to ceiling of one month's salary in a year. Encashment of unutilised leave shall not be considered as perquisite for purpose of ceiling on remuneration prescribed in the Companies Act, 1956.

(iv) Club Fees :

Shri R. Jagadeesan shall be entitled to the reimbursement of fees paid to any two clubs in India.

(v) Personal Accident Insurance:

The Company shall pay the premium of a sum not exceeding Rs. 4,000/- annually to a personal accident insurance policy for Shri R. Jagadeesan.

(vi) Provident Fund, Annuity etc.,

Shri R. Jagadeesan shall be eligible for the benefits under the Company's Provident Fund Scheme and the Superannuation and Group Insurance Schemes (as and when introduced by the Company) in accordance with the Company's rules and regulations in force from time to time. Till such time as the Company introduces a Superannuation and Group Insurance Scheme, the Company shall purchase annuities for the benefit of Shri R. Jagadeesan on payment of an annual premium of a sum not exceeding 16 2/3% of the annual salary drawn by him each year, provided however the Company's contributions to the Provident Fund and Superannuation and Group Insurance Schemes or towards the purchase of annuities shall not exceed the limit prescribed under the Income Tax Act, 1961.

(vii) Gratuity:

Shri R. Jagadeesan shall also be eligible for the benefits of the Company's retiring Gratuity Scheme in accordance with the Company's practices and rules in force from time to time.

(viii) Car and Telephone:

The Company shall provide Shri R. Jagadeesan with a car and driver and telephone at residence for use on Company's business.

(ix) Minimum Remuneration:

In the event of the Company incurring a loss or having inadequate profits in any financial year, the salary, benefits and perquisites payable to Shri R. Jagadeesan shall be in accordance with the provision of Schedule XIII of the Companies Act, 1956 as may be in force from time to time.

IV. The Company shall reimburse Shri R. Jagadeesan entertainment expenses actually and properly incurred by him in the course of the business of the Company subject to such



THAMBBI MODERN SPINNING MILLS LIMITED

annual limits as may be fixed by the Board of Directors of the Company.

V. The aforesaid remuneration, perquisites and benefits may be increased by the Board of Directors at any time within the limits laid down in Schedule XIII to the Companies Act, 1956 or as stipulated in the other relevant provisions of the said Act or in accordance with such modification or relaxations in this regard as may be made by the Government of India from time to time.

NOTES :

- a) The relative explanatory statements with regard to the special business set out in items 5 and 6 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 A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER.
- c) The instrument appointing a proxy, in order to be effective, must be deposited at the Company's Registered Office at Omalur Road, Jagir Ammapalayam, Salem 636 302 not less than forty eight hours before the meeting.
- d) The Register of Members and the Share Transfer Books of the Company will remain closed from 21st August, 1998 to 5th September, 1998, both days inclusive.
- e) The members are informed that there being no unpaid/unclaimed dividends up to the financial year 1993-94, the question of transfer thereof to the General Revenue Account of the Central Government pursuant to the applicable provisions of the Companies Act, 1956 does not arise.

Salem,
June 29, 1998.

By order of the Board,
R. Jagadeesan
Managing Director.

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

The following explanatory statements set out the material facts relating to items 5 and 6 of the accompanying Notice dated 29th June, 1998.

ITEM NO. 5

The Company has been sanctioned a loan of US\$ 2.5 million by the London Branch of Canara Bank for financial assistance under the Government of India's External Commercial Borrowings Scheme and the said loan is to be secured by a Bank/ Institutional Guarantee. For this purpose, the Industrial Credit and Investment Corporation of India Limited (ICICI) has agreed to provide a Guarantee as required by the lenders of US\$ 2.5 million, which, in turn, will be secured by a mortgage/charge created / to be created by the Company on its assets in favour of ICICI pari passu with the earlier mortgages and charges. The Company has since availed of the said loan and utilised the proceeds thereof to repay the outstanding dues to ICICI against the earlier loans extended by ICICI to the Company.

Section 293(1) (a) of the Companies Act, 1956, inter alia, provides that the Board of Directors of a company shall not without the consent of such company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking.

Since the mortgaging of the Company's movable/ immovable properties may be regarded as disposal of the Company's undertaking, the consent of the members is being sought under Section 293(1) (a) of the Companies Act, 1956, for the creation of the mortgage/charge in favour of ICICI as aforesaid. Accordingly, the resolution proposed in item No. 5 of the Notice is commended for approval by members.

None of the Directors is concerned or interested in the said resolution.

The Letter of Sanction, Guarantee Agreement and all other relevant documents relating to the creation of the mortgage/charge are available for inspection by the members of the Company at the Registered Office of the Company at Omalur Road, Jagir Ammapalayam, Salem 636 302 between 10.00 a.m. and 4.00 p.m. on any working day upto and including the date of meeting.

ITEM NO. 6

The current term of office of Shri R. Jagadeesan, the Managing Director of the Company, is due to expire on 31st March, 1999.



THAMBBI MODERN SPINNING MILLS LIMITED

Having regard to the knowledge and experience of Shri. R. Jagadeesan, the able manner in which he has managed the affairs of the Company so long and the need for his continued stewardship especially during the extremely adverse conditions prevailing in the industry, the Board of Directors has decided to reappoint Shri R. Jagadeesan as Managing Director of the Company for a period of 5 years commencing 1st April, 1999 on the terms of remuneration set out in the resolution proposed in item 6 of the Notice.

The proposed reappointment is in accordance with the provisions of Schedule XIII of the Companies Act, 1956 and the proposed terms of remuneration payable to Shri R. Jagadeesan are within the limits prescribed in the said Schedule. The resolution is commended for acceptance by the members.

Shri R. Jagadeesan is interested in the resolution relating to his reappointment to the extent of the

remuneration and perquisites payable or extended to him. Shri N. Ramasamy Udayar, Smt. Malathi Jagadeesan, Smt. J. Rajalakshmi and Shri J. Ramkumar, Directors of the Company, may be deemed to be concerned or interested in the resolution, they being relatives of Shri R. Jagadeesan. No other Director is concerned or interested in the resolution.

The text of the resolution together with its relative explanatory statement may be considered as an abstract of the terms of appointment of Shri R. Jagadeesan as the Managing Director of the Company under Section 302 of the Companies Act, 1956.

Salem,
June 29, 1998.

By order of the Board,
R. Jagadeesan
Managing Director.

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THAMBBI MODERN SPINNING MILLS LIMITED



REPORT OF THE DIRECTORS

To
The Members,
The Directors are pleased to present their report and the audited statement of accounts of the Company for the year ended 31st March, 1998.

1. Financial Results

Rs. in Lacs

	1997-98	1996-97
Profit before depreciation and taxation	258.03	266.26
Less: Depreciation	196.42	214.23
Profit before taxation	61.61	52.03
Less: Provision for taxation	7.00	7.00
Net Profit	54.61	45.03
Add/(Less) :		
Prior year adjustments -		
Taxation	(12.29)	6.30
Others	—	(5.66)
	42.32	45.67
After adding the amount brought forward from previous year of	156.78	111.12
The amount available for disposal is	199.10	156.79

As in the previous year, in the absence of any significant improvement in the net earnings of the Company and with a view to conserving the resources of the Company for the future, the Directors have decided not to recommend any dividend for the year 1997-98 and to carry forward in the accounts the aforesaid amount of Rs. 199.10 lacs without making any appropriations therefrom.

2. Finance

The signs of revival of the yarn market, which were visible in the first quarter of 1997-98 turned out to be short-lived and the industry continued to reel under the impact of shortage of working capital, acute liquidity crisis and high financing costs.

With a view to partly substituting its high cost debt with lower cost borrowings and thus effect a saving

on interest costs, the Company resorted to an External Commercial Borrowing during the year of an amount equivalent to US\$ 2.5 million against a guarantee provided by the Industrial Credit and Investment Corporation of India Ltd. (ICICI). The proceeds of the said loan were used entirely to repay the outstandings to the ICICI. The said guarantee would be secured by a mortgage/charge of the Company's assets. In this regard, members' attention is invited to item No. 5 of the Notice and its relative Explanatory Statement.

3. Operations

During the year under review the total sales and other operational income amounted to Rs. 5586 lacs against Rs. 5589 lacs in the previous year. The net profit (after provision for taxation) however showed a marginal improvement from Rs. 45.03 lacs in the previous year to Rs. 54.61 lacs in 1997-98.

4. Exports

The Company continued to maintain its Recognized Export House and net foreign exchange earner status during the year. The Company's total export turnover during the year amounted to Rs. 2913 lacs as compared to Rs. 2470 lacs last year or an increase of 18%.

5. Outlook

The textile sector as a whole has been going through a very critical phase due to various reasons beyond the control of the industry. The recessionary trend of the past couple of years with no parity between the cost of production and the price realisation in the domestic markets has impaired the ability of the spinning units (including your Company) (a) to honour their various commitments and repayment obligations in respect of long term borrowings from financial institutions and (b) to maintain the normal financial parameters and the traditional debt-equity and current ratios at acceptable levels. The Southern India Mills Association (SIMA) has made a representation



THAMBBI MODERN SPINNING MILLS LIMITED

setting out the problems faced by its member-Units and seeking certain urgent reliefs to the concerned authorities in the Central and State Governments, whose response is awaited.

With a view to partly meeting the shortfall in its working capital requirements and financing the project for doubling its dyeing plant capacity, your Company has sought a term loan of Rs. 500 lacs from ICICI. The Company's request has been favourably considered and is being processed for disbursement. With the proposed expansion of the dyeing plant, the Company would be in a position to handle and execute more export orders which will lessen its dependence on domestic markets and improve its profitability in the coming years.

The Company's performance during the current year and in the future will largely depend on the timely response to the aforesaid representation made by SIMA to the authorities for appropriate reliefs.

6. Deposits

The total amount of deposits accepted by the Company for the purposes of its business and outstanding as on 31st March, 1998 stood at Rs. 126 lacs. There were no unclaimed deposits as on the said date.

7. Personnel

The industrial relations at the Company's works continued to remain cordial during the year under review.

The information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given in an annexure forming part of this Report.

8. Conservation of Energy, Technology, Absorption etc.

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in an annexure forming part of this Report.

9. Directors

Shri N. Ramasamy Udayar and Smt. Malathi Jagadeesan, Directors of the Company, are due to retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Shri K.R.V. Subrahmanian and Shri R. Krishnamoorthy resigned their directorships from the Board with effect from 21st March, 1998. The Board of Directors has placed on record its appreciation of the valuable services rendered by Shri K.R.V. Subrahmanian and Shri R. Krishnamoorthy during their tenure as Directors of the Company.

In the causal vacancies on the Board caused by the resignation of Shri K.R.V. Subrahmanian and Shri R. Krishnamoorthy, the Board has appointed Shri V. Sadanadhan and Shri J. Ramkumar as Directors of the Company.

The current term of office of the Managing Director is due to expire on 31st March, 1999. The Board of Directors has decided to reappoint Shri R. Jagadeesan as the Managing Director of the Company for a further period of 5 years from 1st April, 1999. Members' attention is invited in this regard to item No. 6 of the Notice and its relative Explanatory Statement.

10. Auditors

The comments of the Auditors with regard to the non provision of additional liability towards the external commercial borrowing and the slight delay in the remittance of the Provident fund and ESI dues have been dealt with in the Notes forming part of the Accounts which are self explanatory.

The members will be requested to appoint auditors in place of the retiring auditors, Messrs. Sankaran & Krishnan and authorise the Board of Directors to fix their remuneration. The retiring auditors are eligible for reappointment and they have furnished the requisite certificate to the effect that their reappointment, if effected, would be in accordance with Section 224(1B) of the Companies Act, 1956.