

22nd ANNUAL REPORT 1999

For THAMBBI MODERN SPINNING
MILLS LIMITED


MANAGING DIRECTOR.



Thambi Modern Spinning Mills Limited

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

**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,
 130-131, Mahatma Gandhi Salai,
 Chennai 600 034.

REGISTERED OFFICE & UNIT I

Omalur Road, Jagir Ammapalayam,
 Salem 636 302.

UNITS II & III

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

DYEING PLANT

THAMBBI-DELTAA DYEING PLANT,
 Kombaipatti Village,
 Chinnakollapatti Post,
 Salem - 636 008.

SHARE TRANSFER AGENT

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

Thambbi Modern Spinning Mills Limited**NOTICE**

NOTICE is hereby given that the twenty-second Annual General Meeting of the Company will be held at the Company's Mill Premises, Unit II, Opp. TNEB Sub-Station, By-Pass Road, Kamaraj Nagar Colony Post, Salem 636 014 on Monday, the 30th day of August, 1999 at 9.30 a.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, 1999, the Balance Sheet as at that date, and the Reports of the Directors and Auditors thereon.
2. 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

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

'RESOLVED THAT Mr. V. Sada nandhan, who was appointed as a Director of the Company with effect from 21st March, 1998 in the casual vacancy under Article 114 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company'.

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

'RESOLVED THAT Mr. J. Ramkumar, who was appointed as a Director of the Company with effect from 21st March, 1998 in the casual vacancy under Article 114 of the Articles of Association of the Company and who holds office upto the date of this Annual General

Meeting be and is hereby appointed as a Director of the Company'.

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 immovable and movable 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 Industrial Investment Bank of India Ltd., (IIBI) to secure Guarantee Assistance of US\$ 500,000 towards principal plus interest thereon at 1.75% 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 IIBI 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 IIBI 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 IIBI 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

Thambbi Modern Spinning Mills Limited

necessary for giving effect to the above resolution.

NOTES:

- a) The relative explanatory statement with regard to the special business set out in items 3, 4 and 5 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) 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, 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 16th August, 1999 to 30th August, 1999, both days inclusive.
- f) Those members who have so far not encashed their dividend warrants for the year ended 31st March, 1996 may claim or approach the Company immediately for the payment as otherwise the same will be transferred to the General Revenue Account of the Central Government on 11th October, 1999.
- g) Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed this dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Office of the Registrar of Companies, V Floor, Bank of Baroda Building, 82, Bank Road, Coimbatore 636 018 by submitting an application in the prescribed form.

Salem,
May 31, 1999.

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 Nos. 3, 4 and 5 of the accompanying Notice dated May 31, 1999.

ITEM NO. 3

Mr. V. Sadanandhan was appointed by the Board as a Director of the Company effective from 21st March, 1998, in the casual vacancy pursuant to Article 114 of the Articles of Association of the Company. He holds office upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, the Company has received a joint notice, from some members proposing the candidature of Mr. V. Sadanandhan for the office of Director of the Company.

The Board recommends the said resolution for your approval.

Apart from Mr. V. Sadanandhan, Dr. V. Siddharthan, being his relative, is deemed to be concerned or interested in the resolution relating to his appointment.

ITEM NO. 4

Mr. J. Ramkumar was appointed by the Board as a Director of the Company effective from 21st March, 1998, in the casual vacancy pursuant to Article 114 of the Articles of Association of the Company. He holds office upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, the Company has received a joint notice, from some members proposing the candidature of Mr. J. Ramkumar for the office of Director of the Company.

The Board recommends the said resolution for your approval.

Apart from Mr. J. Ramkumar, three other Directors, viz., Mr. R. Jagadeesan, Mrs. Malathi Jagadeesan and Mrs. J. Rajalakshmi, being his relatives, are deemed to be concerned or interested in the resolution relating to his appointment.

Thambbi Modern Spinning Mills Limited**ITEM NO. 5**

The Company has been sanctioned a loan of US\$ 500,000 by the London Branch of Canara Bank, 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 Investment Bank of India Limited (IIBI) has agreed to provide a Guarantee as required by the lenders for US\$ 500,000, which, in turn, will be secured by a mortgage/charge created/to be created by the Company on its assets in favour of IIBI on 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 IIBI against the earlier loans extended by IIBI 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 IIBI 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 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.

Salem,
May 31, 1999.

By Order of the Board
R. Jagadeesan
Managing Director

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Thambbi Modern Spinning Mills Limited**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors hereby present their twenty-second Annual Report together with the audited accounts of the Company for the year ended 31st March, 1999.

1. SUMMARY OF FINANCIAL RESULTS

	Rs. in Lacs	
	1998-99	1997-98
Turnover	5510.88	5586.47
(Loss)/Profit before depreciation and taxation	(344.17)	258.03
Add/Less : Depreciation	200.86	196.42
(Loss) / Profit before taxation	(545.03)	61.61
Less: Provision for taxation	—	7.00
(Net Loss) / Profit	(545.03)	54.61
Less : Prior Year adjustments		
Taxation	—	12.29
Others	(3.59)	—
	(548.62)	42.32
After deducting / adding the amount brought forward from previous year of	199.10	156.78
The amount available for disposal is	(349.52)	199.10

2. DIVIDEND

In view of the adverse working results, the Directors regret their inability to recommend any dividend for the year ended 31st March, 1999.

3. OPERATIONS

During the year under review, your Company was able to achieve a total sales turnover of Rs. 5510.88 lacs as against Rs. 5586.47 lacs in the previous year. However,

the margin were under heavy pressure due to increases in cost of almost all inputs. Further, the extreme paucity of working capital, frequent power cut and various other adverse factors contributed to the severe erosion in the profitability of the Company's operations, a phenomenon, suffered by the industry in the area as a whole. While the loss arising out of the Company's operation during the year amounted to Rs. 389.43 lacs, the charge of Rs. 155.60 lacs towards the exchange difference on Secured Loans debited in the accounts for the year had resulted in raising the net loss suffered by the Company during the year to Rs. 545.03 lacs.

4. EXPORTS

The Company's total export turnover during the year amounted to Rs. 2991 lacs as compared to Rs. 2913 lacs last year. During the year, your Company continued to retain as a net foreign exchange earner and maintained its Export House status.

5. PROSPECTS FOR THE CURRENT YEAR

The political instability and the general industrial down-trend prevailing in the Country will undoubtedly affect the Company's performance during the year. In the circumstances, your Directors have initiated a comprehensive business plan to meet the situation. This plan focuses on your Company's core competencies and seeks to ensure a significant increase in the export market share for the Company's products. The sales turnover during the first two months of the current financial year amounted to Rs. 783 lacs as compared to Rs. 734 lacs during the corresponding period of last year.

6. DIRECTORS

Messrs. V. Sadanandhan and J. Ramkumar, who were appointed as Directors of the Company on 21st March, 1998, in the casual vacancies pursuant to Art. 114 of the Articles of Association of the Company, hold office up to the date of the

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forthcoming Annual General Meeting of the Company. The notices have been received from some members proposing their reappointment as Directors of the Company liable to retire by rotation. In this regard, the attention of the members is invited to item Nos. 3 & 4 of the Notice of the Annual General Meeting and its relative explanatory statement.

7. AUDITORS

The Auditors of your Company, M/s. Sankaran & Krishnan, Chartered Accountants, Chennai retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Your Directors recommend the re-appointment of M/s. Sankaran & Krishnan, as Auditors of the Company and also recommend that authority be given to the Board to fix their remuneration.

8. AUDITORS' REPORT

The comments made by the Auditors in their report have been duly explained in the attached Notes on Accounts and hence are not being separately dealt with here.

9. FIXED DEPOSITS

The total amount of fixed deposits from the public and others outstanding as on 31st March, 1999 stood at Rs. 129.61 lacs. As on that date there was no overdue deposit.

10. PARTICULARS OF EMPLOYEES

None of the employees of your Company was in receipt of remuneration exceeding the limit prescribed under Section 217(2)(A) of the Companies Act, 1956 during the year.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO.

The required information under Section 217(I)(e) of the Companies Act, 1956 read

with the Companies (Disclosure of particulars in Report of the Board of Directors) Rules, 1988 is given in the annexure hereto, which form part of this Report.

12. Y2K COMPLIANCE

The Company has been addressing its Y2K compliance status since 1998. While the Company's production equipment and machinery are already Y2K compliant, its computer hardwares and the internally developed softwares, as well as significant third party softwares and operating systems will be fully compliant by September, 1999. The future cost of ensuring hardware and software compliance is estimated at Rs. 10 lacs. The Company has sufficient internal resources to address any system disruption due to Y2K issues.

13. INDUSTRIAL RELATION

The relations between labour and management continue to be most cordial during the year under review.

14. ACKNOWLEDGEMENT

Your Directors wish to record their sincere appreciation of the efforts put in by all the employees of your Company and of their commitment in this very difficult period. Your Directors also take this opportunity to acknowledge the co-operation and assistance of Financial Institutions and Banks and the support extended by the Company's customers, shareholders, Deposit holders.

For and on behalf of the Board

R. Jagadeesan
Managing Director

Salem, May 31, 1999.