

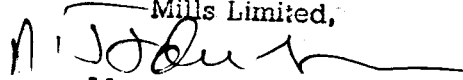
THAMBBI MODERN SPINNING MILLS LIMITED

25th

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**Annual Report
2001-02**

For Thambbi Modern Spinning
Mills Limited,


Managing Director,

THAMBBI MODERN SPINNING MILLS LIMITED

ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

R. Jagadeesan
Managing Director

Mrs. Malathi Jagadeesan

R. Krishnamoorthi

M. Pugazhendhi

Ashok P. Shah

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. TNEB 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, IV Floor,

No. 1, Club House Road,

Chennai 600 002.

NOTICE

NOTICE is hereby given that the Twenty-fifth 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 Thursday, the 20th day of February, 2003 at 10.00 a.m. to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the 18 Months period ended 30th September 2002, the Balance Sheet as at that date, and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M. Pugazhendhi, who was appointed as a Director of the Company by the Board of Directors on 8th June 2002 pursuant to Article 114 of the Articles of Association of the Company to fill a casual vacancy on the Board caused by the resignation of Dr. V. Siddharthan. Under the said Article 114 and pursuant to the provisions of Section 262(2) of the Companies Act, 1956, Mr. M. Pugazhendhi holds the office of Director up to the date of the forthcoming Annual General Meeting, but he is eligible for re-appointment and the Company has received a notice in writing from some members proposing his candidature for the office of Director of the Company liable to retirement by rotation.
3. To appoint a Director in place of Mr. Ashok P. Shah, who was appointed as a Director of the Company by the Board of Directors on 8th June, 2002 pursuant to Article 114 of the Articles of Association of the Company to fill a casual vacancy on the Board caused by the resignation of Mr. V. Sadanandhan. Under the said Article 114 and pursuant to the provisions of Section 262(2) of the Companies Act, 1956, Mr. Ashok P. Shah holds the office of Director up to the date of the forthcoming Annual General Meeting, but he is eligible for re-appointment and the Company has received a notice in writing from some members proposing his candidature for the office of Director of the Company liable to retirement by rotation.
4. To appoint a Director in place of Mr. R. Krishnamoorthi, who was appointed by the Board of Directors as an Additional Director of the Company on 10th January, 2002 and who holds office upto the date of the forthcoming Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from some members proposing the candidature for the office of Director of the Company liable to retirement by rotation.
5. To consider the re-appointment of retiring auditors Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai 600 034 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.

By order of the Board

R. Jagadeesan
MANAGING DIRECTOR

Salem, 19th December 2002

THAMBBI MODERN SPINNING MILLS LIMITED

NOTES TO THE MEMBERS

NOTES:

- (a) The relative explanatory statements with regard to items 2,3 and 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 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 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 Thursday, 6th February, 2003 to Thursday 20th February, 2003(both days inclusive).
- (f) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, the dividends which remain unpaid or unclaimed for a period of 7 years from the date they first became due for payment are now required to be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far, for the financial year ended 31st March 1996 or thereafter are requested to send the unencashed dividend warrant(s), if any, for revalidation immediately. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof against the said fund or the Company thereafter.

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EXPLANATORY STATEMENTS

(Pursuant to section 173(2) of the Companies Act, 1956)

The following explanatory statements set out all the material facts relating to items No. 2,3 and 4 of the accompanying Notice dated 19th December 2002.

ITEM No.2

Mr. M. Pugazhendhi appointed as a Director of the Company on 8th June 2002 by the Board of Directors under Article 114 of the Article of Association of the Company to fill the casual vacancy on the Board caused by the resignation of Dr. V. Siddharthan. Under the said Article 114 and pursuant to the provisions of Section 262(2) of the Companies Act, 1956, Mr. M. Pugazhendhi holds the office of Director only up to the date of the forthcoming Annual General Meeting, it being the date on which Dr. V. Siddharthan would have retired by rotation. A notice complying with the provisions of Section 257 of the Companies Act, 1956 along with the necessary deposit, has been received from some members signifying their intention to propose the appointment of Mr. M. Pugazhendhi as a Director of the Company liable to retirement by rotation.

Mr. M. Pugazhendhi is an engineer with considerable experience and the Board considers it desirable that the Company should continue to receive the benefit of his experience as a Director of the Company. The said appointment is commend for the approval of the members.

Mr. M. Pugazhendhi is concerned or interested in the resolution relating to his appointment.

ITEM No.3

Mr. Ashok P. Shah appointed as a Director of the Company on 8th June 2002 by the Board of Directors under Article 114 of the Article of Association of the Company to fill the casual vacancy on the Board caused by the resignation of Mr. V. Sadanandhan. Under the said Article 114 and pursuant to the provisions of Section 262(2) of the Companies Act, 1956, Mr. Ashok P. Shah holds the office of Director only up to the date of the forthcoming Annual General Meeting, it being the date on which Mr. V. Sadanandhan would have retired by rotation. A notice complying with the provisions of Section 257 of the Companies Act, 1956 along with the necessary deposit, has been received from some members signifying their intention to propose the appointment of Mr. Ashok P. Shah as a Director of the Company liable to retirement by rotation.

Mr. Ashok P. Shah is a Graduate with considerable experience and the Board considers it desirable that the Company should continue to receive the benefit of his experience as a Director of the Company. The said appointment is commend for the approval of the members.

Mr. Ashok P. Shah is concerned or interested in the resolution relating to his appointment.

ITEM No.4

Mr. R. Krishnamoorthi was appointed as an Additional Director of the Company on 10th January 2002 by the Board of Directors. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. R. Krishnamoorthi holds the office of Director up to the date of the forth coming Annual General Meeting. A notice complying with the provisions of Section 257 of the said Act along with the necessary deposit has been received from some members signifying their intention to propose the appointment of Mr. R. Krishnamoorthi as a Director of the Company liable to retirement by rotation.

Mr. R. Krishnamoorthi is a senior person and the Board considers it desirable that the Company should continue to receive the benefit of his experience as a Director of the Company. The Board commends the resolution proposing his appointment for the approval of the members.

Mr. R. Krishnamoorthi and Mrs. Malathi Jagadeesan, Directors of the Company being related to each other are concerned or interested in the resolution proposing the appointment of Mr. R. Krishnamoorthi as a Director of the Company.

By order of the Board

R. Jagadeesan
MANAGING DIRECTOR

Salem, 19th December 2002.



CHAMBI MODERN SPINNING MILLS LIMITED

Annual Report 2001-02

Directors' Report

Your Directors hereby present their Twenty-fifth Annual Report on the business and operations of the Company with the Audited Statement of Accounts of the Company for the 18-month period ended 30th September 2002.

With the requisite approvals, the Company had extended its financial year from 31st March to 30th September 2002. Henceforth the Company would observe October-September as its financial year. The accounts under review therefore cover an 18-month period from 1st April 2001 to 30th September 2002. 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 30th September 2002.

Financial Results

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

	2001-02 18 months Rs. in '000	2000-01 12 months Rs. in '000
Turnover	58,33,37	42,78,14
Loss before depreciation and taxation	15,66,54	4,88,24
Less Depreciation	2,34,51	1,76,76
Loss before taxation	18,01,05	6,65,00
Less: Provision for taxation	—	—
Net Loss	18,01,05	6,65,00
Add: Prior year adjustments	1,34,01	34,93
Taxation	—	2,73
After adding the amount of loss brought forward from the previous year of	19,35,06	7,02,66
	11,23,80	4,21,14
The aggregate loss carried to the balance sheet is	30,58,86	11,23,80

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. 5986 Lakhs as against Rs. 4337 lakhs during 2000-01. The Company has incurred a cash loss of Rs. 1565 lakhs during the said period as compared to a cash loss of Rs. 488 lakhs in the previous year.

The general recession in the textile industry, heavy interest burden, acute liquidity crunch and increased costs of inputs have cumulatively contributed to the substantial cash loss.

Director's Report (Contd...)**Exports**

The Company's export turnover during the 18 month-period was Rs.1953 lakhs as compared to Rs. 1796 lakhs in the previous financial year. The Company continues to explore in new overseas markets for its products.

Erosion of Net Worth

In the last Annual Report, the Board of Directors of the Company had reported the erosion of more than 50% of the Company's peak net worth during the immediately preceding four financial years and had explained the reasons therefor. The Directors had also then mentioned that the Board was in the process of negotiating with the financial institutions and Banks for a financial package for restoring viability of the Company's operations.

Your Directors regret to report that their efforts had failed and the continued operations under adverse conditions with no relief forthcoming from any quarters during the 18-month period had inevitably resulted in a further substantial loss of over Rs. 18 crores with the consequent total erosion of the net worth of the Company. Thus the Company has become a sick Company attracting the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 as is presently stands.

Accordingly the Company proposes to take suitable measures to comply with the provisions of the said Act and/or any other statutory modification or re-enactment thereof for the time being in force.

Simultaneously, your Directors are pursuing their negotiations with the financial institutions and Banks for restructuring of its long-term debts.

Prospects

In the present circumstances and pending the outcome of their efforts, your Directors are unable to express any hope of recovery from the adverse operational results in the near future.

Deposits

With regard to the observation made by the Auditors in clause 13 of their report, it may be stated that due to cash loss, the Company was unable to comply with the provisions of Companies Act, 1956 regarding the repayment of Public deposits. The overdue deposits amounting to Rs. 47.28 Lakhs as on 30.09 2002 included a sum of Rs. 5.50 lakhs, being the instalments of repayment settled as per the directions of the High Court, Chennai. The Company has not accepted/renewed any deposits during the year.

Provident Fund and ESI

As regards the observation made by Auditors in clause 17 of their Report, the Company is unable to pay the provident fund and ESI contributions on the due dates owing to the cash loss suffered by the Company. The Company would pay the said dues as soon as possible.

THAMBBI MODERN SPINNING MILLS LIMITED

Directors' Report contd...

Directors

Mr. R. Krishnamoorthi was appointed as an Additional Director on the Board on 10th January, 2002 and he holds office upto the date of forthcoming Annual General Meeting of the Company. Some members have given notice proposing his reappointment as indicated in item no. 4 of the Notice and its relative explanatory statement.

For personal reasons, the Company's Directors, Dr. V. Siddharthan, Mr. V. Sadanandhan, resigned from the Board with effect from 20.03.2002 and Mrs. J. Rajalakshmi and Mr. J. Ramkumar resigned from the Board of the Company with effect from 31.07.2002. While accepting their resignations with regret, Board has placed on record its appreciation of the valuable services rendered by them during their association with the Company as Directors.

In the casual vacancies caused by the resignation of Dr. V. Siddharthan and Mr. V. Sadanandhan your Board had appointed Mr. M. Pugazhendhi and Mr. Ashok P. Shah as Directors of the Company, also will hold office upto the forth coming Annual General Meeting of the Company. In this connection, attention of the members is invited to item Nos. 2 and 3 of the Notice of the Annual General Meeting and its relative explanatory statement.

Directors' Responsibility statement

The Directors confirm that in the preparation of the Annual Accounts for the period ended 30th September, 2002 that -

- (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 judgements 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.

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.