



THAMBBI MODERN SPINNING MILLS LIMITED

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26th

**Annual Report
2002-2003**

THAMBBI MODERN SPINNING MILLS LIMITED

ANNUAL REPORT 2002-2003

BOARD OF DIRECTORS

R. Jagadeesan
Managing Director
Mrs. Malathi Jagadeesan
R. Krishnamoorthi
M. Pugazhendhi
Ashók P. Shah
Avanish Upadhyay
(Nominee for IIBI)

BANKER

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 DELTAA DYEING PLANT

Kombaipatti Village
Chinnakollapatti Post
Salem 636 008

REGISTRAR & TRANSFER AGENT

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

THAMBI MODERN SPINNING MILLS LIMITED

ANNUAL REPORT 2002-2003

NOTICE

NOTICE is hereby given that the Twenty-Sixth 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 Monday, the 29th March 2004 at 10:00 am to transact the following business:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the period ended 30th September 2003, 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 Smt. Malathi Jagadeesan, who retires by rotation and being eligible, offers herself for re-appointment.
3. To consider the re-appointment of retiring auditors Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai 600034 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:

4. 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 re-appointed as Managing Director of the Company for a period of 5(five) years from 01.04.2004 to 31.03.2009 on the following terms of remuneration, benefits and perquisites.

I. SALARY:

Salary of Rs. 65,000 (Rupees Sixty Five 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 but not exceeding Rs. 75,000.

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 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.

THAMBBI MODERN SPINNING MILLS LIMITED**ANNUAL REPORT 2002-2003****(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 salary in a year or three month salary over a period of three years or such 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 months leave for every year of service and payment of such leave travel concession, once a year, for himself and his family viz., wife, dependent children and dependent parents, as may be sanctioned by Board of Directors, subject to a ceiling of one months salary in a year. Encashment of unutilised leave shall not be considered as a 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 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 retiring Gratuity Scheme in accordance with the Company 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 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 provisions of Schedule XIII of the Companies Act, 1956 as may be in force from time to time.

THAMBBI MODERN SPINNING MILLS LIMITED**ANNUAL REPORT 2002-2003**

- 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 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 modifications 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 item 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 Monday, 15th March, 2004 to Monday 29th March, 2004 (both days inclusive).

THAMBI MODERN SPINNING MILLS LIMITED

ANNUAL REPORT 2002-2003

EXPLANATORY STATEMENT

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

The following explanatory statement set out the material facts relating to item No. 4 of the accompanying Notice dated 29th November 2003.

ITEM NO.4

The current term of office of Shri.R.Jagadeesan, the Managing Director of the Company, is due to expire on 31st March 2004. Having regard to the knowledge and experience of Shri.R.Jagadeesan, 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 five years commencing from 1st April 2004 on the terms of remuneration set out in the resolution proposed in item No. 4 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.

Shri.R.Jagadeesan is interested in the resolution relating to his reappointment to the extent of the remuneration and perquisites payable are extended to him. Smt.Malathi Jagadeesan and Shri.R.Krishnamoorthi 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 are 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.

By order of the Board

R. Jagadeesan
MANAGING DIRECTORSalem, 29th November 2003

THAMBBI MODERN SPINNING MILLS LIMITED**ANNUAL REPORT 2002-2003****Directors' Report**

Your Directors present their 26th Annual Report on the business and operations of the Company with the Audited Statement of Accounts of the Company for the period ended 30th September 2003

Financial Results

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

	30th Sep. 2003 (12 Months) Rs. in '000	30th Sep. 2002 (18 Months) Rs. in '000
Turnover	37,58,74	58,33,37
Loss before depreciation and taxation	14,47,76	15,66,54
Add Depreciation	1,45,95	2,34,51
Loss before taxation	15,93,71	18,01,05
Add: Provision for taxation	—	—
Net Loss	15,93,71	18,01,05
Add: Prior year adjustments	10,98	1,34,01
	16,04,69	19,35,06
After adding the amount of Loss brought forward from the previous year of	30,58,86	11,23,80
The aggregate loss carried to the balance sheet is	46,63,55	30,58,86

Dividend

Your directors are unable to recommend any dividend for the year in view of the losses suffered by the company.

Performance

The figures for the period ended 30th September 2003 and those for the period ended 30th September 2002 are not strictly comparable as the previous period covers 18 months operation.

The Company's total sales and other operational income during the year under review amounted to Rs. 3798 lacs as against Rs. 5986 lacs during 2001-02(18 Months). The Company has incurred a cash loss of Rs. 1448 lacs during the year as compared to a cash loss of Rs. 1567 lacs in the previous period.

During the year, your company has decided to make an actuarial valuation of the gratuity liability in compliance with the accounting standard issued by ICAI. Accordingly a provision of Rs. 67.53 lacs was made in the accounts, and consequently the loss for the year is higher to that extent.

Directors' Report contd...**Exports**

The Company's export turnover during the year was Rs. 693 lacs as compared to Rs. 1953 lakhs (18 months) in the previous period.

Financial Position

The application made to the Board for Industrial and Financial Re-construction (BIFR) under the Sick Industrial Companies (special provisions) Act, 1985 (SICA) has been registered and the hearing at BIFR is awaited.

During the year, the External commercial borrowings Rs. 403.67 lacs and Rs. 157.06 lacs have been repaid by ICICI Bank and Industrial Investment Bank of India respectively and the entire ECB loans stand converted into rupee term loan from the institutions.

Due to the huge loss and the consequent erosion of net worth, the Company could not pay both interest and principal to the financial institutions and banks.

However a one-time settlement was reached with Industrial Development Bank of India for its total dues, and directors are pursuing their negotiations with other financial institutions and Banks for restructuring its debts.

Prospects

Due to the continued adverse trend in the textile industry and the company's heavy debt burden, your directors are unable to give any hope for immediate recovery.

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 the Companies Act, 1956 regarding the repayment of Public deposits. 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. Part of the dues was being paid on installments as per the directions of the High Court, Chennai.

THAMBBI MODERN SPINNING MILLS LIMITED**ANNUAL REPORT 2002-2003****Directors' Report contd...****Directors**

Smt Malathi Jagadeesan is due to retire at the ensuing Annual General Meeting of the company and being eligible, offers herself for re-election.

Shri Avanish Upadhyay has been appointed as a nominee director in the board of the company representing Industrial Investment Bank of India on 19.09.2003.

The current term of office of the Managing Director is due to expire on 31st March 2004. 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 2004, on the terms and conditions set out in item no.4 of the notice.

Transfer to Investors Education & Protection Fund:

In Terms of section 205C of the Companies Act, 1956 an amount of Rs. 57,661 being the unclaimed dividend, remaining unclaimed and unpaid for more than 7 years, were transferred to the Investors Education & Protection Fund

Directors' Responsibility statement

The Directors confirm that in the preparation of the Annual Accounts for the year ended 30th September, 2003 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 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 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.

THAMBBI MODERN SPINNING MILLS LIMITED**ANNUAL REPORT 2002-2003****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.

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, Exports and Foreign Exchange Earnings and Outgo is enclosed as Annexure – I.

Industrial Relations

The industrial relations in the Company have been cordial.

Acknowledgement

Your Directors place on record their appreciation of the continued co-operation extended to the Company by the financial institutions, Banks, and the Company's customers, suppliers, employees and shareholders particularly during an extremely difficult period.

On behalf of the Board

R. Jagadeesan
MANAGING DIRECTOR

Salem, 29th November 2003