



THAMBBI MODERN SPINNING MILLS LIMITED

28th

**Annual Report
31-03-2006**

BOARD OF DIRECTORS

R. Jagadeesan

Managing Director

Mrs. Malathi Jagadeesan

M. Pugazhendhi

Ashok P. Shah

Avanish Upadhyay

(Nominee for IIBI)

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.

THAMBBI MODERN SPINNING MILLS LIMITED**ANNUAL REPORT 2005-2006****NOTICE**

NOTICE is hereby given that the *Twenty-Eighth 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 Friday, the 22nd September 2006 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 year ended 31st March 2006, 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 Mr. Ashok P Shah, who retires by rotation and being eligible, offers himself 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.

By Order of the Board of Directors

R. Jagadeesan
Managing Director

Salem, 19th July 2006

NOTES:

- (a) 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.
- (b) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
- (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 Post, Salem 636 302 not less than 48 hours before the meeting.
- (d) The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 8th September, 2006 to Friday 22nd September, 2006 (both days inclusive).
- (e) In terms of clause 49 of the listing agreement with stock Exchanges, a brief resume of director who is proposed to be appointed / re-appointed at this meeting is given below.
 - (i) Sri. Ashok P Shah is on the Board from 08-06-2002 and has since been reappointed over the years by rotation.

By Order of the Board of Directors

R. Jagadeesan
Managing Director

Salem, 19th July 2006

Director's Report

Your Directors present their 28th Annual Report on the business and operations of the Company with the Audited Statement of Accounts of the Company for the period ended 31st March 2006.

Financial Results

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

	2005 - 2006 (12 Months) Rs. in '000	2003-2005 (18 Months) Rs. in '000
Turnover	32,16,44	56,66,39
Loss before depreciation and taxation	2,55,10	19,81,91
Add Depreciation	57,75	1,38,93
Loss before taxation	3,12,85	21,20,84
Add: Provision for taxation	---	---
Net Loss	3,12,85	21,20,84
Less Provision for FBT	1,56	--
	3,14,41	21,20,84
Add: Prior year adjustments	4,92,71	39,96
	(1,78,30)	21,60,80
After adding the amount of Loss brought forward from the previous year of	68,24,35	46,63,55
The aggregate loss carried to the balance sheet is	66,46,05	68,24,35

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.3349 lacs as against Rs.5977 lacs (18 Months) during 2003-05. The Company has incurred a cash loss of Rs.255 lacs during the year as compared to a cash loss of Rs. 1982 lacs (18 Months) in the previous period.

Director's Report Contd....

Exports

The Company's export turnover during the year was Rs. 203 Lacs as compared to Rs. 604 Lacs (18 Months) in the Previous period.

Financials

During the year the company had entered into a compromise one time settlement with State Bank of India and made an offer of Rs. 375 Lacs towards full and final settlement of the amount due from the company amounting to Rs. 1789.13 lacs being working capital and Rs. 585.11 lacs being interest accrued and due. The company had already remitted an amount of Rs. 375 lacs as per the terms of compromise settlement and obtained no-due certificate from State Bank of India.

Similarly ARCIL has made an offer dated 31-05-2006 with various terms and conditions towards payment of principal with a condition that the entire terms and conditions should be fulfilled on or before 31-03-2007. The Company has accepted the offer. Your directors are taking steps for settling the dues to other two financial institutions viz IIBI & IFCI in a similar manner in the coming years.

Prospects

Your directors are hopeful of reaching compromise settlement with financial institutions which could improve the prospects in the coming years.

Deposits

Your company has not accepted any deposits during the year.

Directors

In accordance with the provisions of the Articles of Association Sri ASHOK P SHAH retires by rotation.

Director's Report Contd....**Directors' Responsibility statement**

The Directors confirm that in the preparation of the Annual Accounts for the period ended 31st March, 2006 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 loss 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.

Corporate Governance

In terms of listing agreement with the Stock Exchanges, a Compliance report on Corporate Governance is given at Annexure. The Management discussion & Analysis report is given at Annexure. A certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is placed at Annexure.

Auditors

The Auditors of the Company, Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai 600034 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.

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 extreme difficult period.

Director's Report Contd....**ADDENDUM****Non-Provision of Interest on Secured Loans**

As regards the observation made by Auditors in clause (h) of their report read with note no. 2 the company has been declared as Sick by BIFR vide its order dated 02-12-2004. Hence no interest was provided for secured loans for the period 01-04-2005 to 31-03-2006.

Provident Fund and Sales Tax

As regard the observation made by Auditor in clause (ix) (a) of their report, there was a delay in the remittance of the provident fund and ESI dues to the Government. But the remittance was made before the end of the financial year.

By Order of the Board
for Thambi Modern Spinning Mills Limited

Salem, 19th July 2006

R. Jagadeesan
Managing Director

THAMBBI MODERN SPINNING MILLS LIMITED

ANNUAL REPORT 2005-2006

ANNEXURE I**INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****A. Conservation of Energy**

The Company is continuously identifying areas where energy can be saved and appropriate measures are being taken for optimising the energy conservation.

	2005-2006 (12 Months)	2003-2005 (18 Months)
Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Total Units (in '000 Kwh)	12005.69	17773.79
Total amount (Rs. In 000)	53593.15	79320.81
Rate per unit (Rs.)	4.46	4.46
(b) Own Generation (through Generators)		
Units (in '000 Kwh)	236.57	293.65
Units per litre of Diesel	3.40	3.09
Cost per Unit (Rs.)	9.62	8.10
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other/Internal generation	Nil	Nil
Consumption per unit of production (Production of various counts has been converted to the Standard count of 40s)		
Consumption per kg. (in Kwh)	4.45	4.17

B. Technology Absorption**(a) Research and Development (R&D)**

Your Company has an in-house Research and Development and a Quality Control Department with potential to bring out new varieties of yarn and for improving the productivity and quality.

(b) Technology absorption, adoption and innovation

The Company has not imported any technology.

C. Foreign Exchange earnings and outgo

The required details are given in item 10 of Schedule 20 to the Accounts (Notes on Accounts).

By order of the Board

R. Jagadeesan
Managing Director

Salem, 19th July 2006

Report on Corporate Governance

A report on the corporate governance pursuant to clause 49 of the listing agreement is furnished below

Composition of Board of Directors and meetings held

The board of directors comprises a Managing Director and four non-executive Directors.

During the year under review four board meetings were held on 30-05-2005, 25-07-2005, 23-10-2005, and 22-01-2006.

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 28-12-2005	No. of other companies in which director	No. of committees other than the company in which chairman/member.
R. Jagadeesan	Executive / Managing Director	3	YES	1	--
Mrs. Malathi Jagadeesan	Non-Executive	4	--	1	--
Ashok P Shah	Non-Executive / Independent	3	YES	--	--
M. Pugazhendhi	Non-Executive / Independent	4	--	--	--
Avanish Upadhyay	Non-Executive / Independent	3	--	--	--

Remuneration to Directors:

Director	Sitting Fees
Mrs. Malathi Jagadeesan	Rs. 4,000/-
Ashok P. Shah	Rs. 3,000/-
M. Pugazhendhi	Rs. 4,000/-
Avanish Upadhyay	Rs. 3,000/-

COMMITTEES OF THE BOARD:**Remuneration Committee:**

The present committee comprises following directors as:

- | | | |
|-------------------|----------|-------------------------------|
| 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.

Audit Committee:

During the period ended 31st March 2006, four Meetings were held. The dates on which the said meetings were held are as follows 30-05-2005, 25-07-2005, 23-10-2005, and 22-01-2006.

The constitution of the committee and the attendance of each member of the committee is given below.

Name	Designation	No. of Meetings Attended
R. Jagadeesan	Member (Executive)	3
Ashok P Shah	Chairman (Non Executive & Independent)	3
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 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.