



**THAMBBI MODERN
SPINNING MILLS LIMITED**

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29th
ANNUAL REPORT

2006-2007

(01.04.2006 to 31.07.2007)

THAMBBI MODERN SPINNING MILLS LIMITED



BOARD OF DIRECTORS

R. Jagadeesan
Chairman & Managing Director
Mrs. Malathi Jagadeesan
M. Pugazhendhi
Ashok P. Shah

AUDITOR

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



NOTICE

NOTICE is hereby given that the *Twenty-Ninth 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 *Wednesday, the 26th September 2007* at *10 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 period ended 31st July 2007, 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 Mrs. 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 with or without modification the following resolution as a SPECIAL RESOLUTION :

“RESOLVED that pursuant to Securities and Exchange Board of India (Delisting of Securities) guidelines -2003 and other applicable provisions of law, the approval of the share holders be and is hereby accorded for delisting of shares of the company from the Stock Exchange, Ahmedabad and The Coimbatore Stock Exchange and the Board of Directors of the company be and is hereby authorised to take all necessary actions as may deem fit proper and appropriate for giving effect to the resolution”.

5. To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION :

“RESOLVED that pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and the listing agreement entered into by the company with the stock exchanges where the shares of the company are listed and subject to any approval, consent, permission, and /or sanction of the appropriate authorities (hereinafter collectively referred to as “the appropriate authorities”) and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and /or sanction (hereinafter referred to as the “requisite approvals”) and which may be agreed to by the Board of Directors of the Company (hereinafter called “Board” which term be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board



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be and is hereby authorized to create, offer, issue and allot upto 940000 Equity shares of Rs.10/-each at a price of Rs.25/- per share (including premium of Rs.15/- per share) being the price which is arrived at as per the calculations in accordance with the SEBI guidelines for preferential issues aggregating to Rs 2,35,00,000, on preferential basis, to the following persons as detailed herein below :

Sl.No.	Name of the Allottee	Category	No. of Equity shares to be allotted
1	Mr. S.R.Murali Manohar	Non Promoter	140000
2.	Mr R Jagadeesan	Promoter	640000
3.	Mrs. Malathi Jagadeesan	Promoter	160000
	Total		940000

RESOLVED FURTHER that the equity shares to be issued and allotted shall rank pari passu with the existing equity shares of the company in all respects including payment of dividend.

RESOLVED FURTHER that the Board be and is hereby authorized to take necessary steps for listing of the equity shares allotted to the above mentioned allottees on the stock exchanges where the company's shares are listed as per the terms and conditions of the listing and other applicable guidelines, rules and regulations.

RESOLVED FURTHER that the relevant date as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable from time to time for the determination of applicable price for the issue of equity share is 27th August, 2007.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution , the Board be and is hereby authorized to do all such actions and to give all such directions as may be necessary or desired and to accept any modifications in the above proposal as may be required by the authorities involved and also settle any questions or difficulties that may arise in respect of offer, issue and allotment of equity shares and further to do all such acts and execute all such writings and instruments in connection with the issue of equity shares as the board may in its absolute discretion deem fit and desirable but subject to such conditions as the Securities Exchange Board of India and / such other appropriate authority may impose at the time of their approval and as agreed by the board without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution

RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of directors or the Managing Director or any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution."

By Order of the Board of Directors

Salem
15th August 2007

R.Jagadeesan
Chairman & Managing Director



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NOTES :

- (a) The relative explanatory statements with regard the special business under item(s) 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 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, 24th September, 2007 to Wednesday, 26th September, 2007 (both days inclusive).
- (f) 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.

Smt Malathi Jagadeesan is 53 years of age. She is a Science Graduate having expertise and experience in the field of Textiles .She is associated with the Company from October 1994 onwards as Director on the Board. She is also Director in two Private Companies. She holds 341530 equity shares in the company.

By Order of the Board of Directors

Salem
15th August 2007

R.Jagadeesan
Chairman & Managing Director


THAMBBI MODERN SPINNING MILLS LIMITED
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following is the explanatory Statement setting out the material facts relating special business under to item No(s) 4 and 5 of the accompanying Notice dated 15th August 2007.

ITEM No 4

The equity shares of the company are presently listed on The Stock Exchange, Ahmedabad (ASE), The Coimbatore Stock Exchange (CSE), The Stock Exchange, Mumbai (BSE).

The Shares of the company are traded only in BSE, in the remaining stock exchanges, THAMBBI MODERN SPINNING MILLS LIMITED (TMSL) shares are either not traded or the trading is negligible. It is therefore proposed to delist the shares of the company from ASE and CSE. However, with extensive networking of the BSE, who have nationwide trading terminals, the investors will have sufficient opportunity to trade in TMSL shares.

As per the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 shares of any listed company can be voluntarily delisted from all or some of the Stock Exchanges where the securities are listed, by following procedures laid down therein. In terms of the guidelines prior approval of the shareholders of the company by way of special resolution passed in its General Meeting is required for de-listing.

Since the company's shares will continue to be listed in BSE who have nation wide trading terminals, the company is not required to give exit option to the shareholders.

Your directors recommend the special resolution for approval of the Shareholders.

None of the Directors of the company is concerned or interested in this special resolution.

ITEM No 5

At the Extra Ordinary General Meeting held on 21st July, 2007 a resolution to issue and allot 1800000 equity shares of Rs.10/ each at a price of Rs.25/-per share (including a premium of Rs.15 per share) to persons belonging to the Non –promoter and Promoter category on preferential basis was passed. However, when the application for in-principle approval was made to the Bombay Stock Exchange Limited, certain Technical faults/defects were pointed out. Therefore, in-principle approval was given only for the issue and allotment of 860000 equity shares of Rs,10/ each at a price of Rs,25/ per share (including a premium of Rs.15 per share) out of the total of.1000000 equity shares proposed by the resolution to Mr. S R Murali Manohar - person belonging to the Non –promoter category on preferential basis. Thus, in-principle approval for the balance 140000 equity shares to Non –promoter category and 800000 equity shares to the Promoter category is pending as originally envisaged at the Extra



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Ordinary General Meeting held on 21st July, 2007. It was also suggested that the company may approach the shareholders for the balance shares to be issued and allotted at a separate general meeting in accordance with the provisions of Section 81(1A) of the Companies act, 1956 and the SEBI (Disclosure and Investor protection) Guidelines, 2000 .

For the said reason, the Company now proposes to issue and allot the balance 940000 equity shares of Rs.10/-each at a price of Rs 25 / per share (including a premium of Rs.15 per share) to persons belonging to the Non –promoter and Promoter category on preferential basis as herein proposed in the Resolution.

As per Regulation 13.1A of the SEBI (Disclosure and Investor protection) Guidelines, 2000 as applicable from time to time, the required details are furnished as under :

1. Objects of the issue

The Company is venturing into new products lines based on innovations and is in the process of restructuring. It is necessary for the Company to seek financial assistance on long term basis for this purpose. A creditor of the Company who has been with the Company during its difficult times is willing and ready to subscribe to the equity shares of the Company at a premium. Further the promoters have also agreed to take further equity shares at premium in the Company to give it the necessary capital leverage and to meet the financial parameters.

2. Pricing

The price calculated as per the SEBI (Disclosure and Investor protection) Guidelines, 2000 for preferential issues works out to Rs.16.56. The equity shares are proposed to be issued at a price of Rs. 25 /- per share (Face value Rs.10+premium Rs. 15) which is higher than the price calculated as per the SEBI (Disclosure and Investor protection) Guidelines, 2000

3. Intention of the promoters /Directors / key management persons to subscribe to the offer

Mr R Jagadeesan (Promoter and also Chairman & Managing Director) and Mrs Malathi Jagadesesan (Promoter and also Director) are interested to subscribe to the offer.

4. Relevant date

Relevant date for this purpose is 27/08/2007 which date is 30 days prior to the date of meeting of the Members of the Company.



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5. Shareholding pattern of the Company before and after the offer

Category code	Category of shareholder	Pre Issue (**)		Post Issue	
		No. of shares	%	No. of shares	%
(A)	Shareholding of promoter and promoter Group	2871270	49.82	3671270	54.77
(1)	Indian Promoters /Persons acting in concert				
(2)	Foreign Promoters				
	Total shareholding of promoter group	2871270	49.82	3671270	54.77
(B)	Public shareholding				
(1)	Institutions				
(a)	Mutual Funds	3100	0.06	3100	0.05
(b)	Financial Institutions/Banks	53650	0.93	53650	0.80
(c)	Venture Capital Funds				
(d)	Foreign Institutional Investors				
(2)	Non Institutions				
(a)	Bodies Corporate	664144	11.52	664144	9.91
(b)	Individuals	2170506	37.67	2310506	34.47
(c)	Others				
	Clearing Members	100		100	
	Foreign Nationals				
	Non resident Indians				
	Overseas bodies corporate				
	Trusts				
	HUFs				
	Subtotal (B)(2)				
	Total Public shareholding B)=((B)(1)+(B)(2)				
	Total (A)+(B)				
	Share held by custodians and against which depository receipts have been issued				
(C)	GRAND TOTAL (A)+(B)+(C)	5762770	100.00	6702770	100.00

(**) The above workings consider the allotment of 860000 equity shares made to the Non-promoter category for which the in-principle approval has been given by the Bombay Stock Exchange Limited.

6. Proposed time within which the allotment shall be complete

As per the SEBI guidelines, the allotment of equity shares shall be completed within fifteen days from the date of passing the resolution. Provided that where the allotment is pending on account of any approval from any regulatory authority or from the Central Government, the allotment shall be completed within 15 days from the date of receipt of such approval.



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7. The identity of the proposed allottees and the percentage of post preferential issue that may be held by the allottees

Sl. No.	Name of allottee	Category	Pre Issue (**)		Post Issue	
			No. of shares	% of total equity	No. of shares	% of total equity
1	Mr. S.R. Murali Manohar	Non -Promoter	860000	14.92	1000000	14.92
2	Mr. R. Jagadeesan	Promoter	2059370	35.74	2699370	40.27
3	Mrs. Malathi Jagadeesan	Promoter	341530	5.93	501530	7.48

8. Auditors Certificate

The Certificate as required under the SEBI (Disclosure and Investor protection) Guidelines, 2000 certifying that the proposed issue is being made in accordance with the requirements contained in the said SEBI guidelines have been obtained from the Auditors of the Company. It shall be laid in the General meeting convened for the approval of the preferential issue.

9. Lock In

The equity shares to be allotted on preferential basis shall be subject to lock in as per applicable SEBI Guidelines in this behalf.

10. Change in Management

The issue of Equity shares will not result in any change in the management or control of the Company.

The consent of the members of the company is being sought as required under section 81(1A) of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, if any, and in terms of the listing agreement executed by the Company with the stock exchanges where the company's shares are listed.

Except Mr R Jagadeesan and Mrs Malathi Jagadeesan, none of the other Directors of the Company is interested or concerned in the resolution.

The Board of Directors recommends the resolution for the approval of the shareholders

By Order of the Board of Directors

Salem
15th August 2007

R.Jagadeesan
Chairman & Managing Director



THAMBBI MODERN SPINNING MILLS LIMITED

Directors' Report

To

The Members,

Your Directors have pleasure in presenting their 29th Annual Report on the business and operations of the Company with the Audited Statement of Accounts for the period ended 31st July, 2007.

With the requisite approvals obtained from the Registrar of Companies, Tamilnadu, Coimbatore, your Company has extended its financial year. Accordingly, the accounts under review cover a period of 16 months from 1st April 2006 to 31st July, 2007. The previous years figures which cover a period of 12 months, are not therefore strictly comparable with the figure for the 16 month period ended 31st July, 2007.

Financial Results

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

	2006-2007 (16 Months) Rs. In '000	2005-2006 (12 Months) Rs. In '000
Turnover	46,75,87	32,16,44
Profit / (Loss) before depreciation and taxation	6,02,74	(2,55,10)
Add / Less Depreciation	75,45	57,75
Profit Before Taxation	5,27,29	(3,12,85)
Add Provision for Taxation	—	—
Net Profit /Loss	5,27,29	(3,12,85)
Less provision for FBT	1,36	1,56
Add Provision no longer required	41,07	—
	5,67,00	(3,14,41)
Add Deferred Tax Asset	14,18,66	—
Add Prior Period adjustments	18,50,15	4,92,71
	38,35,81	1,78,30

Dividend

The Company was able to make operating profit during the financial year. However, in view of the accumulated loss, your directors are unable to recommend any dividend for the period. Your Directors are confident that the company will soon be in the Dividend list.

Performance

The performance of the company was satisfactory and the company could register a profit after a long gap of nearly a decade. The Company's total sales and other operational income during the period under review amounted to Rs. 4965 lakhs (16 Months) as against Rs. 3349 lakhs (12 Months) during 2005-06. The Company was able to register a Cash profit of Rs 603 lakhs (16 Months) for the financial year as against the Cash loss of Rs. 255 lakhs (12 months) in the previous period.