

**BOARD OF DIRECTORS**

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

**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

## Directors' Report

To

The Members,

Your Directors have pleasure in presenting their 32nd Annual Report together with Audited Accounts for the year ended 31st March 2010

## Financial Results

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

|   | 2009-2010<br>Rs. in '000 | 2008-2009<br>Rs. in '000 |
|---|--------------------------|--------------------------|
| Turnover                                    | 38,55,85                 | 34,76,35                 |
| Profit before depreciation and taxation     | 1,20,13                  | 2,19,58                  |
| Depreciation                                | 64,20                    | 45,81                    |
| Profit Before Taxation                      | 55,93                    | 1,73,77                  |
| Less Income Tax Paid                        | 0                        | 1,06                     |
| Net Profit                                  | 55,93                    | 1,72,71                  |
| Less provision for FBT                      | 0                        | 1,62                     |
| Less Prior Period Expenses                  | 0                        | 2,13                     |
| Net Profit after Taxation and FBT Provision | 55,93                    | 1,68,96                  |

## Dividend

The Company made operating profit during the financial year. However, in view of the accumulated loss, your directors are unable to recommend any dividend for the year. Your Directors are confident that, barring unforeseen circumstances, the company will wipe out the accumulated loss in a few years and start paying dividend thereafter.

## Performance

During the year under review, your company achieved a sales turnover of Rs.3856 lakhs compared to the sales turnover of Rs.3476 lakhs achieved in the previous year. The Company made Cash profit of Rs.120 lakhs for the financial year as against the Cash Profit of Rs. 220 lakhs in the previous year. The cash profit was drastically affected due to increase in cost of all inputs and also the interest.

**Directors Report Contd...****Prospects and Future Plans**

The Textile Industry faced problems on all fronts - increasing cotton prices, power shortages, and increase in cost of all essential inputs and services, stiff competition and un remunerative selling prices. All these factors made the functioning of Textile Mills more and more difficult. Your Directors are hopeful that, with the revival of the economy, the Textile Industry will fare well in the coming years.

The Indian Textile Industry is one of the largest and most important sectors in the economy of our country in terms of output, foreign exchange earnings and employment. The Profitability in textile industry is generally low (average 6.1% of sales before interest) compared to 9.5% for all industries, over the last three decades as per RBI bulletin.

The Technology Up-gradation Fund Scheme and the Technology Mission in Cotton launched by Government of India in 1999 have created a positive change for the Textile Industry. The various proactive measures introduced by the Government have given a new lease of life to the ailing Textile Industry. The recovery in the global business has also thrown opportunities to the Textile Industry. Domestic market is slowly improving. There are signs that the textile industry can perform well in the coming years if the Government announces comprehensive policy on raw materials, especially fibre, export/import, cost of funding, particularly working capital, power, labour, etc. With the Industry's inherent strength and the needy supportive measures, the Indian Textile Industry could emerge as an ever shining industry in the coming years.

**Deposits**

Your company has not accepted any deposits during the period.

**Directors**

There was no change in the Board of Directors during the financial year.

In accordance with the provisions contained in the Articles of Association, Smt. Malathi Jagadeesan retires by rotation at the ensuing Annual General Meeting and, being eligible, she offers herself for reappointment.

**Directors' Responsibility statement**

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2010

- (i) the applicable accounting standards had been followed and there were no material departures,
- (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 the year,

**Directors Report Contd...**

- (iii) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- (iv) the annual accounts were prepared on a 'going-concern' basis.

**Corporate Governance**

In terms of listing agreement with the Stock Exchange, Compliance Report on Corporate Governance is given at Annexure-II. A certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is also placed as Annexure-III.

**Management Discussion and Analysis of the Operations**

The management had a detailed discussion on the operational results for the year ended 31st March 2010 and analysed the factors that affected production, sales and profit. The management was satisfied with the efforts taken in the situation faced by the company and the adverse market conditions prevailed during the year.

**Auditors**

The Auditors of the Company, Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai are due to retire at the ensuing Annual General Meeting of the Company. They are eligible for re-appointment. They have consented to act as the Auditors of the Company, if re-appointed.

**Personnel**

During the year 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 continued to be cordial during the year.

**Acknowledgement**

Your Directors place on record their appreciation of the continued co-operation and unstinted support extended to the Company by the Company's customers, suppliers, employees and shareholders.

Salem  
04th June 2010

By Order of the Board  
for Thambbi Modern Spinning Mills Limited  
R. Jagadeesan  
Chairman & Managing Director

## ANNEXURE I

### INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988

Conservation of Energy, Technology absorption and Research and Development and Foreign exchange earnings and outgo

#### (a) Conservation of Energy

Our company is always on the lookout for potential areas for energy conservation towards reduction in manufacturing cost and takes all measures to conserve energy. The cost of energy is kept at the minimum level and consumption is reduced wherever possible.

#### (b) Power and Fuel Consumption

|   | 2009-2010<br>(12 Months) | 2008-2009<br>(8 Months) |
|---|--------------------------|-------------------------|
| 1. Electricity  |                          |                         |
| (a) Purchased   |                          |                         |
| Total Units (in '000 Kwh)   | 6932.657                 | 7487.436                |
| Total amount (Rs. In 000)   | 33499.001                | 33665.826               |
| Rate per unit (Rs.)   | 4.84                     | 4.49                    |
| (b) Own Generation  |                          |                         |
| (Through Generators)  |                          |                         |
| Units (in '000 Kwh)   | 1327.236                 | 1061.253                |
| Units per litre of Diesel   | 3.16                     | 3.25                    |
| Cost per Unit (Rs.)   | 11.15                    | 11.19                   |
| 2. Coal   | Nil                      | Nil                     |
| 3. Furnace Oil  | Nil                      | Nil                     |
| 4. Other/Internal generation  | Nil                      | Nil                     |
| Consumption per unit of production<br>(Production of various counts has been converted to the Standard count of 40s). |                          |                         |
| Consumption per kg. (in Kwh)  | 6.07                     | 5.93                    |

c. Technology Absorption and Research and Development

NIL

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d. Foreign Exchange Earnings and Outgo

i. Earnings in Foreign Exchange

NIL

NIL

ii. Expenditure in Foreign Exchange on Imports

a) Spares

Rs. 1,47,540

NIL

iii. Expenditure in foreign currency on account of  
Travel and other matters

Rs. 4,90,384

Rs. 8,07,752

Salem

04th June 2010

By Order of the Board of Directors

R. Jagadeesan

Chairman & Managing Director

## ANNEXURE II

### Report on Corporate Governance

The Report on the Corporate Governance pursuant to Clause 49 of the listing agreement is furnished below

### Company's philosophy on Corporate Governance

The company believes in preserving core values and ethical conduct of business towards maximizing shareholder value on a sustained basis. The company seeks to achieve professionalism, transparent process and reporting systems and go beyond the mandated Corporate Governance Code in the interest of its stake holders.

### Board of Directors

The Board is composed in accordance with clause 49 of the listing agreement. The Board of directors comprise of Chairman cum Managing Director and three non-executive Directors.

During the year under review six board meetings were held on 11/05/2009, 30/06/2009, 31/07/2009, 31/10/2009, 30/01/2010 and 22/03/2010. The maximum gap between any two meetings was less than four months as stipulated under clause 49 of the listing agreement.

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 07/09/2009 | No of other companies in which director | No of committees other than the company in which chairman/ member |
|-------------------------|---|-------------------------------|---|---|---|
| R.Jagadeesan            | Executive/ Chairman & Managing Director | 6                             | No  | 2                                       | —   |
| Mrs. Malathi Jagadeesan | Non-Executive                           | 6                             | No  | 2                                       | —   |
| Ashok P Shah            | Non-Executive/ Independent              | 6                             | Yes                                       | —                                       | —   |
| M.Pugazhendhi           | Non-Executive/ Independent              | 6                             | No  | —                                       | —   |

### Remuneration to Directors

| Director                | Sitting Fees |
|-------------------------|--------------|
| Mrs. Malathi Jagadeesan | Rs. 6000/-   |
| Ashok P Shah            | Rs. 6000/-   |
| M. Pugazhendhi          | Rs. 6000/-   |

## COMMITTEES OF THE BOARD

### Remuneration Committee

The present committee comprises of the following directors as members:

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

The terms of reference of the Remuneration Committee cover determination of remuneration package to directors including Executive Directors and Managing Director and revision thereof.

### Audit Committee

During the year ended March 31st 2010, four Meetings were held. The dates on which the said meetings were held are 30/06/2009, 31/07/2009, 31/10/2009 and 30/01/2010.

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

| Name           | Designation                            | No of Meetings attended |
|----------------|--|-------------------------|
| R. Jagadeesan  | Member (Executive)                     | 4                       |
| Ashok P Shah   | Chairman (Non-Executive & Independent) | 4                       |
| 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, inter alia, 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.
- B. Carrying out any other function as is mentioned in the terms of reference of the Audit committee covering matters prescribed as role for the Audit committee.

### Share holder / Investor Relations Committee

#### Terms of Reference

The committee meets at frequent intervals to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificate and review of investors grievances.

#### Composition

The present shareholder/investor Relations committee comprises the following directors as members.

- |                  |          |
|------------------|----------|
| 1. M.Pugazhendhi | Chairman |
| 2. Ashok P Shah  | Member   |

Sri R.Jagadeesan Chairman cum Managing Director is the compliance officer of the company.

The committee met 7 times during the period 2009-10 to approve share transfers/transmissions. The company has no shares pending for transfer at the close of the period.

### Annual General Body Meetings

Details of the location and time of the Annual General Body Meeting during the last Three years.

| Year | Date and Time       | Venue  |
|------|---------------------|--|
| 2007 | 22/09/2007 10:00 am | Unit II, Opp TNEB Sub Station,<br>Udayaptti By-Pass Road,<br>Kamaraj Nagar Colony, Salem -636014 |
| 2008 | 14/07/2008 10:00 am | --Do--   |
| 2009 | 07/09/2009 10:00 am | --Do--   |

\*No Special Resolution passed

No Special Resolutions were passed through Postal Ballot.

### Disclosures

#### 1. Related party transactions

The company has not entered into any transactions of material nature with the promoters, directors, etc' that may have potential conflict with the interest of the company.

#### 2. Compliance by the company

The company has complied with the requirements of the stock exchanges, SEBI, etc... on all matters related to capital markets. No penalties or strictures have been imposed on the company by the Stock Exchanges, SEBI or any statutory authority on any matter related to capital market during the last three years.

The company has put in place a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

### Means of communication

The quarterly, Half Yearly and Annual Financial results of the company are announced and are published in English and Tamil Newspapers.

### GENERAL SHAREHOLDERS INFORMATION

#### (i) Annul General Meeting

|                        |   |
|------------------------|---|
| AGM Date, Time & Venue | Monday 20th September 2010 at 10:00 a.m at Unit II, Opp TNEB Sub Station, Udayaptti By-Pass Road, Kamaraj Nagar Colony, Salem -636014 |
|------------------------|---|

#### (i) Financial Calendar

|   |                             |
|---|-----------------------------|
| Quarter ending 30th June 2010           | - 2nd Week of August 2010   |
| Half Year Ending 30th September 2010    | - 2nd Week of November 2010 |
| Quarter ending 31st December 2010       | - 2nd Week of February 2011 |
| Year ending 31st March 2011             | - Last Week of May 2011     |
| AGM for the year ending March 31st 2011 | - September 2011            |