



**THAMBBI MODERN
SPINNING MILLS LIMITED**

35th

ANNUAL REPORT

2012-2013

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 AGENTS

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

NOTICE

NOTICE is hereby given that the Thirty 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 Monday ,16th September 2013 at 10:00 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 year ended 31st March 2013.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 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 fix their remuneration.

Salem
30th May 2013

By Order of the Board of Directors
R. Jagadeesan
Chairman & Managing Director

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 09/09/2013 to 16/09/2013 (both days inclusive).
- (e) Members are requested to register their e-mail id with Company (at company's email id : shares_tmsml@gmail.com) and also keep the Company informed of any changes in their e-mail id from time to time. Notice of Meetings, Annual Reports and similar communications meant for members will be sent by e-mail to members.
- (f) In terms of Clause 49 of the Listing Agreement with stock exchanges, a brief resume of the director who is proposed to be appointed/re-appointed at this meeting is given below. Mrs. Malathi Jagadeesan is 59 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 onward as Director on the Board. She is also Director in Private Limited Companies.

She holds 424530 equity shares in the company.

Salem
30th May 2013

By Order of the Board of Directors
R. Jagadeesan
Chairman & Managing Director

Directors' Report

To

The Members,

Your Directors have pleasure in presenting their 35th Annual Report together with Audited Accounts for the year ended 31st March 2013

Financial Results

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

	2012-13 ₹. In Lakhs	2011-12 ₹. In Lakhs
Turnover	3,11	12,15
Profit /(Loss) before depreciation and taxation	(2,12)	(4,53)
Depreciation	83	1,06
Profit /(Loss) Before Taxation	(2,95)	(5,59)
Net Profit /(Loss)	(2,95)	(5,59)

Performance

During the year under review, your company achieved a sales turnover of ₹.311 lakhs compared to the sales turnover of ₹.1215 lakhs achieved in the previous year. There was severe recession in Textile Industry during the whole year due to change in Government policies which led to steep drop in yarn realization compared to increase in cotton prices, and non availability of required working capital, all of which contributed to low level of production. Also the power situation in the state continued to pose serious threat and the cost of generating power using diesel gen-sets during the severe power cut period, ranging from ten to twelve hours a day. The Company made Cash loss of ₹.212 lakhs for the financial year as against the Cash loss of ₹.453 lakhs in the previous year. The company made net loss of ₹.295 lakhs for the financial year, as against net loss of ₹.559 lakhs for the previous year. The profit was drastically affected and loss became inevitable mainly because of abnormal increase in cost of raw materials and power and low production caused by shortage of working capital and stiff competition in the market caused by continuous recession in Textile Industry.

Dividend

The Company incurred loss in the financial year. In view of this and the accumulated loss, your directors are unable to recommend any dividend for the year.

Prospects and Future Plans

During the year under review, the Textile Industry continuously faced severe recession. There was abnormal and steep increase in cost of raw materials and power, which increased the cost of production. Production was low due to lack of required working capital and poor off take in the market caused by stiff competition and recession in Textile Industry. The operations resulted in loss due to low selling prices and the cumulative effect of all the above factors. The Government's policy is not conducive to existence and growth of Textile Industry and the prospects are quite uncertain. . The position and prospects of textile industry being most uncertain, it is futile to replace the existing old and less-efficient plant and machinery with new modern machinery incurring huge cost. Your directors are, therefore, seriously contemplating to diversify into new lines of activities, within the Objects of the company, to make the company work profitably for the benefit of the shareholders. Till concrete plans crystallize, your Directors will continue to run the company with the existing plant and machinery in the best possible ways so as to improve performance in the current year.

Deposits

Your company has not accepted any deposits during the Year.

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, Mrs. Malathi Jagadeesan retires by rotation at the ensuing Annual General Meeting and, being eligible, she offers herself for re-appointment.

Directors' Responsibility Statement

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2013

- (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 loss of the Company for the year,
- (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 and A certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is also annexed to this Report.

Management Discussion and Analysis of the Operations

The management had a detailed discussion on the operational results for the year ended 31st March 2013 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.

Cost Auditors

- a) Particulars of the cost auditors appointed for the Financial Year : B.Venkateswar, Cost Auditor, 31/3E, Ramakrishna Nagar, Kavundampalayam, Coimbatore 641030.
- b) Due date for filing of the Cost Audit Report : 30.09.2012.
- c) Actual date of filing of the Cost Audit Report for the Financial Year 2011 - 2012 : 06.02.2013

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, 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.

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited

SALEM
30th May 2013

R.Jagadeesan
Chairman & Managing Director

ADDENDUM TO DIRECTORS' REPORT

The Auditors, in their report dated 30th May 2013, for the year ended on 31st March 2013, have made the following comments in their report.

"In our opinion and to the best of our information and according to the explanations given to us, the financial statements subject to

- I. Note No.6.2 regarding non-ascertainment of overdue amounts and non-provision of interest due if any, due to micro, small and medium enterprises
- II. Non-provision of liability towards claim made for damages by Provident Fund Commissioner of ₹.67.44 lakhs (Note No.18.1) give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India."

The Board's reply to the above comments is given below.

(a) The names of Small Scale Industrial Units to whom the company owes a sum exceeding ₹.1 lakh which are outstanding for more than 30 days are given in Note No.6.1 of the Notes on Accounts, as required under the Act. These outstanding amounts are within the agreed terms of purchase. As per agreed terms, no interest is payable. Therefore, the company has not made any provision in the accounts towards interest on these outstanding amounts.

The company has not identified the amount due to Micro, Small & Medium Enterprises (as defined in the Micro Small & Medium Enterprises Development Act 2006) as on 31.03.2013. Hence the company has not ascertained the overdue amount due to Micro, Small & Medium Enterprises as on that date. Further, the company has also not made provision in the accounts towards the interest on such overdue amounts to Micro, Small & Medium Enterprises, as no interest is payable as per agreed terms. This is given in Note No.6.2 of the Notes on Accounts..

(b) The Company had been served notices by the commissioner of EPFO demanding interest on delayed remittances of Provident Fund interest amounting to ₹.24,32,144/- in earlier years and also damages towards the same amounting to ₹.67,43,815/-. Provision has been made in the books for the interest demand. Necessary appeal before the appropriate authorities is being preferred by the company for the damages claimed. Hence no provision has been made in the books for the damages claimed. This is given in Note No.18.1 of Notes on Accounts.

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited

R.Jagadeesan
Chairman & Managing Director

SALEM
30th May 2013

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

CONSERVATION OF ENERGY

a. Power and Fuel Consumption

	2012-2013	2011-2012
1. Electricity		
(a) Purchased		
Total Units (in '000 Kwh)	1235.647	3047.348
Total amount (₹. In 000)	8745.710	21821.295
Rate per unit (₹.)	7.08	7.16
(b) Own Generation		
(Through Generators)		
Units (in '000 Kwh)	270.430	123.232
Units per liter of Diesel	3.28	3.34
Cost per Unit (₹.)	15.24	15.00
2. Coal	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Other/Internal generation	NIL	NIL

b. Technology Absorption and Research and Development

NIL

NIL

c. Foreign Exchange Earnings and Outgo

i. Earnings in Foreign Exchange	NIL	NIL
ii. Expenditure in Foreign Exchange on Imports	NIL	NIL
iii. Spares	NiL	NiL
iv. Expenditure in foreign currency on account of Travel and other matters	NiL	₹. 4,25,616

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited

SALEM
30th May 2013

R.Jagadeesan
Chairman & Managing Director

ANNEXURE II

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Thambbi Modern Spinning Mills Limited

Salem.

We have examined the compliance of conditions of Corporate Governance by M/s. Thambbi Modern Spinning Mills Limited, for the year ended 31.03.2013, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future capability of the Company nor the efficiency nor effectiveness with which the Management has conducted the affairs of the Company.

For SANKARAN & KRISHNAN

Chartered Accountants

Firm Registration No: 003582S

M. BALACHANDRAN

Partner

Membership No.16271

Place : Chennai

Date : 30th May 2013

ANNEXURE III

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 30/05/2012, 14/08/2012, 19/10/2012, 15/11/2012, 14/02/2013, and 28/03/2013. 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 17/09/2012	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	4	No	2	-
Ashok P Shah	Non-Executive / Independent	5	No	-	-
M.Pugazhendhi	Non-Executive / Independent	6	Yes	-	-

Remuneration to Directors

Director	Sitting Fees
Mrs. Malathi Jagadeesan	₹.4000/-
Ashok P. Shah	₹.5000/-
M.Pugazhendhi	₹.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 2013, four Meetings were held. The dates on which the said meetings were held are 30/05/2012, 14/08/2012, 15/11/2012 and 14/02/2013

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)	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, inter alia, the following:

- 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.
- 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.