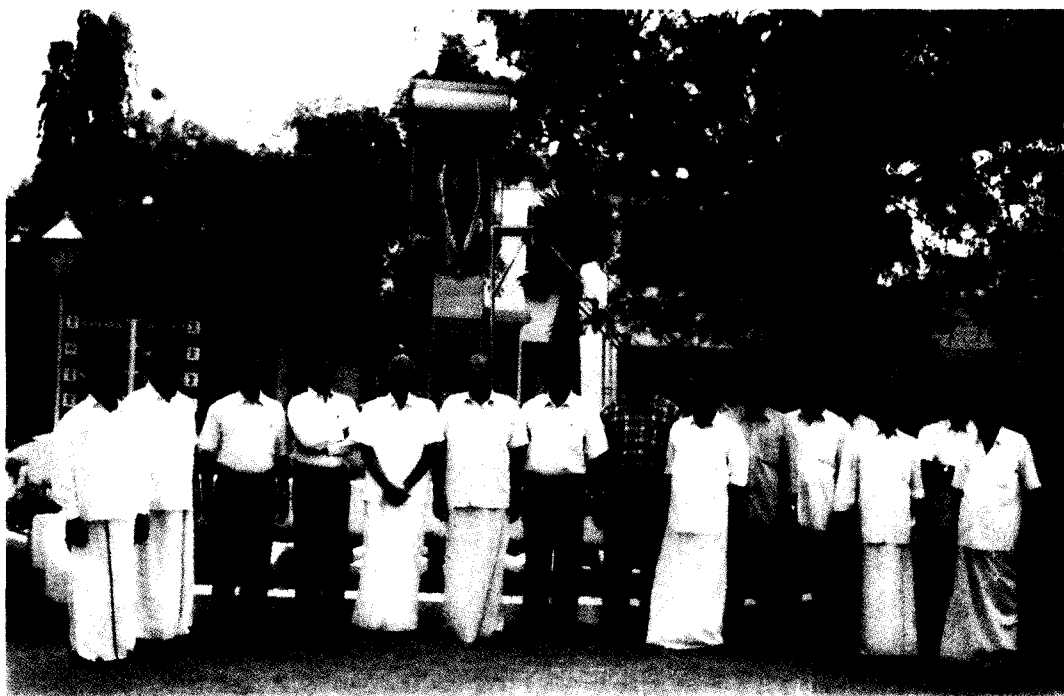


THANJAVUR SPINNING MILL LIMITED



FORTYTHIRD ANNUAL REPORT AND ACCOUNTS

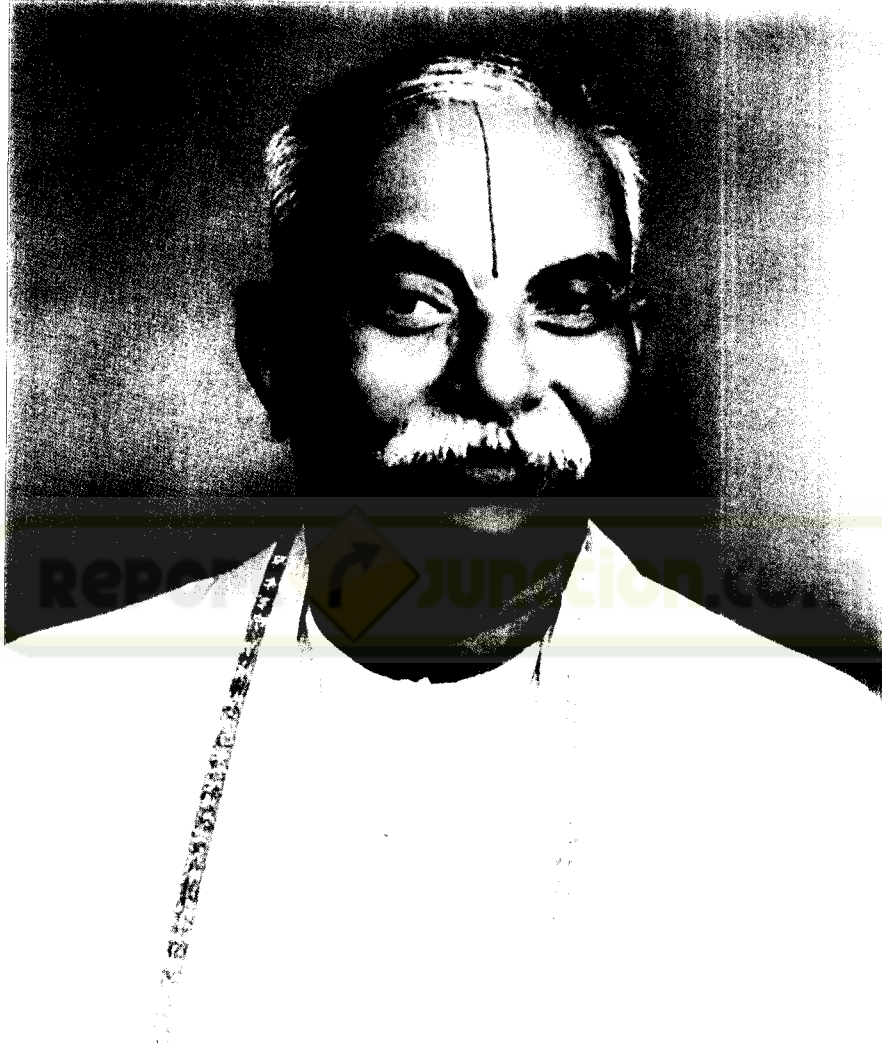
2004 - 2005



Our Managing Director with Staff and Union Leaders
in front of Founder's Statue during Founder's Day Celebrations



A view of the newly commissioned LC 300A High production Cam





SHRI. K. TIRUVENGADA MUDALIAR
Founder



THANJAVUR SPINNING MILL LIMITED THANJAVUR

Board of Directors :

Shri P.R. RAMASUBRAHMANEYA RAJHA, B.Sc.,
(Chairman)

Dr.K.T. KRISHNAN, M.D.,
(Managing Director)

Shri S. ARJUNA RAJA

Shri K.T. RAMACHANDRAN

Shri P.R. VENKETRAMA RAJA

Shri S. KRISHNASWAMY KAMAYA NAICKER

Shri R. SIVASUBRAMANIAN

Bankers

Indian Bank,
Citi Bank,
State Bank of India

Auditors

Messrs N.A. Jayaraman & Co.,
Chartered Accountants,
Chennai - 600 028.

Registered Office

"Rajapalayam Mills Premises",
P.A.C. Ramasamy Raja Salai,
RAJAPALAYAM - 626 117.

Mills

Vallam One Road,
Thanjavur - 613 005.

THANJAVUR SPINNING MILL LIMITED

Registered Office:

"Rajapalayam Mills Premises", P.A.C. Ramasamy Raja Salai, Rajapalayam - 626 117.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty-third Annual General Meeting of the Company will be held on Friday, the 12th August, 2005 at P.A.C. Ramasamy Raja Centenary Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalayam at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, Profit and Loss Account for the year ended 31st March, 2005, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Shri S. Arjuna Raja who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri R. Sivasubramanian, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

The retiring Auditors M/s. N.A. Jayaraman & Co., Chartered Accountants, Chennai, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS :

5. **To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution.**
 1. RESOLVED that subject to the approval of the shareholders of the Company, Financial Institutions and Banks, Dr.K.T. Krishnan be and is hereby reappointed pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 as Managing Director of the Company for a further period of 5 years with effect from 10-11-2005 to manage the entire business and affairs of the Company subject to the superintendence, control and directions of the Board.
 2. Resolved that the Managing Director shall be paid a remuneration not exceeding 2% of the net profits of the Company calculated as per provisions of Section 198 and 309 of the Companies Act, 1956. Further resolved that the Remuneration Committee of the Board of Directors shall be authorized to fix from time to time the composition of remuneration, subject to the limit prescribed above.
 3. Where in any financial year, the Company has no profits or inadequate profits, the Managing Director shall be paid the following remuneration in accordance with the approval of the Remuneration Committee of the Company.
1. **REMUNERATION**
Remuneration by way of Salary, Dearness Allowance, perquisites and any other allowance not exceeding Rs.3,00,000/- per annum or Rs.25,000/- per month and medical benefits not exceeding Rs.12,000/- per annum.

THANJAVUR SPINNING MILL LIMITED

II. PERQUISITES

The Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration.

- a) Contribution to Provident Fund, Superannuation Fund or annuity fund to the extent these either singly or jointly put together are not taxable under the Income-Tax Act, 1961;
- b) Gratuity payable at the rate of half a month's salary for each completed year of service; and
- c) Encashment of leave at the end of the tenure.

"RESOLVED that the Board of Directors of the Company be and is hereby authorized to accept such modifications of the aforesaid terms and conditions for appointment of the Managing Director as may be required by the approving authorities and agreed to by the Board and acceptable to Dr.K.T.Krishnan."

NOTES :

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item No.5 of the Notice is annexed hereto.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company.
3. Proxy form is enclosed. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from 4th August, 2005 to 12th August, 2005 (both days inclusive).

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING :

Following is the biographical data about the Directors seeking re-election:

1. **Shri S. ARJUNA RAJA :**

Shri S. Arjuna Raja, aged 88 years, has been a Director of Thanjavur Spinning Mill Limited from the date of incorporation of the Company.

Shri S.Arjuna Raja has been rendering his valuable services / counsel to the Company.

Shri S.Arjuna Raja is also a Director in M/s.Ramco Industries Limited and M/s.Sudharsanam Investments Ltd.

2. **Shri R. SIVASUBRAMANIAN :**

Shri R. Sivasubramanian, aged 64 years, has been a Director of Thanjavur Spinning Mill Limited for four decades.

THANJAVUR SPINNING MILL LIMITED

Shri R. Sivasubramanian has been rendering his valuable services / counsel to the Company.

Shri R. Sivasubramanian is also a Director in M/s. Suriya Prabha Mills (P) Limited.

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

ITEM NO.5

Dr.K.T. Krishnan, who has been a Director of the Company since 1974, was appointed as the Joint Managing Director from 1.12.1993 and then appointed as Managing Director of the Company by the Board of Directors at its meeting held on 9.11.2000 for a period of five years from 10.11.2000. The said appointment along with terms and conditions and remuneration payable was also approved by the share holders of the Company at Annual General Meeting held on 20th December, 2000. Accordingly, his tenure of appointment will be expiring on 9.11.2005.

The reappointment and the terms and conditions are subject to the approval of the shareholders in a General Meeting.

The reappointment and the remuneration proposed fulfill the conditions stipulated in Schedule XIII of the Companies Act, 1956 and hence approval of Government of India is not required.

As per clause 1A of Section II of Part II of the Schedule XIII of the Companies Act, 1956, provision for payment of remuneration in case of inadequacy of profits require approval of the Remuneration Committee, passed by a Resolution. The Remuneration Committee, at its Meeting held on 09.06.2005 has given its approval for the same.

A copy of the terms and conditions of reappointment of the Managing Director is available for inspection by the members at the Registered Office of the Company between business hours on any working day and will also be available for inspection at the forthcoming General Meeting.

The terms and conditions of Dr.K.T. Krishnan's reappointment as set out in the above said resolution together with the explanatory statement, shall be deemed to be an abstract of the terms and conditions of appointment of Managing Director under Section 302 of the Companies Act, 1956.

Shri K.T. Ramachandran, Director being related to Dr.K.T. Krishnan, Managing Director is deemed to be concerned or interested in the Reappointment.

No Director other than Shri K.T. Ramachandran, Director and Dr.K.T. Krishnan, Managing Director is deemed to be interested in the Resolution.

Rajapalayam,
09.06.2005

On behalf of the Board,
For THANJAVUR SPINNING MILL LIMITED,
P.R. RAMASUBRAHMANEYA RAJHA,
Chairman.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors wish to present the Forty third Annual Report and Audited Accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS :

The financial results for the year ended 31st March, 2005 after charging all expenses but before deducting interest and providing depreciation has resulted in operating profit of Rs.5,06,34,181/-

After deducting Rs.2,20,92,370/- towards Interest cost and providing Rs. 1,20,07,947/- towards Depreciation and Rs.52,70,243/- towards Amortization of Deferred Revenue Expenditure, the Net Profit for the year is Rs.1,12,63,621/-. The raw material cost prevailed at higher levels during the first half of the year. Despite this adverse factor affecting the cost of production, your Directors were able to achieve reasonable profit due to reduction of power cost by installation of one more 1.25 MW Wind Mill in addition to the existing two Nos of 1.25 MW each Wind Mill and taking other cost reduction measures.

Taxation :

In view of the Accumulated Losses of the previous years there is no Liability towards Taxation as per Income Tax Act. Minimum Alternate Tax also does not apply to the Company in view of the amount withdrawn from General Reserve and Depreciation brought forward during the year 2000-2002.

2. REVIEW OF OPERATIONS :

Production :

During the year under review, your Company recorded production of 26,71,534 kgs of yarn.

Sales :

During the year your company recorded a total sale value of Rs. 3,336.15 Lacs of yarn comprising of the following:

(a) Domestic Sales :

The sale in the domestic market was Rs.2,893.49 Lacs as against Rs.2,388.34 Lacs during the previous year.

(b) Exports :

The Company recorded a total export of Rs.442.66 Lacs. The exports comprised of Direct Exports and exports through Merchant exporters, and supplies to EOUs, under Deemed Exports.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT (Contd.)

Plant Upgradation:

During the year under review the following new machineries have been added to the Mills.

Wind Mill 1.25 MW.	-	1
Auto Cone Winding Machine	-	2
Carding Machine	-	2
VXL Filter	-	1
Aqua Splicer	-	1
Splicer Scanner	-	1
UQC Clearer for 3 machines	-	1
Second Hand Comber machines (Imported)	-	3

PROSPECTS FOR THE CURRENT YEAR :

The cotton prices are prevailing at reasonable levels. With the removal of the quota system from beginning of the year 2005 the textile industry expects good export demand. By concentrating on the export market for the premium quality yarn fetching better prices, improving productivity and by taking various cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year. With the continued improvement in the performance of the company, your Directors are hopeful that the company will make the turn around and come out of the purview of BIFR.

Finance :

Loan from Indian Bank:

The Company has been sanctioned a loan of Rs.15.60 Crores by Indian Bank, under Technology Upgradation Fund (TUF) Scheme for Textile Industries of the Government of India, to finance the acquisition of 3 Nos. of Wind Electric Generators and process machinery. Out of this the Company has availed Rs.14.79 Crores as at the end of March, 2005.

Reference to BIFR :

Consequent to the erosion in the network, the Company has filed the reference under section 15 of the SICA Act, 1985 before the Honourable Board for Industrial and Financial Reconstruction, New Delhi. With the continued improvement in performance, the company is expected to come out of purview of BIFR during the year.

3. DEPOSIT :

During the year, the company has not accepted any fixed deposit. The total amount of Fixed Deposits outstanding as on 31st March, 2005 was Nil.