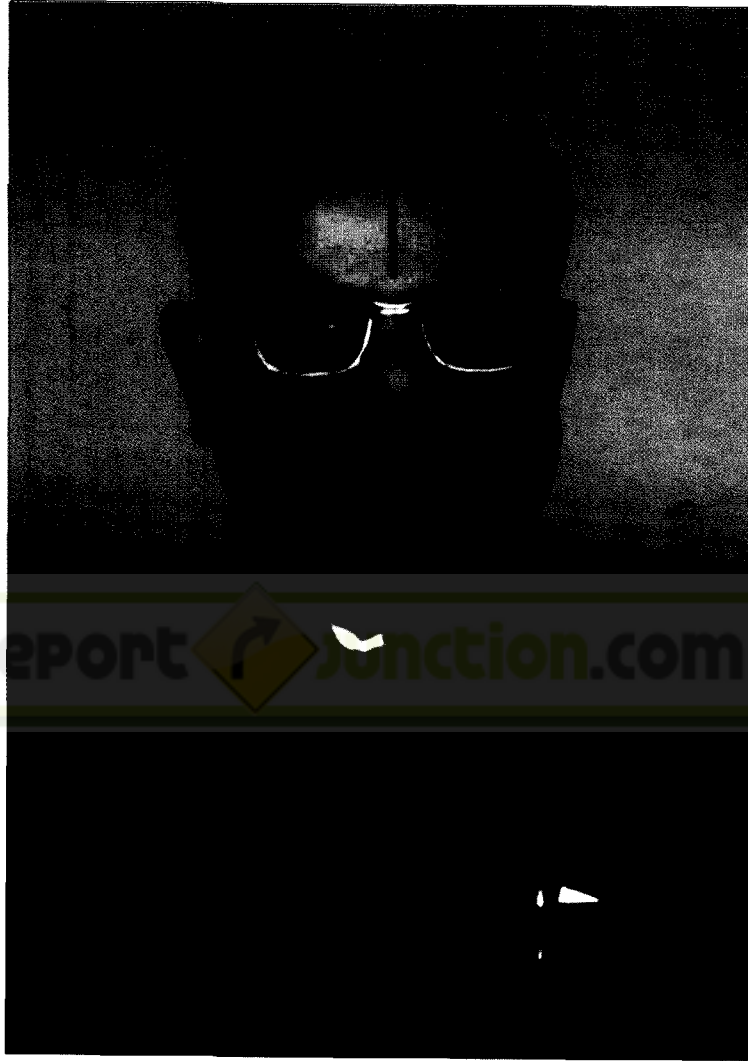


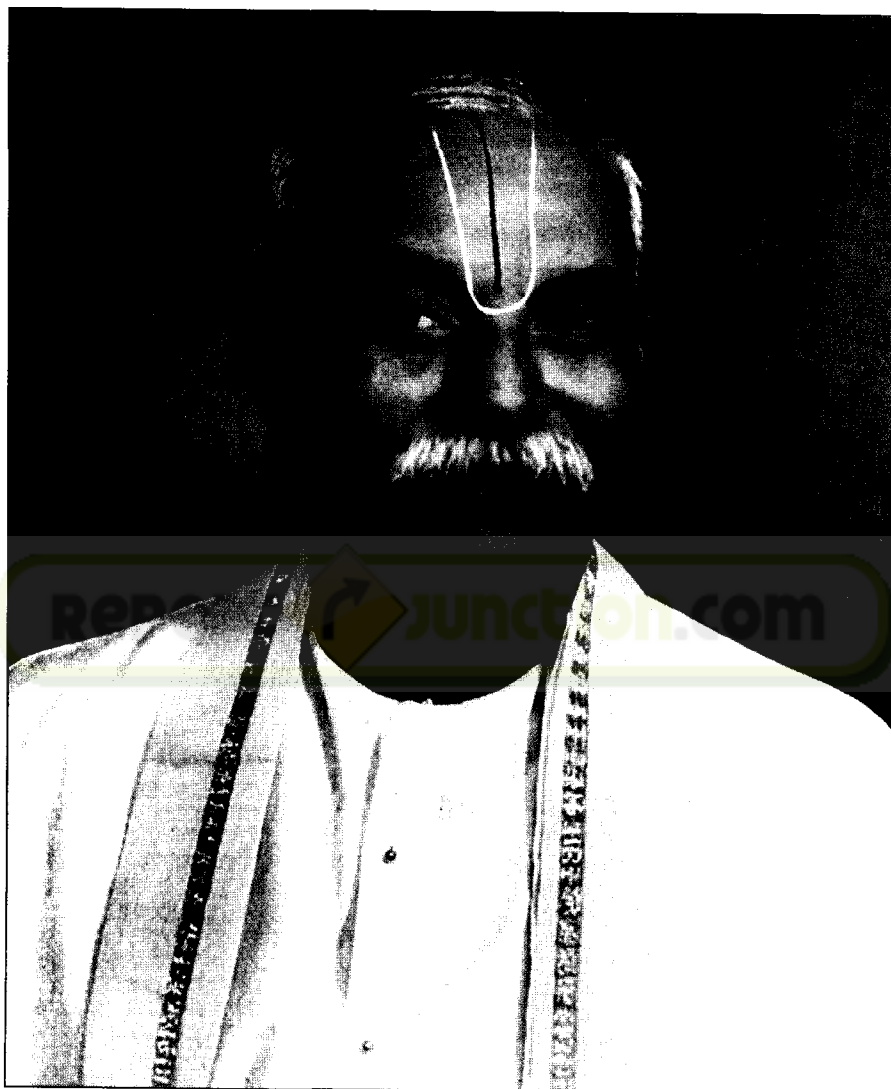
THANJAVUR SPINNING MILL LIMITED



FORTYFOURTH ANNUAL REPORT AND ACCOUNTS 2005 - 2006



SHRI. K. TIRUVENGADA MUDALIAR
Founder



SHRI P.A.C. RAMASAMY RAJA



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

KARUR VYSYA BANK

STATE BANK OF INDIA

UTI BANK

Registered Office

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

Auditors

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

Mills

Vallam One Road,
Thanjavur - 613 005.

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THANJAVUR SPINNING MILL LIMITED

Registered Office: "Rajapalayam Mills Premises", P.A.C. Ramasamy Raja Salai,
Rajapalayam – 626 117.

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Forty-fourth Annual General Meeting of the Company will be held on Friday, the 28th July, 2006 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, 2006, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Shri K.T. Ramachandran who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri P.R. Venketrama Raja, 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.

NOTES:

1. 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.
2. 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.
3. The Register of Members and Share Transfer books of the Company will remain closed from 20.07.2006 to 28.07.2006 (both days inclusive).

Rajapalayam,
31-05-2006.

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-fourth Annual Report and Audited Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS:

The financial results for the year ended 31st March, 2006 after charging all expenses but before deducting interest and providing depreciation has resulted in operating profit of Rs.10,34,38,040/-. After deducting Rs.3,11,93,803/- towards Interest cost and providing Rs.1,53,17,604/- towards Depreciation and Rs.33,05,986/- towards Amortization of Deferred Revenue Expenditure, the Net Profit for the year is Rs.5,36,20,647/-. The raw material cost prevailed at reasonable level during the first three quarters of the year. However the cotton price increased during the last quarter of the year. Despite these adverse factors affecting the cost of production, your Directors were able to achieve increased profitability due to better product mix and other cost reduction measures. The higher profit has arisen due to the recognition of an Extra ordinary profit amounting to Rs.4,18,24,395/- from the sale of Land and obsolete machinery during the year under review.

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. The company has paid Fringe Benefits Tax of Rs.1,49,298/- during the current year.

2. REVIEW OF OPERATIONS:

Production:

During the year under review, your Company recorded production of 26,14,698 Kgs of yarn.

Sales:

During the year your company recorded a total sale value of Rs.3023.20 Lacs of yarn comprising of the following.

(a) Domestic Sales:

The sale in the domestic market was Rs.2174.27 Lacs as against Rs.2893.49 Lacs during the previous year.

(b) Exports:

The Company recorded a total export of Rs.848.93 Lacs as against Rs.442.66 Lacs during the previous year. The exports comprised of Direct Exports and exports through Merchant exporters, and supplies to EOUs under Deemed Exports.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

PROSPECTS FOR THE CURRENT YEAR:

The cotton prices during the current year continue to prevail at higher levels despite good yields during the last cotton season due to export of cotton. The Interest rates are also showing increasing trend. By concentrating on export market for the premium quality yarn fetching better prices, improving productivity and by taking various measures for production of value added yarn such as Elitwist Yarn and Double Yarn and other cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year.

Reference to BIFR

The net worth of the Company has become positive and accumulated losses have been completely wiped out. BIFR has declared the Company is no longer a Sick Company with effect from 31.12.2005 as per their order dated 21.02.2006.

Finance:

The Company has been sanctioned a loan from Karur Vysya Bank Ltd., for Rs.16 Crores for acquisition of 4th Wind Electric Generator, Elite Conversion kit and back process machineries.

The term loan of Rs.10 Crores availed from Citi Bank has been replaced by a Term loan of Rs. 10 Crores from UTI Bank at lower rate of interest with the support of a Corporate Guarantee from M/s. Madras Cements Ltd., for Rs.10 Crores.

3. DEPOSIT:

During the year, the company has not accepted any fixed deposit. The total amount of Fixed Deposits outstanding as on 31st March, 2006 was Nil.

4. DIRECTORS:

In accordance with Article 102 of the Articles of Association of the Company, Shri K.T. Ramachandran and Shri P.R. Venketrama Raja, Directors retire by rotation at the ensuing Annual General Meeting. They being eligible, offer themselves for re-appointment.

5. AUDITORS:

M/s.N.A. Jayaraman & Co., Chartered Accountants, Chennai, Auditors of the Company retire and are eligible for re-appointment.

6. PARTICULARS OF EMPLOYEES:

Particulars of employees required to be furnished under Section 217 (2A) of the Companies Act, 1956, is not applicable to the Company.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

7. CONSERVATION OF ENERGY:

Particulars required under Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are appended.

8. LISTING:

The Company's shares are listed on Madras Stock Exchange Limited, and the Annual Listing fee has been paid for the year 2006-07.

9. DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that :-

- i) in the preparation of Annual Accounts for the year ended 31st March 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March 2006, and of the profit or loss of the Company for that period.
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) the Directors had prepared the annual accounts on a going concern basis.

10. ACKNOWLEDGEMENT:

Your Directors express their appreciation for the co-operation and assistance extended to the Company by Indian Bank, Citi Bank, State Bank of India, The Karur Vysya Bank Ltd., and UTI Bank and Financial Institutions.

The Directors wish to thank the Company's valued customers, members for their continued support and confidence.

The Directors also express their thanks for the co-operation and assistance extended to the Company by the Employees.

RAJAPALAYAM,
31-05-2006

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

THANJAVUR SPINNING MILL LIMITED

Annexure to Directors' Report for the year ended 31st March, 2006

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A CONSERVATION OF ENERGY

- a) Energy conservation measures taken : 400 CFM Compressor location changed from the existing place to Autoconer department which is the major consumption department, alongwith new 2000 Litres receiver, by which energy saving is 19% from the existing level.

OE department VXL Exhaust Disc Filter drive changed to intermittent operation and this will result in energy saving.

Company has installed 4th Wind Electric Generator of capacity 1250 KW at Sankaneri Village, Tirunelveli District.

C 1/3 Carding brush motors removed and direct drive given from doffer by replacing 0.09 KW motor in 20 cards and this will result in energy saving.

160MM Spindles with lesser dia rings installed by replacing 22.5 Spindles for 4 Nos. of G 5/1 Machines and this will result in energy saving.

- b) Additional investments and proposals if any : Nil
being implemented for reduction of consumption of energy
- c) Impact of measures at (a) and (b) above, for : There has been saving in energy cost due to the reduction of energy consumption and consequent impact on the cost of production of goods above measures taken.
- d) Total energy consumption per unit of Production of goods : Please refer Form "A"

B TECHNOLOGY ABSORPTION

- e) Efforts made in Technology Absorption : Please refer Form "B"

THANJAVUR SPINNING MILL LIMITED

Annexure to Directors' Report for the year ended 31st March, 2006

C FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | |
|----|---|---|
| f) | i) Activities relating to Exports | : Exporting Cotton yarn to HongKong & Egypt. |
| | ii) Initiatives taken to increase exports | Exploring possibilities of direct exports as well as merchant exports to Hong Kong and European Countries etc., |
| | iii) Development of new export markets for products and service | |
| | iv) Export plans | |
| g) | i) Total foreign exchange used | : Rs.161.39 lacs |
| | ii) Total foreign exchange earned | : Rs.206.25 lacs |

Form - A

(See rule - 2)

Form for disclosure of Particulars with respect to conservation of energy

A. POWER AND FUEL CONSUMPTION

1 ELECTRICITY

	Year ended 31-03-2006	Year ended 31-03-2005
a) Purchased		
Units	1,26,75,905	1,29,65,510
Total Amount	Rs. 5,27,33,363	5,33,75,719
Rate per unit	Rs. 4.16	4.12
b) Own Generation		
i) Through Diesel Generator		
Units	2,02,867	1,81,250
Units per litre of Diesel Oil	2.80	2.67
Cost per Unit	Rs. 10.44	9.05
ii) Through Steam turbine/Generator		
Units	Not Applicable	
Units per litre of Diesel Oil		
Cost per Unit		

2 COAL

3 FURNACE OIL

4 OTHERS / INTERNAL GENERATION

Not Applicable