

THANJAVUR SPINNING MILL LIMITED

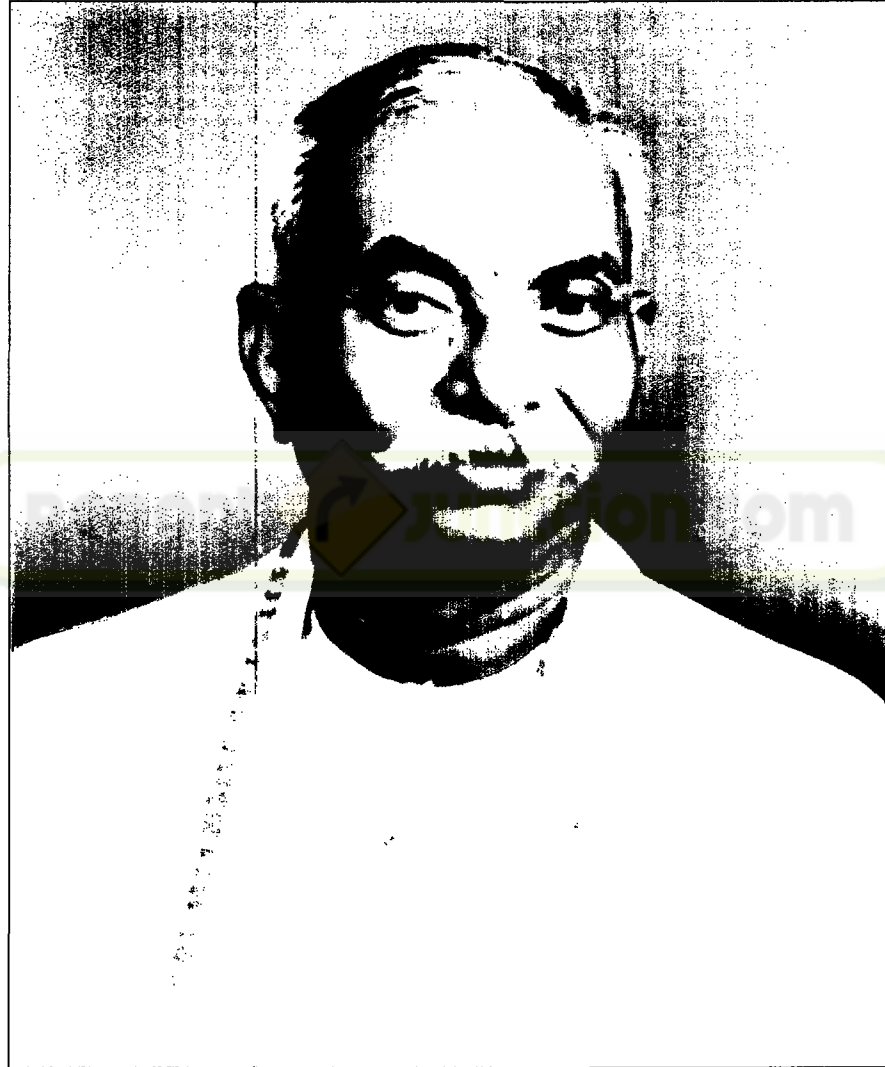


FORTY SIXTH ANNUAL REPORT AND ACCOUNTS

2007 - 2008



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 K.T. RAMACHANDRAN

Shri P.R. VENKETRAMA RAJA

Shri S. KRISHNASWAMY KAMAYA NAICKER

Shri R. SIVASUBRAMANIAN

Shri R.T. IYENGAR

BANKERS

AXIS BANK

CANARA BANK

INDIAN BANK

KARUR VYSYA BANK

STATE BANK OF INDIA

TAMILNAD MERCANTILE BANK

Registered Office

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

Auditors

Messrs N.A. Jayaraman & Co.,
Chartered Accountants,
9 Cedar Wood, No.11, 4th Main Road,
Raja Annamalaipuram,
Chennai - 600 028.

Mills

Vallam One Road,
Thanjavur - 613 005.
Tamilnadu.

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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 Sixth Annual General Meeting of the Company will be held on Wednesday, the 6th of August, 2008 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, 2008, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare Dividend for the year 2007-2008.
3. To appoint a Director in the place of Shri.K.T. Ramachandran who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri.R.Sivasubramanian who retires by rotation and is eligible for re-appointment.
5. 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 Shri. R. Palaniappan, Proprietor M/s. N.A. Jayaraman & Co., Chartered Accountants, Chennai are eligible for re-appointment.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED that Shri R. T. Iyengar who has been appointed as Additional Director and holds office until this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board,
For THANJAVUR SPINNING MILL LIMITED,

RAJAPALAYAM,
18.06.2008

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN.

THANJAVUR SPINNING MILL LIMITED

NOTICE

NOTES:

1. Explanatory Statement pursuant to Sec.173(2) of the Companies Act, 1956 in respect of item No.6 of the Notice is enclosed.
2. Every member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself. Such 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 of the Company will be closed from 01.08.2008 to 06.08.2008 (both days inclusive).
5. Under the provisions of Section 205 C of the Companies Act, 1956 dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection Fund of the Central Government. Thereafter no claim shall lie against the Fund or the Company and no payment will be made in respect of any such claims. Hence, the members who have not claimed their dividend relating to the year 2006-2007 may write to the Company for claiming the amount before it is so transferred to the fund.

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

ITEM NO.6

Shri.R.T. Iyengar, aged 59 years, was appointed as an Additional Director by the Board of Directors of the Company on 16-01-2008. He holds office till the conclusion of the ensuing Annual General Meeting. Under section 257 (1) of the Companies Act, 1956, a notice in writing has been received from a Member signifying his intention to propose the appointment of Shri. R.T. Iyengar as a Director at the Annual General Meeting.

Shri R.T. Iyengar is the Vice-President of M/s Rajapalayam Mills Ltd . He is having rich experience in Cotton Purchase & Yarn Marketing.

He is presently a Director in the following Companies:

1. Sri Vishnu Shankar Mill Ltd
2. Sri Harini Textiles Ltd

None of the Directors is deemed to be interested in the resolution.

By Order of the Board,
For THANJAVUR SPINNING MILL LIMITED,

RAJAPALAYAM,
18.06.2008

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure to present the Forty Sixth Annual Report and Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS:

The financial results for the year ended 31st March, 2008 after charging all expenses but before deducting interest and providing depreciation has resulted in operating profit of Rs.6,19,70,601/-.

After deducting Rs.2,78,37,895/- towards Interest cost and providing Rs.2,72,95,294/- towards Depreciation, the Net Profit for the year is Rs.68,37,412/-. Adding the surplus of Rs. 39,87,288/- brought forward from the previous year, your Directors propose to appropriate the balance amount of Rs.1,08,24,700/- as detailed below:

	Rs.
Provision for Taxation	- Current Tax-MAT
	7,50,000
	- Deferred Tax Liability
	2,00,000
	- Fringe Benefit Tax
	2,50,000
Dividend @ 10%	27,00,000
Tax on Dividend @ 16.995%	4,58,865
Transfer to General Reserve	50,00,000
Balance carried over to Balance Sheet	14,65,835
TOTAL	1,08,24,700

DIVIDEND:

Your Directors have pleasure in recommending a dividend @ 10% for the year. This dividend continues to be tax free income in the hands of the shareholders. The total amount of Dividend amount outgo including Tax on Dividend would be Rs. 31,58,865/-.

TAXATION:

The Company is not liable to pay regular income tax. However the Company has to pay Minimum Alternative Tax (MAT) on the book profit. This tax is available for set off in future years. The Company has paid Fringe benefit tax of Rs. 2.50 Lakhs. The Company has also provided deferred tax liability of Rs.2 Lakhs as per the Accounting Standard prescribed by the Institute of Chartered Accountants of India. However, this tax provision will not have any cash outflow and is a book entry only.

TRADE CONDITIONS:

The Textile Industry, in general, has been passing through the un-precedented crisis during the last year. There was steep increase in the prices of cotton during the year when compared to last year. The yarn prices showed declining trend because of various reasons viz., recession in the US economy, appreciation of rupee, huge capacity addition etc., The rupee has appreciated against dollar by more than 10% during the last year, which means that margin on exports has reduced to that extent, impacted heavily on the profits of the Company.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

The frequent power interruptions in TNEB supply forced us to depend on Diesel generation which increased the power cost substantially. Timely decision taken by your Directors to install windmills in previous years has helped the company to maintain the power cost at reasonable level. By implementing various modernization programmes and production of flexible count pattern with more value added yarn, your Directors were able to achieve satisfactory results in the current market scenario.

EXPORTS:

During the year under review the Company made a direct yarn export of about Rs.7.77 Crores and Merchant yarn export of about Rs.1.83 Crores.

Yours Directors are thankful to overseas buyers and Merchant Exporters for their continued support.

MODERNISATION:

As a part of continuous intensive modernization programme, the Company has invested about Rs.2.53 Crores for converting 6048 spindles of Ring spinning into Compact spinning by installing Elite Compact attachments.

EXPANSION:

The Company has planned to increase the spindleage by another 2016 spindles in addition to 6336 spindles as reported in the last year Directors' Report and it is expected to start the commercial production during the financial year 2008-09.

The Proposed addition of 16800 spindles of Ring spinning capacity including Wind Mills at a total cost of Rs.57 Crores, by availing term loan of Rs.45.60 Crores from Indian Bank, under TUF scheme. This project construction work is already started and the commercial production will be commenced by June, 2009.

PROSPECTS FOR THE CURRENT YEAR:

There was a steep increase in the prices of cotton during this year. Though yields of cotton were good during the last cotton season, due to export of cotton, there was un-precedented increase in cotton prices. The prices of yarn were stagnant due to recessionary trend in both domestic and global markets. The interest rates are also hardening. There is also steep hike in crude oil prices and the generation of power by Captive Gensets is no more economically viable. By taking various measures for production of value added yarns and other cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year.

WINDMILL:

The Company has a total windmill capacity of 5.00 MW and wind power has become a major source of power supply. The wind power generation has come down as compared to last year due to adverse weather conditions. There was also interruptions in the grid availability due to insufficient infrastructure facility at the evacuation point during the peak season. The income during the year from the Windmill Division was Rs.5.03 Crores.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

PERSONNEL:

Industrial relations with employees remained cordial during the year. Human Resources Development activities received considerable focus. The emphasis was on imparting training and development of the skill-set of the employees to enable them to face the challenges in the work environment. The number of persons employed as on 31.03.2008 was 514.

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

INTERNAL CONTROL SYSTEM:

Your Company has adequate internal control procedures commensurate with the size and nature of its operations. ERP System developed by Ramco Systems Ltd., has been installed for online monitoring of all function and management information reports are being used to have better control and to take decision in time.

FINANCE:

Your Company has established a good track record with the bankers and financial institutions, thereby enjoying their confidence fully. The increase in interest cost in recent period is a matter of concern. However with good standing of your company with the lenders, the Company is confident of securing loans at optimum costs.

Your Directors are thankful to Canara Bank, Indian Bank, State Bank of India, Tamilnad Mercantile Bank, Karur Vysya Bank, and AXIS Bank for their continuing financial assistance.

DIRECTORS:

Your Board of Directors informed with deep regret the demise of Shri.S. Arjuna Raja, Director of our company on 03-01-2008 at the age of 90. Shri S. Arjuna Raja was appointed one among the promoter directors of the company way back in 1961 and worked hard for the promotion of the company for nearly five decades.

Your Board of Directors also wish to place on record the valuable service rendered by Shri.S. Arjuna Raja during his tenure as the Director of the Company.

The following Directors retire by rotation at the ensuing Annual General Meeting and they are eligible for re-appointment.

1. Shri K.T. Ramachandran
2. Shri R. Sivasubramanian

At the Board Meeting held on 16th January 2008, Shri R.T. Iyengar has been co-opted as an Additional Director and will hold office till the date of the forthcoming AGM. A Notice has been received from a Member signifying his intention to propose the appointment of Shri R. T. Iyengar at the AGM.

DEPOSIT:

During the year, the company has not accepted any fixed deposit. The total amount of Fixed Deposits outstanding as on 31st March, 2008 was Nil.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

SHARES:

The Company's shares are listed with

M/s. Madras Stock Exchange Ltd.,
Exchange Building,
P.B. No. 183, 11 Second Line Beach,
Chennai - 600 001.

The Company has paid listing fees to the Stock Exchanges for the financial year 2008-09.

AUDITORS:

Shri.R. Palaniappan, Proprietor, M/s.N.A. Jayaraman & Co., Chartered Accountants, Chennai, Auditors of the Company retire at the end of the 46th Annual General Meeting and are eligible for re-appointment.

COST AUDITOR:

The Government has approved the Company's proposal to appoint Shri A.N. Raman, Cost Accountants, Chennai for audit of Company's cost accounts for the year ended 31st March, 2008 on a remuneration of Rs.15,000/- exclusive of out-of-pocket expenses. As per Central Government's direction, cost audit will be done every year.

CONSERVATION OF ENERGY:

The Company continues to take keen interest in conservation of energy and the information required under Section 217(1) (e) of the Companies Act, 1956 read with the relevant Rules, with regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure to this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors Confirm that :-

- i) In the preparation of Annual Accounts for the year ended 31st March 2008, the applicable accounting standards had been followed;
- ii) The selected accounting policies were applied consistently and judgements 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 that period;
- iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act had been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts were prepared on a going concern basis.