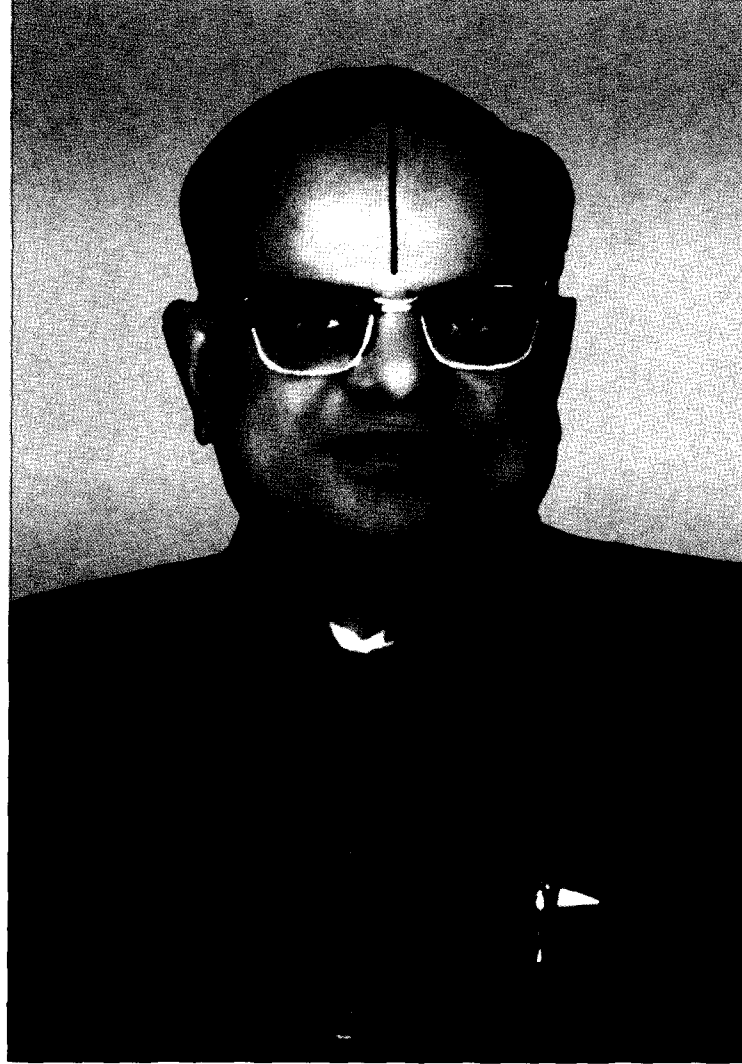


THANJAVUR SPINNING MILL LIMITED



FORTY EIGHTH ANNUAL REPORT AND ACCOUNTS

2009 - 2010



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 LTD

CANARA BANK

INDIAN BANK

ICICI BANK LTD

KARUR VYSYA BANK LTD

TAMILNAD MERCANTILE BANK LTD

REGISTERED OFFICE :

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

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 - 613005.

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THANJAVUR SPINNING MILL LIMITED

NOTICE TO THE MEMBERS

Notice is hereby given that the Forty Eighth Annual General Meeting of the Company will be held at 11.30 A.M on Wednesday, the 4th August, 2010 at P.A.C. Ramasamy Raja Centenary Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalayam to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2010, and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. a) To appoint a Director in the place of Shri.K.T. Ramachandran, who retires by rotation and is eligible for re-appointment.
b) To appoint a Director in the place of Shri.S.Krishnaswamy Kamaya Naicker, who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and, if thought fit, to pass with or without modification, the following Resolution as on ORDINARY RESOLUTION:

“RESOLVED that Sri R. Palaniappan, Prop. M/s. N.A. Jayaraman & Co., Chartered Accountants, Chennai be and are hereby appointed as Auditor of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting on remuneration of Rs. 65,000/- (Rupees Sixty five Thousand only) exclusive of out-of pocket expenses.”

SPECIAL BUSINESS :

- 4) To consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION under Sec.293 (1) (d) of the Companies Act,1956.

“RESOLVED that in supersession of the resolution passed at the Annual General Meeting of the Company held on 25th July, 2007 and pursuant to Section 293 (1) (d) and all other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the consent of the shareholders be and is hereby accorded to the Board of Directors of the company for borrowing from time to time any sum or sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the maximum amount of moneys so borrowed by the Board, shall not at any time exceed Rs.250 Crores (Rupees Two hundred and fifty Crores)”.

- 5) To consider and, if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

“RESOLVED that 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, at a remuneration equivalent to 5% of the net profits of the Company for a further period of 5 years with effect from 10.11.2010 to manage the entire business and affairs of the Company subject to the superintendence, control and directions of the Board”.

THANJAVUR SPINNING MILL LIMITED

"RESOLVED further that the Remuneration Committee be and is hereby authorised to fix the quantum and periodicity of the remuneration payable to the Managing Director subject however the annual remuneration does not exceed 5% of the net profits of the Company in a financial year."

"RESOLVED further that where in any financial year, the Company has no profits or inadequate profits, the Managing Director be paid –

- a) The maximum remuneration prescribed under Section II, Part II of Schedule XIII of the Companies Act based on the effective capital of the Company and in accordance with the approval of the Remuneration Committee of the Company which is presently Rs. 1,75,000/= per month.
- b) Contribution to provident fund, Superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax Act, 1961;
- c) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- d) Encashment of leave at the end of the tenure."

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

RAJAPALAYAM,
28.05.2010

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN.

NOTES:

1. Explanatory Statement pursuant to Sec.173(2) of the Companies Act, 1956 in respect of item No. 4 & 5 of the Notice is enclosed
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 of the Company will be closed from 29.07.2010 to 04.08.2010 (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 (IEP 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 and 2007-2008 may write to the Company for claiming the amount before it is so transferred to the fund.

THANJAVUR SPINNING MILL LIMITED

EXPLANATORY STATEMENT AS REQUIRED UNDER SEC.173 (2) OF THE COMPANIES ACT,1956

ITEM NO. 4

The members of the Company at their Annual General Meeting held on 25th July,2007 had empowered the Board of Directors to borrow Rs.150 Crores (apart from temporary loans obtained from the Companies Bankers in the ordinary course of business). Now the Company's capacity has been increased to 50160 spindles, the Company requires additional funds as the existing limit of borrowing is not sufficient. Hence the consent of the Shareholders to borrow upto a limit of Rs.250 Crores (apart from temporary loans obtained from the Companies Bankers in the ordinary course of business) is being sought by the Board of Directors under Sec.293 (1) (d) of the Companies Act,1956 as an ordinary resolution.

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

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 01.12.1999 and then appointed as Managing Director of the Company from 09.11.2000 and reappointed from 10.11.2005 for a period of 5 years.

Dr.K.T.Krishnan was reappointed as Managing Director of the Company by the Board of Directors subject to the approval of the shareholders at the Annual General Meeting for a further period of 5 years from 10.11.2010 to 09.11.2015 pursuant to Article 132A of the Articles of Association of the Company and in accordance with the provisions of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956.

The terms and conditions for reappointment and remuneration payable are set out in the Resolution.

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

As the Managing Director had attained the age of 70 years, his reappointment is proposed to be passed as a Special Resolution in the Annual General Meeting and hence approval of the Central Government is not required in this regard also.

As per Clause 1A of Section II of Part II of the ScheduleXIII of the Companies Act,1956 provision for payment of remuneration in case of inadequacy of profits requires approval of the Remuneration Committee to be passed by a Resolution. The details of the minimum remuneration payable are set out in the resolution. Remuneration Committee has passed necessary Resolution at its Meeting held on 28.05.2010 approving 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 Annual General Meeting.

The contents of the Resolution along with the Explanatory statement shall be deemed to be an abstract of the terms and conditions of reappointment of Managing Director under Section 302 of the Companies Act,1956 and the Memorandum of interest in that behalf.

None of the Directors except Dr.K.T. Krishnan and Shri.K.T. Ramachandran may be deemed to be concerned or interested in the Resolution.

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

RAJAPALAYAM,
28.05.2010

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their 48th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2010 after charging all expenses but before deducting interest and depreciation have resulted in operating profit of Rs.9,10,73,900/-.

After deducting Rs.5,28,41,122/- towards interest cost and providing Rs.3,52,74,159/- towards Depreciation, the Net Profit for the year is Rs.29,58,619/-. Taking into account the provision of Rs. 5,00,000/- towards Current Tax- MAT and Rs.69,00,000/- towards Deferred Tax Asset, your Directors propose to appropriate the total sum of Rs. 93,58,619/- as detailed below :

Transfer to General Reserve	22,00,000
Balance carried over to Balance Sheet	71,58,619
Total	<u>93,58,619</u>

DIVIDEND

In view of Profit before tax is nominal, your Directors recommend to skip the dividend for the year.

TAXATION

An amount of Rs.5 Lakhs towards current tax (MAT) and Rs.69 Lakhs towards Deferred Tax Asset has been provided for the year. The Company is entitled for MAT credit, which would be carried forward and adjusted against the liability in the subsequent years.

TRADE CONDITIONS

A sign of revival of economy has been witnessed from the last quarter of the financial year under review and the demand for yarn has increased globally. However the financial results of previous 3 quarters had been affected due to various factors viz., economic crisis, higher cotton cost, increased power cost due to power cut, stagnant yarn price etc.,

There was severe power cut in Tamilnadu, which affected the utilisation and productivity levels to some extent. Timely decision taken by your Directors to install Windmills in previous years and purchase of power from Third Party have helped the Company to operate the Mills at optimum utilization level and also helped the Company to tide over the power crisis.

By implementing various cost reduction measures and production of flexible count pattern with more value added yarn, your Directors were able to achieve satisfactory results in the current market scenario.

FINANCE

As reported in the Directors' Report in the previous year, the Company has approached the Banks for reschedulement of Term Loan repayment installments of principal as per the norms suggested by the

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

Reserve Bank of India and all the Banks have approved our reschedulement proposal. However the Company is prompt in making the interest payment on due dates.

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.

EXPORTS

On the export front during the year, we have made direct export of Cotton Yarn for a value of Rs.3.06 Crores and merchant export of Rs.10.77 Crores as against Rs. 4.14 Crores and Rs 7.97 Crores respectively in the previous year.

EXPANSION

As reported in the Director's Report in the previous year, the Company has successfully implemented the expansion of State of the art 16800 spindles. This project had been commissioned and went into commercial production during March, 2010. The above project is covered under TUF Scheme.

PROSPECTS FOR THE CURRENT YEAR

The cotton prices during 2010-11 continue to prevail at higher levels despite good yield during last cotton season due to export of cotton in huge quantities. The Domestic as well as the International Yarn markets are improving after a long spell of sluggishness. The Government of India has withdrawn Export incentive Schemes viz., Duty Entitlement passbook (DEPB) and Duty Draw back scheme provided to cotton yarn exporters with effect from April, 2010. The Government's decision to withdraw the above scheme is very unfortunate and our prices for Yarn would not be competitive in the Global Market, which in turn will affect the profitability of the Mills.

The Company is maintaining high standards of Quality Yarn, cost effective production and stringent waste control measures. These measures strengthened the Company to face the challenges in the current scenario. By improving productivity, 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.

WIND MILL

The Wind Mill Division with an installed capacity of 5 M.W is working satisfactorily. There was good wind velocity during the year compared to previous year, which resulted in higher generation of power. The Division has generated 105 Lakhs Kwh as compared to 88 Lakhs Kwh of the previous year. The income during the year from the Wind Mill Division was Rs 3.93 Crores as against Rs.3.18 Crores of previous year.

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.

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

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 functions and management information reports are being used to have better control and to take decisions in time.

DIRECTORS

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.S.Krishnaswamy Kamaya Naicker

MANAGING DIRECTOR

Dr.K.T. Krishnan, Managing Director of the Company holds office up to 09.11.2010 and it is proposed to re-appoint him for a further period of 5 years with effect from 10.11.2010 subject to the approval of the Members in Annual General Meeting on the terms and conditions as set out in the Annual General Meeting Notice.

PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2010 was Rs. 11.22 Lakhs. There was no deposits unclaimed / unpaid as on 31-03-2010.

SHARES

The Company's shares are listed in Madras Stock Exchange Ltd., Chennai. The Company had paid listing fees to the Stock Exchange for the financial year 2010-2011.

AUDITORS

Mr. R. Palaniappan Proprietor M/S. N.A.Jayaraman & Co, Chartered Accountants, Chennai, Auditor of the Company retire at the end of the 48th Annual General Meeting and are eligible for re-appointment.

COST AUDITORS

The Government has approved the Company's proposal to appoint Shri.A.N. Raman, Cost Accountant, Chennai for audit of Company's cost accounts for the year ended 31-03-2010 on a remuneration of Rs. 20,000/- exclusive of out-of-pocket expenses. As per Central Government's direction, cost audit will be done every year.

CONSERVATION OF ENERGY, ETC.,

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 I to this report.