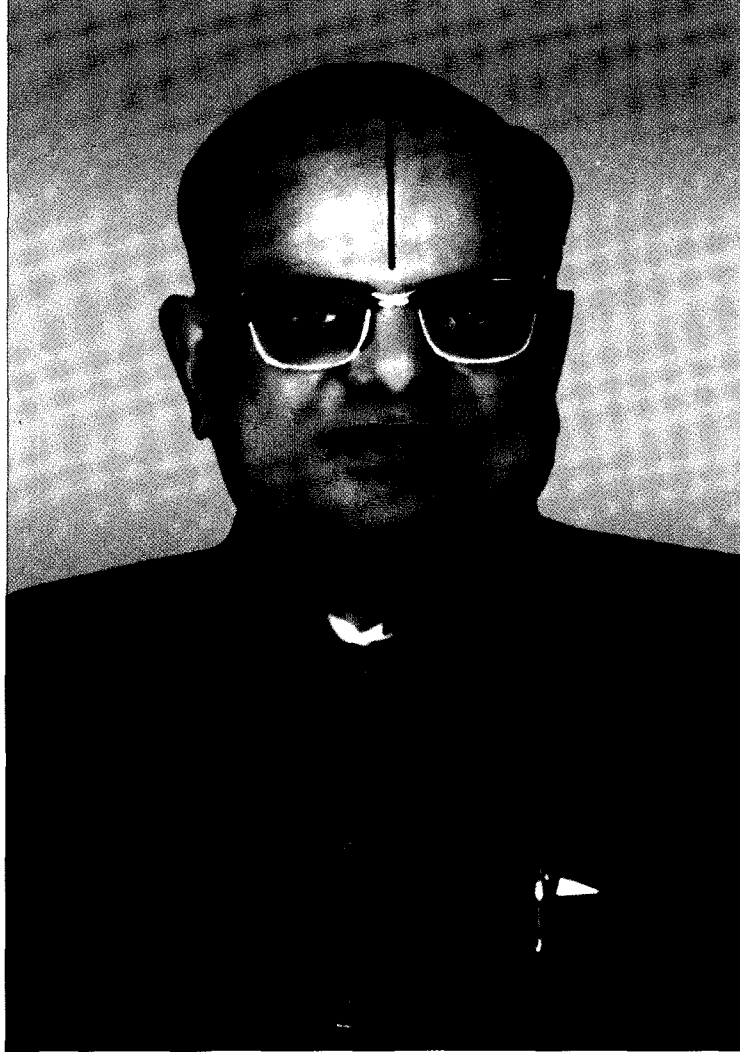


THANJAVUR SPINNING MILL LIMITED

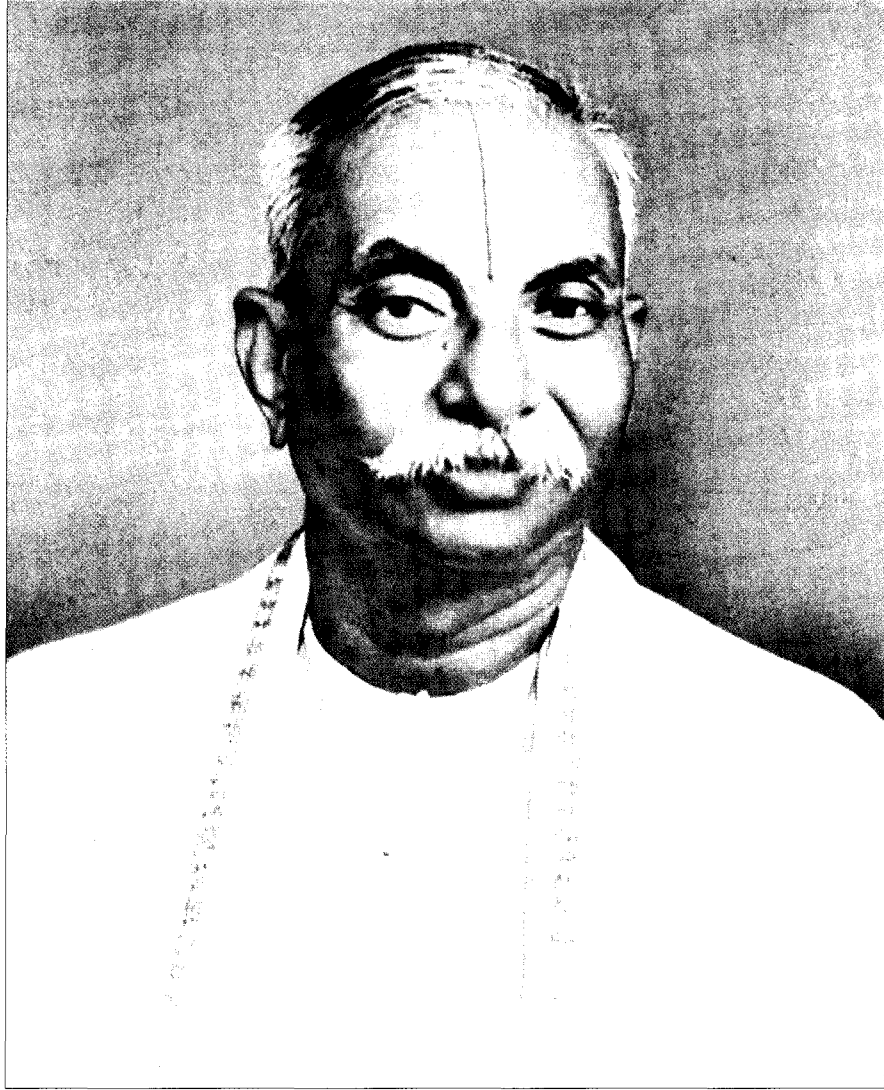


FORTY NINTH ANNUAL REPORT AND ACCOUNTS

2010 - 2011



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.

MILLS :

Vallam One Road,
Thanjavur - 613005.

AUDITORS :

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

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THANJAVUR SPINNING MILL LIMITED

NOTICE TO THE MEMBERS

Notice is hereby given that the Forty Ninth Annual General Meeting of the Company will be held at 11.30 A.M on Wednesday, the 20th July, 2011 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, 2011, 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 R.Sivasubramanian, who retires by rotation and is eligible for re-appointment.
b) To appoint a Director in the place of Shri R.T.Iyengar, 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 an 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.”

RAJAPALAYAM,
28.05.2011

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

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN.

NOTE:

1. 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.
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 Member and Share Transfer Register of the Company will be closed from 15.07.2011 to 20.07.2011 (both days inclusive).
4. Under the provisions of Section 205C 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 and 2007-2008 may write to the Company for claiming the amount before it is so transferred to the fund. The details of due dates for transfer of such unclaimed dividend to the said fund are:

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund
31.03.2007	25.07.2007	24.07.2014	22.08.2014
31.03.2008	06.08.2008	05.08.2015	03.09.2015

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

RAJAPALAYAM,
28.05.2011

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their 49th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2011 after charging all expenses but before deducting interest and depreciation have resulted in operating profit of Rs.24,25,35,037/-

After deducting Rs.11,77,88,230/- towards interest cost and providing Rs.6,21,81,744/- towards Depreciation, the Net Profit for the year is Rs.6,25,65,063/-. After providing Rs. 1,27,00,000/- towards Current Tax - MAT and Rs. 5,76,50,000/- towards Deferred Tax Liability, and adding the Surplus of Rs.71,58,619/- brought forward from the previous year, the Net Loss for the year is Rs.6,26,318/-

DIVIDEND

Due to the provision of Deferred tax liability for Rs.577 Lakhs, the company has incurred Net Loss (after tax) of Rs.78 Lakhs, your Directors are unable to recommend any Dividend for the current year.

TAXATION

An amount of Rs.127 Lakhs towards current tax (MAT) and Rs.577 Lakhs towards Deferred Tax Liability has been provided for the year. The tax paid under MAT will be available for set off in the year of regular income tax liability.

TRADE CONDITIONS

Your Directors are glad to inform that the performance of the Company during the year is better, inspite of the unprecedented increase in cotton prices. The financial year 2010-11 witnessed a very difficult trade conditions due to the following reasons:

A) Cotton

There has been unprecedented rise in the cotton prices during the cotton season started from October,2010 and the cotton prices have gone up by more than 100% as compared to the previous cotton season. Cotton, often referred as "White Gold" has recorded the historic highest prices. The Government of India has allowed export of more than 15% of Cotton produced in India and the good quality of cotton was shipped out of India within 3 months. This has resulted in mismatch between demand and supply of cotton and the domestic spinning mills were forced to pay higher prices for good quality cotton.

B) Electricity

The power cut in Tamilnadu continued to the extent of 100% for 4 hours during 6 P.M. to 10 P.M. and 30% during the rest of the hours, in addition to unannounced power shutdowns. This has forced the Company to operate captive Gensets in order to maintain the optimum utilization level. The power cost has increased substantially as compared to previous year. 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.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

C) Inflation & Impact on Cost of borrowing

In order to contain the inflation in india, The Reserve Bank of india has tightened the monetary policy by increasing the lending and borrowing rates. Because of these measures, all the Banks have hiked the rate of interest by 2% to 3% for all our term loans and working capital loans.

D) Cotton Yarn Export brought under Quota System

The export of cotton yarn was under Quota Raj till 1995. When the textiles and clothing were brought into the mainstream under the WTO, the quota system was abolished and export of yarn was allowed without any restriction.

The Domestic and the International Yarn markets have started improving specifically after a long spell of sluggishness witnessed due to Global Economic Crisis during the period from 2008 to 2010. However, the Government of India has suddenly restricted the export of Cotton Yarn during Dec-2010 to Mar-2011 and re-introduced the Quota system. This has affected the Yarn Market both in Domestic as well as Export, which resulted in sluggishness of yarn prices & yarn movements in India.

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

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.12.65 Crores and merchant export of Rs.1.96 Crores as against Rs.3.06 Crores and Rs.10.77 Crores respectively in the previous year.

PROSPECTS FOR THE CURRENT YEAR

The cotton prices during cotton season 2010-11 are very volatile. The cotton prices which have gone up too steeply during the peak cotton season have fallen suddenly during May 2011. As a result, the Yarn prices have also been crashed. Due to sluggishness in garment/fabric market, the demand for yarn has come down unexpectedly. The Government's decision to re-introduce the Quota system for export of cotton yarn is very unfortunate, which in turn has affected the market share & profitability of the Indian Spinning Mills due to uncertain Government Policies.

The increase of wage cost, fuel prices & interest cost and the increase in the power cuts in recent period definitely pose a challenge. While the cost of major inputs increased steeply, the yarn price has started declining due to decrease in demand. The cumulative effect of the above factors would affect the performance of the Company substantially. Your Directors are therefore unable to predict the profitability of the Company in the current year. However, 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.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

WIND MILL

The Division has generated 103 Lakhs Kwh as compared to 105 Lakhs Kwh of the previous year. The income during the year from the Wind Mill Division was Rs. 4.20 Crores as against Rs.3.93 Crores of previous year. During the year, 5 Nos. of Wind Electric Generators for an aggregate capacity 4 MW were purchased from M/s. Madras Cements Ltd., With this, the capacity of the Wind Mills has increased to 9 MW comprising of 9 Wind Electric Generators.

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.

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 R.Sivasubramanian
2. Shri R.T.Iyengar

PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2011 were Rs.12.93 Lakhs including the deposits renewed in accordance with Section 58A of the Companies Act, 1956. There was no deposits unclaimed / unpaid as on 31-03-2011.

SHARES

The Company's shares are listed in Madras Stock Exchange Limited. The Company had paid listing fees to the Stock Exchange for the financial year 2011-12.

AUDITORS

Mr. R. Palaniappan Proprietor of M/S. N.A.Jayaraman & Co, Chartered Accountants, Chennai, Auditor of the Company retire at the end of the 49th Annual General Meeting and are eligible for re-appointment.

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

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 31-03-2011 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that -

- i) In the preparation of Annual Accounts for the year ended 31st March 2011, 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.

Secretarial Compliance Certificate issued by practicing Company Secretary u/s.383(A) of the Companies Act,1956 is given in Annexure II to this report.

ACKNOWLEDGEMENT

The Directors are grateful to the various Departments and agencies of the Central and State Governments for their help and co-operation. They are thankful to the Financial Institutions and Banks for their continued help, assistance and guidance. The Directors wish to place on record their appreciation of employees at all levels for their commitment and their contribution.

On behalf of the Board of Directors,
For THANJAVUR SPINNING MILL LIMITED,

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN.

RAJAPALAYAM,
28.05.2011

THANJAVUR SPINNING MILL LIMITED

ANNEXURE I TO DIRECTORS' REPORT

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 |] | The Company is continuously making efforts to conserve energy.

Energy saving devices have already been installed and energy consumption is constantly monitored. |
| b) Additional investments and proposals if any, being implemented for reduction of consumption of energy. | | |
| c) Impact of measures at (a) and (b) above, for reduction of energy consumption and consequent impact on the cost of production of goods. | | |
| d) Total energy consumption per unit of Production of goods. | | : Particulars given in Form "A" |

B. TECHNOLOGY ABSORPTION

- e) Efforts made in Technology Absorption : Particulars given in Form "B"

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | |
|---|---|---|
| f) i) Activities relating to Exports |] | The possibilities of exporting yarn to other Asian countries, Western countries including EEC countries are being explored. |
| ii) Initiatives taken to increase exports | | |
| iii) Development of new export markets for products and service | | |
| iv) Export Plans | | |
| g) i) Total foreign exchange outgo (Including Capital Goods) | | : Rs. 0.32 Crores |
| ii) Total foreign exchange earned (FOB Value) | | : Rs. 12.33 Crores |