

THANJAVUR SPINNING MILL LIMITED



FIFTIETH ANNUAL REPORT AND ACCOUNTS

2011 - 2012



SHRI. K. TIRUVENGADA MUDALIAR
Founder



SHRI P.A.C. RAMASAMY RAJA



THANJAVUR SPINNING MILL LIMITED

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.

MILLS :

Vallam One Road,
Thanjavur - 613 005.

AUDITORS :

M/s. 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 MEMBERS

NOTICE is hereby given that the 50th Annual General Meeting of the Company will be held at 11.30 A.M on Monday, the 06th August, 2012 at P.A.C. Ramasamy Raja Centenary Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalayam - 626 108 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Statement of Profit and Loss for the year ended 31st March, 2012, 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. P.R. Ramasubrahmaneya Rajha, who retires by rotation and is eligible for re-appointment.
b) To appoint a Director in the place of Shri. P.R. Venketrama Raja, 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 Shri 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."

4. SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution

"RESOLVED THAT the fact of erosion of 100% net worth of the Company as on 31st March, 2012, and the reasons for such erosion be and is hereby considered in accordance with the applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 in all aspects and that the reference in the prescribed format be made to the Board for Industrial and Financial Reconstruction (BIFR) within 60 days thereof."

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

RAJAPALAYAM,
28-05-2012.

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN

THANJAVUR SPINNING MILL LIMITED

NOTES :

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 01.08.2012 to 06.08.2012 (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 |

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Sec. 173(2) of the Companies Act, 1956

As at the end of the financial year 31st March, 2012, 100% of the Company's net worth has eroded. The accounts of the Company are being considered for adoption at the ensuing Annual General Meeting of the Company to be held on 6th August, 2012. The provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 apply to the Company and Section 23 requires such erosion to be considered by the Members of the Company at the General Meeting.

The reason for the erosion and steps taken for improvement has been explained in the report of the Directors. Your Directors will make the necessary reference to the Board as required under section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 within the time stipulated.

None of the Directors of the company may be deemed to be interested in the resolution.

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

RAJAPALAYAM,
28-05-2012.

P.R. RAMASUBRAHMANEYA RAJHA,
CHAIRMAN

THANJAVUR SPINNING MILL LIMITED

DIRECTORS' REPORT

To the Members

Your Directors wish to present the 50th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2012 after charging all expenses but before deducting finance cost and depreciation have resulted in operating loss of Rs.0.45 Lakhs.

After deducting Rs.1,666.35 Lakhs towards finance cost and providing Rs. 703.94 Lakhs towards Depreciation, the Loss for the year is Rs.2,370.74 Lakhs. After taking into account Rs.781 Lakhs towards Deferred Tax Asset, the Net Loss for the year is Rs.1,589.74 Lakhs.

DIVIDEND

In view of loss incurred by the Company, your Directors are unable to recommend any dividend for the current year.

TAXATION

The Company is not liable to pay income tax under regular method and there is no tax liability under Minimum Alternate Tax. An amount of Rs.671 Lakhs has been withdrawn from Deferred Tax liability provided in the earlier years which is in accordance with the Accounting Standards.

TRADE CONDITIONS

As reported in the Directors' Report in the previous year, Textile Industry especially Spinning Mills across the country are facing unprecedented crisis on account of inconsistent policies adopted by the Government of India with regard to export of cotton and cotton yarn. The cotton prices have gone up too steeply during the season 2010-11 due to unrealistic Government's decision to export huge quantity of cotton during peak cotton season. The Mills were forced to buy good quality cotton at abnormally higher prices during that season which was consumed during the financial year 2011-12. There was no parity between cotton cost and price of yarn sold. The Mills were forced to sell the yarn at very low price, though the yarn was produced with the stock of high-cost cotton procured during the season 2010-11.

The ban on cotton yarn exports for more than two months in the last quarter of the financial year 2010-11 and the declining domestic demand has resulted in piling up of huge stock of cotton yarn in the Mills. When export of cotton yarn was allowed in April 2011, the accumulated stock caused a crash of cotton yarn prices in the global and domestic markets. The mounting pressure of inventory with Indian Mills and their eagerness to get rid of their inventory before the arrival of new cotton, virtually pushed the global prices down by more than 30% within a month and the domestic cotton prices fell below the international levels resulting in the present crisis. The crisis in Europe had affected the exports from India and the export orders from European countries have started shrinking during the year under review.

The power cut in Tamilnadu has worsened during the year and severe power cut measures were announced and the power availability was only 25% from March 2012 and is still continuing. The mismatch between increased demand for electricity and shortage in the supply has affected the capacity utilization of Mills in Tamilnadu. Timely decision taken by your Directors to install Windmills in previous years and purchase of power from Third Party have helped the Company to tide over the power crisis.

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.

THANJAVUR SPINNING MILL LIMITED

The cumulative effect of the above factors have affected the performance of the Company substantially.

EXPORTS

On the export front during the year, we have made direct export of Cotton Yarn for a value of Rs. 19.59 Crores as against Rs. 12.65 Crores of the previous year.

PROSPECTS FOR THE CURRENT YEAR

The Central Government's frequent interventions in the form of imposition and removal of quantitative restrictions on export of raw cotton as well as cotton yarn without taking a comprehensive view of demand and supply requirements of various segments of textile industry has resulted in high volatility in cotton prices during the cotton season 2011-12. The cotton prices still ruling high at uneconomical levels.

The yarn prices are stagnant due to recessionary trend in both domestic and global markets. The power cut imposed in Tamilnadu to the extent of 75% is severely affecting the operations of the Company. The Government of Tamilnadu has also announced the increase in power tariff by more than 30%.

The increase in wages, power 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 are increasing steeply, the yarn price has not increased. 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 withstand the challenges in the current scenario.

WIND MILL

The Wind Mill Division with an installed capacity of 9 MW is working satisfactorily. The Division has generated 154 Lakhs Kwh as compared to 103 Lakhs Kwh of the previous year. The full benefit of windmills purchased during September, 2010 with the capacity of 4 MW has accrued during the year. The income during the year from the Wind Mill Division was Rs. 6.38 Crores as against Rs.4.20 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. The scarcity of skilled labour and heavy absenteeism in labour attendance are causing loss of production. We are striving our best to retain them by implementing attractive incentive schemes to labours to achieve better attendance.

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 P.R. Ramasubrahmaneya Rajha
2. Shri P.R. Venketrama Raja

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PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2012 was Nil. There was no deposits unclaimed / unpaid as on 31-03-2012.

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 2012-13.

The Company has enlisted the equity shares in NSDL & CDSL and ISIN No. is INE715M01010 and also appointed M/s. Cameo Corporate Services Limited, "Subramanian Building", No.1, Club house Road, Chennai-600002 as Registrar for the Depository Services relating to both NSDL & CDSL and also for the Share Transfer Registry Services in respect of shares held in physical form.

In view of the advantages offered by the Depository System, the Members are requested to avail the facility of dematerialization of the shares held by them.

EROSION OF NET WORTH & THE REASON FOR THE EROSION

As on 31st March, 2012, 100% of the net worth of the company has been eroded. There was steep increase in the cotton prices during the cotton season 2010-11 and the company was forced to buy good quality cotton at abnormally high prices during that season which was consumed during the financial year 2011-12. There was no parity between cotton cost and price of yarn sold. The company was forced to sell the yarn at very low price. Though the yarn was produced with the stock of high cost cotton procured during the season 2010-11 there was crash in yarn prices due to recession in domestic and global markets. The power cut and unscheduled power shutdowns imposed by Electricity board affected the utilization and productivity. The increase in borrowing costs due to upward revision of interest rates by Reserve Bank of India to tighten the monetary policy also contributed to the unprecedented loss during the year 2011-12.

STEPS TAKEN FOR IMPROVEMENT :

The company expects improvement in yarn prices during the year 2012-13. The cotton prices are coming down. The company is taking steps to improve the utilization of machinery and productivity. The company is hopeful of turnaround during the current year.

REFERENCE TO THE BIFR:

Consequent to the erosion of networth, the Company has attracted the provisions of Section 3(1)(o) of the Sick Industrial Companies(Special Provisions) Act, 1985, which necessitates the Company to make a reference to the Board for Industrial and Financial Reconstruction.

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 50th Annual General Meeting and are eligible for re-appointment.

COST AUDITORS

The Government has approved the Company's proposal to appoint Raman & Associates, Cost Accountants of Chennai for audit of Company's cost accounts for the year ended 31-03-2012 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. For the year ended 31st March 2011, the due date of filing the cost audit report was 30th September 2011, and the actual date of filing the cost audit report was 20th September, 2011.

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.