

TMS

**THAMBI MODERN
SPINNING MILLS LIMITED**

35th

ANNUAL REPORT

2012-2013

BOARD OF DIRECTORS

R. Jagadeesan
Chairman & Managing Director
Mrs. Malathi Jagadeesan
M. Pugazhendhi
Ashok P. Shah

AUDITORS

M/s. Sankaran & Krishnan
Chartered Accountants
Chennai 600 034

REGISTERED OFFICE & UNIT I

Omalur Road
Jagir Ammapalayam Post
Salem 636 302

UNITS II & III

Opp. TNEB Sub Station
Udayapatti By-pass Road
Kamaraj Nagar Colony Post
Salem 636 014

REGISTRAR & TRANSFER AGENTS

Cameo Corporate Services Limited
Subramanian Building, V Floor,
No.1, Club House Road,
Chennai 600 002

NOTICE

NOTICE is hereby given that the Thirty Fifth Annual General Meeting of the Company will be held at the Company's Mill Premises at Unit II, Opp. TNEB Sub Station, Udayapatti By-pass Road, Kamaraj Nagar Colony Post, Salem 636 014 on Monday ,16th September 2013 at 10:00 a.m to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31st March 2013.the Balance Sheet as at that date, and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mrs. Malathi Jagadeesan, who retires by rotation and being eligible, offers herself for re - appointment.
3. To consider the appointment of retiring auditors Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai 600034 to hold office from the conclusion of this Annual General Meeting, till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Salem
30th May 2013

R. Jagadeesan
Chairman & Managing Director

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER.
- (b) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
- (c) The Instrument appointing a proxy, in order to be effective, must be deposited at the Company's Registered Office at Omalur Road, Jagir Ammapalayam Post, Salem 636 302 not less than 48 hours before the meeting.
- (d) The Register of Members and the Share Transfer Books of the Company will remain closed from 09/09/2013 to 16/09/2013 (both days inclusive).
- (e) Members are requested to register their e-mail id with Company (at company's email id : shares_tmsml@gmail.com) and also keep the Company informed of any changes in their e-mail id from time to time. Notice of Meetings, Annual Reports and similar communications meant for members will be sent by e-mail to members.
- (f) In terms of Clause 49 of the Listing Agreement with stock exchanges, a brief resume of the director who is proposed to be appointed/re-appointed at this meeting is given below. Mrs. Malathi Jagadeesan is 59 years of age. She is a Science graduate having expertise and experience in the field of Textiles. She is associated with the Company from October 1994 onward as Director on the Board. She is also Director in Private Limited Companies.

She holds 424530 equity shares in the company.

Salem
30th May 2013

By Order of the Board of Directors

R. Jagadeesan
Chairman & Managing Director

Directors' Report

To

The Members,

Your Directors have pleasure in presenting their 35th Annual Report together with Audited Accounts for the year ended 31st March 2013

Financial Results

The financial results for the year under review are summarised below:

| | 2012-13 ₹. In Lakhs | 2011-12 ₹. In Lakhs |
|---|-------------------------------|------------------------|
| Turnover | 3,11 | 12,15 |
| Profit /(Loss) before depreciation and taxation | (2,12) | (4,53) |
| Depreciation | 83 | 1,06 |
| Profit /(Loss) Before Taxation | (2,95) | (5,59) |
| Net Profit /(Loss) | (2,95) | (5,59) |

Performance

During the year under review, your company achieved a sales turnover of ₹.311 lakhs compared to the sales turnover of ₹.1215 lakhs achieved in the previous year. There was severe recession in Textile Industry during the whole year due to change in Government policies which led to steep drop in yarn realization compared to increase in cotton prices, and non availability of required working capital, all of which contributed to low level of production. Also the power situation in the state continued to pose serious threat and the cost of generating power using diesel gen-sets during the severe power cut period, ranging from ten to twelve hours a day. The Company made Cash loss of ₹.212 lakhs for the financial year as against the Cash loss of ₹.453 lakhs in the previous year. The company made net loss of ₹.295 lakhs for the financial year, as against net loss of ₹.559 lakhs for the previous year. The profit was drastically affected and loss became inevitable mainly because of abnormal increase in cost of raw materials and power and low production caused by shortage of working capital and stiff competition in the market caused by continuous recession in Textile Industry.

Dividend

The Company incurred loss in the financial year. In view of this and the accumulated loss, your directors are unable to recommend any dividend for the year.

Prospects and Future Plans

During the year under review, the Textile Industry continuously faced severe recession. There was abnormal and steep increase in cost of raw materials and power, which increased the cost of production. Production was low due to lack of required working capital and poor off take in the market caused by stiff competition and recession in Textile Industry. The operations resulted in loss due to low selling prices and the cumulative effect of all the above factors. The Government's policy is not conducive to existence and growth of Textile Industry and the prospects are quite uncertain. . The position and prospects of textile industry being most uncertain, it is futile to replace the existing old and less-efficient plant and machinery with new modern machinery incurring huge cost. Your directors are, therefore, seriously contemplating to diversify into new lines of activities, within the Objects of the company, to make the company work profitably for the benefit of the shareholders. Till concrete plans crystallize, your Directors will continue to run the company with the existing plant and machinery in the best possible ways so as to improve performance in the current year.

Deposits

Your company has not accepted any deposits during the Year.

Directors

There was no change in the Board of Directors during the financial year.

In accordance with the provisions contained in the Articles of Association, Mrs. Malathi Jagadeesan retires by rotation at the ensuing Annual General Meeting and, being eligible, she offers herself for re-appointment.

Directors' Responsibility Statement

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2013

- (i) the applicable accounting standards had been followed and there were no material departures,
- (ii) the selected accounting policies were applied consistently and judgments 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 loss of the Company for the year,
- (iii) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- (iv) the annual accounts were prepared on a 'going-concern' basis.

Corporate Governance

In terms of listing agreement with the Stock Exchange, Compliance Report on Corporate Governance and A certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is also annexed to this Report.

Management Discussion and Analysis of the Operations

The management had a detailed discussion on the operational results for the year ended 31st March 2013 and analysed the factors that affected production, sales and profit. The management was satisfied with the efforts taken in the situation faced by the company and the adverse market conditions prevailed during the year.

Auditors

The Auditors of the Company, Messrs. Sankaran & Krishnan, Chartered Accountants, Chennai are due to retire at the ensuing Annual General Meeting of the Company. They are eligible for re-appointment. They have consented to act as the Auditors of the Company, if re-appointed.

Cost Auditors

- a) Particulars of the cost auditors appointed for the Financial Year : B.Venkateswar, Cost Auditor, 31/3E, Ramakrishna Nagar, Kavundampalayam, Coimbatore 641030.
- b) Due date for filing of the Cost Audit Report : 30.09.2012.
- c) Actual date of filing of the Cost Audit Report for the Financial Year 2011 - 2012 : 06.02.2013

Personnel

During the year under review, none of the employees of the Company was in receipt of remuneration which in the aggregate was in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 and the rules framed there under.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

In accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, a statement showing details of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is enclosed as Annexure – I.

Industrial Relations

The industrial relations in the Company continued to be cordial during the year.

Acknowledgement

Your Directors place on record their appreciation of the continued co-operation and unstinted support extended to the Company by the Company's customers, suppliers, employees and shareholders.

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited

SALEM
30th May 2013

R.Jagadeesan
Chairman & Managing Director

ADDENDUM TO DIRECTORS' REPORT

The Auditors, in their report dated 30th May 2013, for the year ended on 31st March 2013, have made the following comments in their report.

"In our opinion and to the best of our information and according to the explanations given to us, the financial statements subject to

- I. Note No.6.2 regarding non-ascertainment of overdue amounts and non-provision of interest due if any, due to micro, small and medium enterprises
- II. Non-provision of liability towards claim made for damages by Provident Fund Commissioner of ₹.67.44 lakhs (Note No.18.1) give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India."

The Board's reply to the above comments is given below.

(a) The names of Small Scale Industrial Units to whom the company owes a sum exceeding ₹.1 lakh which are outstanding for more than 30 days are given in Note No.6.1 of the Notes on Accounts, as required under the Act. These outstanding amounts are within the agreed terms of purchase. As per agreed terms, no interest is payable. Therefore, the company has not made any provision in the accounts towards interest on these outstanding amounts.

The company has not identified the amount due to Micro, Small & Medium Enterprises (as defined in the Micro Small & Medium Enterprises Development Act 2006) as on 31.03.2013. Hence the company has not ascertained the overdue amount due to Micro, Small & Medium Enterprises as on that date. Further, the company has also not made provision in the accounts towards the interest on such overdue amounts to Micro, Small & Medium Enterprises, as no interest is payable as per agreed terms. This is given in Note No.6.2 of the Notes on Accounts..

(b) The Company had been served notices by the commissioner of EPFO demanding interest on delayed remittances of Provident Fund interest amounting to ₹.24,32,144/- in earlier years and also damages towards the same amounting to ₹.67,43,815/-. Provision has been made in the books for the interest demand. Necessary appeal before the appropriate authorities is being preferred by the company for the damages claimed. Hence no provision has been made in the books for the damages claimed. This is given in Note No.18.1 of Notes on Accounts.

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited

R.Jagadeesan
Chairman & Managing Director

SALEM
30th May 2013

ANNEXURE – I

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988

Conservation of Energy, Technology absorption and Research and Development and Foreign exchange earnings and outgo

CONSERVATION OF ENERGY

a. Power and Fuel Consumption

| | 2012-2013 | 2011-2012 |
|------------------------------|-----------|-----------|
| 1. Electricity | | |
| (a) Purchased | | |
| Total Units (in '000 Kwh) | 1235.647 | 3047.348 |
| Total amount (₹. In 000) | 8745.710 | 21821.295 |
| Rate per unit (₹.) | 7.08 | 7.16 |
| (b) Own Generation | | |
| (Through Generators) | | |
| Units (in '000 Kwh) | 270.430 | 123.232 |
| Units per liter of Diesel | 3.28 | 3.34 |
| Cost per Unit (₹.) | 15.24 | 15.00 |
| 2. Coal | NIL | NIL |
| 3. Furnace Oil | NIL | NIL |
| 4. Other/Internal generation | NIL | NIL |

b. Technology Absorption and Research and Development

NIL

NIL

c. Foreign Exchange Earnings and Outgo

i. Earnings in Foreign Exchange

NIL

NIL

ii. Expenditure in Foreign Exchange on Imports

NIL

NIL

iii. Spares

NiL

NiL

iv. Expenditure in foreign currency on account of

Travel and other matters

NiL

₹. 4,25,616

By Order of the Board of Directors
for Thambbi Modern Spinning Mills Limited

SALEM
30th May 2013

R.Jagadeesan
Chairman & Managing Director

ANNEXURE II

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Thambbi Modern Spinning Mills Limited

Salem.

We have examined the compliance of conditions of Corporate Governance by M/s. Thambbi Modern Spinning Mills Limited, for the year ended 31.03.2013, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future capability of the Company nor the efficiency nor effectiveness with which the Management has conducted the affairs of the Company.

For SANKARAN & KRISHNAN
Chartered Accountants
Firm Registration No: 003582S

M. BALACHANDRAN
Partner

Membership No.16271

Place : Chennai

Date : 30th May 2013

ANNEXURE III

Report on Corporate Governance

The Report on the Corporate Governance pursuant to Clause 49 of the listing agreement is furnished below.

Company's philosophy on Corporate Governance

The company believes in preserving core values and ethical conduct of business towards maximizing shareholder value on a sustained basis. The company seeks to achieve professionalism, transparent process and reporting systems and go beyond the mandated Corporate Governance Code in the interest of its stake holders.

Board of Directors

The Board is composed in accordance with clause 49 of the listing agreement. The Board of directors comprise of Chairman cum Managing Director and three non-executive Directors.

During the year under review six board meetings were held on 30/05/2012, 14/08/2012, 19/10/2012, 15/11/2012, 14/02/2013, and 28/03/2013. The maximum gap between any two meetings was less than four months as stipulated under clause 49 of the listing agreement.

Attendance of each director at the board meetings and the Last Annual General Meeting and details of outside directorship and committee position held by each of the director is given below.

| Name of the Director | Category of Directorship | No of Board Meetings Attended | Attendance at last AGM held on 17/09/2012 | No of other companies in which director | No of committees other than the company in which chairman/ member |
|------------------------|--|-------------------------------|---|---|---|
| R.Jagadeesan | Executive/Chairman & Managing Director | 6 | No | 2 | - |
| Mrs.Malathi Jagadeesan | Non-Executive | 4 | No | 2 | - |
| Ashok P Shah | Non-Executive / Independent | 5 | No | - | - |
| M.Pugazhendhi | Non-Executive / Independent | 6 | Yes | - | - |

Remuneration to Directors

| Director | Sitting Fees |
|-------------------------|--------------|
| Mrs. Malathi Jagadeesan | ₹.4000/- |
| Ashok P. Shah | ₹.5000/- |
| M.Pugazhendhi | ₹.6000/- |

COMMITTEES OF THE BOARD

Remuneration Committee

The present committee comprises of the following directors as members:

- | | | |
|-------------------|----------|-------------------------------|
| 1. M. Pugazhendhi | Chairman | (Non-Executive & Independent) |
| 2. Ashok P. Shah | Member | (Non-Executive & Independent) |

No meeting of the committee was held during the year.

The terms of reference of the Remuneration Committee cover determination of remuneration package to directors including Executive Directors and Managing Director and revision thereof.

Audit Committee

During the year ended March 31st 2013, four Meetings were held. The dates on which the said meetings were held are 30/05/2012, 14/08/2012, 15/11/2012 and 14/02/2013

The constitution of the committee and the attendance of each member of the committee are given below.

| Name | Designation | No of Meetings attended |
|---------------|--|-------------------------|
| R.Jagadeesan | Member (Executive) | 4 |
| Ashok P. Shah | Chairman (Non-Executive & Independent) | 3 |
| M.Pugazhendhi | Member (Non-Executive & Independent) | 4 |

The terms of reference of this committee are wide enough covering the matters specified for Audit Committee under the listing agreement, which includes, inter alia, the following:

- To hold periodic discussions with the statutory auditors, internal auditors of the company concerning the accounts of the company, internal control system, review the quarterly, half yearly and annual financial results of the company.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee covering matters prescribed as role for the Audit Committee.

Share holder / Investor Relations Committee

Terms of Reference

The committee meets at frequent intervals to approve inter-alia, transfer / transmission of shares, issue of duplicate share certificate and review of investors grievances.

Composition

The present shareholder/investor Relations committee comprises the following directors as members.

1. M. Pugazhendhi Chairman
2. Ashok P. Shah Member

Sri R. Jagadeesan Chairman & Managing Director is the compliance officer of the company.

The committee met 2 times during the year 2012-13 to approve share transfers/transmissions. The company has no shares pending for transfer at the close of the year.

Annual General Body Meetings

Details of the Annual General Body Meeting during the last three years.

| Year | Date and Time | Venue |
|------|--------------------------|---|
| 2010 | 20/09/2010 10:00 am | Unit II, Opp TNEB Sub Station, Udayapatti By-Pass Road, Kamaraj Nagar Colony, Salem -636014 --do-- --do-- |
| 2011 | 26/09/2011 10:00am | |
| 2012 | 17/09/2012 10:00 am | |

No special resolution passed

No Special Resolutions were passed through Postal Ballot.

Disclosures

1. Related party transactions

The company has not entered into any transactions of material nature with the promoters, directors, etc' that may have potential conflict with the interest of the company.

2. Compliance by the company

The company has complied with the requirements of the stock exchanges, SEBI, etc.. on all matters related to capital markets. No penalties or strictures have been imposed on the company by the Stock Exchanges, SEBI or any statutory authority on any matter related to capital market during the last three years.

The company has put in place a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

Means of communication

The Quarterly, Half Yearly and Annual Financial Results of the company are announced and are published in English and Tamil Newspapers.

General Shareholders Information

I. Annual General Meeting

| | |
|------------------------|--|
| AGM Date, Time & Venue | Monday 16th September 2013 at 10:00 a.m at Unit II, Opp TNEB Sub Station, Udayapatti By-Pass Road, Kamaraj Nagar Colony, Salem -636014 |
|------------------------|--|

II. Financial Year 01-04-2013 to 31-03-2014

| | | |
|--|---|---------------------------|
| III. Results for Quarter ending 30th June 2013 | - | 2nd Week of August 2013 |
| Results for Quarter ending 30th September 2013 | - | 2nd Week of November 2013 |
| Results for Quarter ending 31st December 2013 | - | 2nd Week of February 2014 |
| Results for Quarter ending 31st March 2014 | - | Last Week of May 2014 |
| AGM for the year ending 31st March 2014 | - | September 2014 |

IV. Date of Book Closure : 09.09.2013 to 16.09.2013 (inclusive of both days)

| | | |
|---|---|-------------------------------|
| V. Listing on stock Exchange | - | (a) The Bombay Stock Exchange |
| VI. The Company has paid the listing fees. | | |
| VII. Physical ISIN Number for NSDL and CDSL | - | INE830 D01016 |

Stock Market Data

As traded at The Bombay Stock Exchange

| Month | High (₹.) | Low (₹.) |
|--------|-----------|----------|
| Apr-12 | 9.28 | 8.40 |
| May-12 | 8.54 | 8.54 |
| Jun-12 | ----- | ----- |
| Jul-12 | 8.50 | 8.40 |
| Aug-12 | 9.29 | 8.50 |
| Sep-12 | 9.00 | 8.48 |
| Oct-12 | 9.35 | 9.30 |
| Nov-12 | ----- | ----- |
| Dec-12 | 9.00 | 9.00 |
| Jan-13 | 8.56 | 7.00 |
| Feb-13 | ----- | ----- |
| Mar-13 | ----- | ----- |

Distribution of shareholding as on 31st March, 2013.

| Slab of Shareholding | Shareholders | % | No. of Shares | % |
|----------------------|--------------|--------|---------------|--------|
| 1 - 100 | 3723 | 80.17 | 346590 | 6.01 |
| 101 - 500 | 620 | 13.36 | 188660 | 3.27 |
| 501 - 1000 | 146 | 3.14 | 115484 | 2.00 |
| 1001 - 2000 | 78 | 1.68 | 115453 | 2.00 |
| 2001 - 3000 | 19 | 0.40 | 47143 | 0.82 |
| 3001 - 4000 | 13 | 0.28 | 41472 | 0.72 |
| 4001 - 5000 | 8 | 0.17 | 37703 | 0.66 |
| 5001- 10000 | 13 | 0.28 | 92113 | 1.60 |
| 10001- above | 24 | 0.52 | 4778152 | 82.92 |
| Total | 4644 | 100.00 | 5762770 | 100.00 |

Share holding Pattern as on 31st March 2013

| Category | | No of Shares Held | % of Shareholding |
|----------|---|-------------------|-------------------|
| A | Promoters' Holding | | |
| 1 | Promoters | | |
| | Indian Promoters | 34,52,420 | 59.9090 |
| | Foreign Promoters | -- | -- |
| 2 | Person Acting in Concert | -- | -- |
| | Sub Total | 34,52,420 | 59.9090 |
| B | Non-Promoters' Holding | | |
| 3. | Institutional Investors | | |
| a. | Mutual Funds & UTI | 3,100 | 0.0537 |
| b. | Banks, Financial institutions, Insurance Companies (Central/State Govt. Institutions / Non-Govt. Institutions | 14,200 | 0.2464 |
| c. | FIIS | -- | -- |
| | Sub Total | 17,300 | 0.3001 |
| C | Others | | |
| a. | Private Corporate Bodies | 80,825 | 1.4026 |
| b. | Indian Public | 22,10,344 | 38.3568 |
| c. | NRIs /OCBs | 881 | 0.0152 |
| d. | Clearing Member | 1000 | 0.0173 |
| | Sub Total | 22,93,050 | 39.7909 |
| | Grand Total | 57,62,770 | 100.000 |

Plant Location:

Spinning Mill Unit I : Omalur Main Road, Jagir Ammapalayam, Salem – 636 302
 Spinning Mill Unit II & III : Opp. TNEB Sub Station, Udayapatti By-pass Road, Kamaraj Nagar Colony Post, Salem 636 014

Investor Correspondence:

Registrars and Share Transfer Agents : Cameo Corporate Services Limited
 Subramanian Building, V Floor,
 No.1, Club House Road,
 Chennai 600 002.

Address for Correspondence : The Chairman & Managing Director,
 Thambbi Modern Spinning Mills Limited
 Omalur Main Road, Jagir Ammapalayam,
 Salem – 636 302

By Order of the Board of Directors
 for Thambbi Modern Spinning Mills Limited

R.Jagadeesan
 Chairman & Managing Director

SALEM
 30th May 2013

Independent Auditor's Report

To the Members of M/s. Thambbi Modern Spinning Mills Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of M/s. Thambbi Modern Spinning Mills Ltd., which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of Significant Accounting Policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements subject to

Note No.6.2 regarding non-ascertainment of overdue amounts and non-provision of interest due if any, due to Micro, Small and Medium Enterprises

Non-provision of liability towards claim made for damages by Provident Fund Commissioner of ₹.67.44 lakhs (Note No.18.1)

give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
 in the case of the Statement of Profit and Loss, of the LOSS for the year ended on that date; and
 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Act.

On the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For SANKARAN & KRISHNAN
 Chartered Accountants
 Firm Registration No: 003582S

M. BALACHANDRAN
 Partner
 Membership No.16271

Place : Chennai
 Date : 30th May 2013

ANNEXURE TO THE AUDITOR'S REPORT

- i) a) In our opinion, the company is maintaining proper records to show full particulars including quantitative details and situation of Fixed Assets.
- b) As explained to us, these fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed in such verification.
- c) During the year the company had sold certain old machinery carrying a value of ₹.1.60 crores for ₹.1.17 crores. However the going concern status of the company is not affected.

- ii) a) Inventories have been physically verified by the Management, at reasonable intervals.
- b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on such verification as compared to the book records.
- iii) The company has not taken / granted any loans, secured or unsecured from / to companies, firms or other parties listed in the register maintained under Section 301 of the Act during the year.
- iv) In our opinion there is an adequate Internal Control System commensurate with the size of the company and nature of business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit no major weaknesses have been noticed in the Internal Control System.
- v) a) In our opinion and according to the information and explanations provided to us, there are no contracts or arrangements, that need to be entered in the register maintained under section 301 of the Act.
- b) In our opinion, and according to the information and explanations given to us, the Company has not sold goods, materials and services exceeding ₹.5,00,000 to any party listed in the register maintained under section 301 of the Act.
- vi) The Company has not accepted any deposits from Public during the year and hence the clause relating to acceptance of Fixed Deposits is not applicable.
- vii) In our opinion, the Company has an adequate Internal Audit System commensurate with the size and nature of its business.
- viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209 (1) (d) of the Act and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- ix) a) In our opinion and according to the information and explanations provided to us, there are no undisputed statutory dues as at 31.03.2013, outstanding for a period exceeding 6 months from the date they became payable.
- b) As per the information and explanations provided to us there are no disputed statutory dues outstanding as on 31.03.13, except towards
 - (i) entry tax on purchase of car amounting to ₹.4.65 lakhs pending before the High Court of Chennai.
 - (ii) Sales Tax dues amounting to ₹.7.12 lakhs pending before Sales Tax Tribunal.

(iii) Claim of ₹.67.44 lakhs by Commissioner of EPFO towards damages on account of delayed remittances of Provident Fund in earlier years which is proposed to be contested by the Company in the ensuing Financial Year.

- x) As on 31.03.2013 the accumulated loss is more than Equity plus Reserves. The company has incurred cash loss during the year and in the immediately preceding Financial Year.
- xi) Company has taken Term Loan from a Bank and has defaulted in repayment of EMIs during the Financial Year, though all the EMIs were paid at the end of the year. The company has not issued any Debentures.
- xii) In our opinion and according to the information and explanations provided to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- xiii) The Company is not a Chit, Nidhi / Mutual Benefit Fund/Society and hence the clause relating to the same is not applicable.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- xv) In our opinion, the company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi) The Term Loan outstanding at the beginning of the year has been applied for the purpose for which it was obtained.
- xvii) On an overall examination of the financial statements of the Company, we are of the opinion that no funds raised on short term basis have been used for long term investment.
- xviii) There has been no preferential allotment of shares by the Company during the year, to any party.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issue of shares or other securities during the year.
- xxi) According to the information and explanations given to us, no material frauds on or by the company has been noticed or reported during the year.

For SANKARAN & KRISHNAN
Chartered Accountants
Firm Registration No: 003582S

M. BALACHANDRAN
Partner

Membership No.16271

Place : Chennai
Date : 30th May 2013

Balance Sheet as at 31st March 2013**(Rupees in Lacs)**

| Particulars | Note No. | 31st March 2013 | 31st March 2012 |
|-----------------------------------|-----------------|-----------------------------------|-----------------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' funds | | | |
| (a) Share capital | 1 | 576.28 | 576.28 |
| (b) Reserves and surplus | 2 | 561.22 | 856.08 |
| | | 1137.50 | 1432.36 |
| (2) Non-current liabilities | | | |
| (a) Long-term borrowings | 3 | 552.13 | 609.64 |
| (b) Other Long term liabilities | 4 | 181.68 | 462.21 |
| | | 733.81 | 1071.85 |
| (3) Current liabilities | | | |
| (a) Short Term Borrowings | 5 | 128.77 | 118.99 |
| (b) Trade payables | 6 | 394.34 | 271.56 |
| (c) Other current liabilities | 7 | 47.00 | 47.22 |
| (d) Short-term provisions | 8 | 19.25 | 29.77 |
| | | 589.36 | 467.54 |
| TOTAL | | 2460.67 | 2971.75 |
| II. ASSETS | | | |
| (1) Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 9 | 725.28 | 969.61 |
| (b) Deferred tax assets (net) | 10 | 1015.97 | 1015.97 |
| | | 1741.25 | 1985.58 |
| (2) Current assets | | | |
| (a) Inventories | 11 | 57.52 | 279.50 |
| (b) Trade receivables | 12 | 305.91 | 550.10 |
| (c) Cash and cash equivalents | 13 | 240.39 | 1.59 |
| (d) Short-term loans and advances | 14 | 115.60 | 154.98 |
| | | 719.42 | 986.17 |
| TOTAL | | 2460.67 | 2971.75 |

See Accompanying Notes to the Financial Statements

per our report of even date

For Sankaran & Krishnan,

Chartered Accountants,

Firm Registration No:003582S

M. Balachandran.

Partner

Membership No:16271

Chennai

30th May 2013

For and on behalf of the Board,

R. Jagadeesan

Chairman & Managing Director.

Malathi Jagadeesan

Director.

Statement of Profit and loss for the year ended March 2013 (Rupees in Lacs)

| Particulars | Note No. | 31 st March 2013 | 31 st March 2012 |
|--|----------|-----------------------------|-----------------------------|
| I. Revenue from operations | 15 | 521.55 | 1361.36 |
| II. Other income | 16 | 66.97 | 15.12 |
| III. Total Revenue (I + II) | | 588.52 | 1376.48 |
| IV. Expenses: | | | |
| Cost of materials consumed | 17 | 200.14 | 759.30 |
| Changes in inventories of finished goods | | 64.11 | 220.91 |
| Employee benefits expense | 18 | 106.67 | 218.32 |
| Finance costs | 19 | 174.12 | 187.92 |
| Depreciation | | 82.94 | 105.46 |
| Other expenses | 20 | 255.40 | 443.54 |
| Total expenses | | 883.38 | 1935.45 |
| V. Profit before exceptional and extraordinary items and tax (III-IV) | | -294.86 | -558.97 |
| VI. Extraordinary Items-Prvn no longer required | | 0.00 | 65.87 |
| VII. Profit before tax (V- VI) | | -294.86 | -493.10 |
| VIII Tax expense: | | | |
| (1) Deferred tax Asset | | ----- | ----- |
| (2) Income Tax Paid | | ----- | ----- |
| IX Profit (Loss) for the period from continuing operations (VII-VIII) | | -294.86 | -493.10 |
| X Earnings per equity share: | | | |
| (1) Basic | ₹ | -5.12 | -9.70 |
| (2) Diluted | ₹ | -5.12 | -8.56 |

See Accompanying Notes to the Financial Statements
per our report of even date
For Sankaran & Krishnan,
Chartered Accountants,
Firm Registration No:003582S

M. Balachandran.
Partner
Membership No:16271
Chennai
30th May 2013

For and on behalf of the Board,
R. Jagadeesan
Chairman & Managing Director.

Malathi Jagadeesan
Director.

SIGNIFICANT ACCOUNTING POLICIES

a) General

The accounts have been prepared under historical cost convention and conform to the statutory provisions and prevailing practices.

b) Fixed Assets

Expenditure, which results in the creation of new independent assets with an economic life of a sizeable period and considering the nature of the assets is capitalised. Fixed Assets are depreciated on Straight Line Method (SLM) at the rates prescribed for the corresponding assets under Schedule XIV of the Companies Act, 1956.

c) Inventories

- (i) Stores, packing materials, cotton and usable waste cotton are valued at Cost. Cost includes all expenditure incurred till the stage of putting them into use for the purpose for which it is intended.
- (ii) Yarn and saleable waste are valued at lower of cost or net realisable value.

d) Employee Benefits

- (i) Gratuity : Provision is made based on the actuarial valuation obtained in accordance with AS15 (Revised)
- (ii) Leave Salary/Wages : The Company does not have the policy of accumulation and encashment of Leave.

e) Foreign Currency Transactions

Foreign currency transactions are recorded at the rates prevailing at the date of transactions. Any exchange difference on realisation is accounted in the Profit and Loss Account. Outstanding balances are converted at the exchange rates on the last date of the financial year and the difference is adjusted in the Profit and Loss Account.

| | | (Rs. In. Lakhs) | |
|----------|---|--------------------|-------------|
| | | 31.03.2013 | 31.03.2012 |
| 1 | Share Capital | | |
| (a) | The number and amount of shares authorized; No. of Shares | 14000000 | 14000000 |
| | ₹ | 140,000,000 | 140,000,000 |
| (b) | The number of shares issued, subscribed and fully paid, and subscribed but not fully paid; No. of Shares | 5762770 | 5762770 |
| | ₹ | 576.28 | 576.28 |
| (c) | Par value per share; ₹ | 10 | 10 |
| (d) | A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period; | Nil | Nil |
| (e) | Shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held; | | |
| | R.Jagadeesan | 2557520 | 2353709 |
| | Malathi Jagadeesan | 424530 | 341530 |
| | Salem Ramamurthy Murali Manohar | 860000 | 860000 |
| (f) | Shares reserved for issue under options and contracts/ commitments for the sale of shares/disinvestment, including the terms and amounts; | Nil | Nil |
| (g) | For the period of five years immediately preceding the date as at which the Balance Sheet is prepared: | Nil | Nil |
| | Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash. | Nil | Nil |
| | Aggregate number and class of shares allotted as fully paid up by way of bonus shares. | Nil | Nil |
| | Aggregate number and class of shares bought back. | Nil | Nil |
| (h) | Terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date. | Nil | Nil |
| (i) | Calls unpaid (showing aggregate value of calls unpaid by directors and officers) | Nil | Nil |
| (j) | Forfeited shares (amount originally paid up) | Nil | Nil |

| | | (Rs. In. Lakhs) | |
|----------|--|-----------------|------------|
| | | 31.03.2013 | 31.03.2012 |
| 2 | Reserves and Surplus | | |
| | (a) Capital Reserves ; | 3011.26 | 3011.26 |
| | (b) Investment Allowance Utilisation Reserve | 71.39 | 71.39 |
| | (c) Share Premium Account | 745.79 | 745.79 |
| | (d) General Reserve | 516.73 | 516.73 |
| | (e) Surplus in Profit and Loss Account: | | |
| | As per Last Balance Sheet | -3489.09 | -2995.99 |
| | Add/Less:Profit /Loss for the year | -294.86 | -493.10 |
| | Balance as at the end of the year | -3783.95 | -3489.09 |
| | | 561.22 | 856.08 |
| | | | |
| 3 | Long-Term Borrowings | | |
| | Secured | | |
| | (a) Term loans | | |
| | REPCO Bank Limited.,Salem | 552.13 | 595.51 |
| | (b) Other loans and advances | | |
| | HDFC Bank Limited.,Chennai-Secured by hypothecation of Vehicle | 0.00 | 14.13 |
| | | 552.13 | 609.64 |
| | Term Loan of Rs.400 lakhs from Repco Bank Ltd., is secured by the following : | | |
| | a) Registered simple mortgage over land measuring 4.325 acres owned by the Company, with building thereon comprised in S.No.419/1A, 403/2D, 404/4, 403/C, 403/2, 403/03 situated at Kamaraj Nagar Colony, Opp TNEB Office, Ammapet Village, Salem. | | |
| | b) Registered simple mortgage over land measuring 2.33 acres owned by the company with building thereon comprised in S.No.418/3A, 418/1 and 418/2 situated at Kamaraj Nagar Colony, Ammapet Village, Salem. | | |
| | c) Continuity mortgage over land measuring 23 cents with building thereon situated at Door No.3/80-B, R.S.No.67/2, Alagapuram Village, New Farlands, Suramangalam Sub Registration District, Salem Taluk and District and the property owned by M/s. Jagadeesh Apartments Private Ltd.Salem. | | |

| | | (Rs. In. Lakhs) | |
|----------|--|-----------------|------------|
| | | 31.03.2013 | 31.03.2012 |
| | <p>d) All plant and machineries situated at Unit II and Unit III at Kamaraj Nagar Colony, Salem</p> <p>e) Hypothecation of stock of raw materials, work in process and finished goods held in the above mill premises. The Term Loan of Rs.400 lakhs is repayable in 106 installments of Rs.6.37 lakhs each. Term Loan of Rs.300 lakhs is repayable in 102 installments of Rs.4.84 lakhs each. The Term Loans are guaranteed by two Directors.</p> <p>Term Loan of Rs.300 lakhs from Repco Bank Ltd is secured by equitable mortgage over land and buildings belonging to M/s. Jagadeesh Apartments Private Ltd.Salem.</p> | | |
| 4 | Other Long Term Liabilities Unsecured | | |
| | From Directors | 89.88 | 161.21 |
| | From Others | 50.00 | 0.00 |
| | Trade Deposits | 41.80 | 301.00 |
| | | 181.68 | 462.21 |
| 5 | Short Term Borrowings | | |
| | Working Capital Loan from REPCO Bank Ltd ,Salem | 128.77 | 118.99 |
| | Security provided for the Working Capital Limit of Rs.130 lakhs is the same as that contained in Explanatory to Note No.3 Long Term Borrowings. | | |
| 6 | Current Liabilities | | |
| | (a) Trade payables | 115.54 | 215.42 |
| | (b) Others | 278.80 | 56.14 |
| | | 394.34 | 271.56 |
| | 6.1. Sundry Creditors includes the following amounts due to SSI units exceeding Rs. 1 lakh for more than 30 days, but within the agreed terms: | | |
| | i. Gowri Tex Cones, Namakkal Rs.1,48,640/- | | |
| | ii. Sree Mahalakshmi Paper Cones,Gopi Rs.1,00,151/- | | |

| | | (Rs. In. Lakhs) | |
|-----------|--|-----------------|------------|
| | | 31.03.2013 | 31.03.2012 |
| | <p>6.2 The company has not identified the amount due to Micro, Small & Medium Enterprises (as defined in the Micro Small & Medium Enterprises Development Act 2006) as on 31.03.2013. Hence the company has not ascertained the overdue amount due to Micro, Small & Medium Enterprises as on that date. Further the company has also not made provision in the accounts towards the interest on such overdue amounts to Micro, Small & Medium Enterprises.</p> <p>6.3 The Company had filed a writ petition challenging the BPSC on Electricity tax demanded by TANGEDCO, before the honourable High Court of Madras which has given a ruling in favour of the company directing the electricity authorities to refund an amount of Rs.23.63 lakhs. However the refund is yet to be received pending decision from the higher authorities of TANGEDCO</p> | | |
| 7 | Other current liabilities | 47.00 | 47.22 |
| 8 | Short-term provisions Provision for employee benefits. | 19.25 | 29.77 |
| 9 | Refer Page : 25 | | |
| 10 | Deferred Tax Asset 10.1. Deferred Tax Assets have not been recognised on losses/ unabsorbed depreciation as envisaged in AS 22 issued by ICAI in view of virtual uncertainty that there will not be sufficient future taxable income available to realise such assets. 10.2. Provision for Taxation is not considered necessary both under provisions of Section 115JB and conventional method, in view of the brought forward book depreciation as well as losses under Income Tax Act, 1961 available for set off. 10.3. Income tax assessment has been completed up to assessment year 2011 - 2012 U/S 143(i) (a) | 1015.97 | 1015.97 |
| 11 | Inventories | | |
| | (a) Raw Materials - (At Cost) | 0.00 | 98.02 |
| | (b) Work-in-Progress - (At Cost) | 18.93 | 75.59 |
| | (c) Finished Goods - (At lower of cost or net realisable value) | 35.17 | 99.28 |
| | (d) Stores and Spares - (At Cost) | 3.42 | 6.61 |
| | | 57.52 | 279.50 |

| 9. Tangible Assets | | (Rupees in Lacs) | | | | | | |
|-------------------------|------------------|-----------------------------|------------------|------------------|------------------------------|------------------|--------------------|------------------|
| | | COST | | | DEPRECIATION | | WRITTEN DOWN VALUE | |
| DESCRIPTION OF ASSETS | AS ON 31.03.2012 | ADDITIONS (DEDUCTIONS) | AS ON 31.03.2013 | AS ON 31.03.2012 | ADDITIONS (DEDUCTIONS) | AS ON 31.03.2013 | AS ON 31.03.2013 | AS ON 31.03.2012 |
| Land | 32.69 | | 32.69 | 0.00 | 0.00 | 0.00 | 32.69 | 32.69 |
| Buildings | 644.12 | | 644.12 | 330.59 | 20.59 | 351.18 | 292.94 | 313.53 |
| Machinery - General | 1514.20 | (-618.05) | 896.15 | 973.93 | 52.24 (-457.59) | 568.58 | 327.57 | 540.27 |
| Machinery - Electricals | 108.01 | (-18.50) | 89.51 | 79.67 | 2.93 (-17.57) | 65.03 | 24.48 | 28.34 |
| Generator Sets | 25.63 | | 25.63 | 22.33 | 0.26 | 22.59 | 3.04 | 3.30 |
| Vehicles | 52.91 | | 52.91 | 15.05 | 4.73 | 19.78 | 33.13 | 37.86 |
| Furniture & Fixtures | 7.92 | | 7.92 | 7.12 | 0.16 | 7.28 | 0.64 | 0.80 |
| Office Equipments | 63.59 | | 63.59 | 50.77 | 2.03 | 52.80 | 10.79 | 12.82 |
| Total | 2449.07 | (-636.55) | 1812.52 | 1479.46 | 82.94 (-475.16) | 1087.24 | 725.28 | 969.61 |
| PREVIOUS YEAR | 3601.34 | 15.26 (-1167.54) | 2449.06 | 2466.78 | 105.46 (-1092.79) | 1479.45 | 969.61 | 1134.56 |

| | | (Rs. In. Lakhs) | |
|-----------|--|-----------------|------------|
| | | 31.03.2013 | 31.03.2012 |
| 12 | Trade Receivables | | |
| | (a) Out Standing for a period exceeding six months from the date they are due for payment Unsecured, Considered Good.(A) | 0.00 | 0.00 |
| | (b) Other Recivables (Unsecured, Considered Good) (B) | 305.91 | 550.10 |
| | Total (A+B) | 305.91 | 550.10 |
| | Confirmations are awaited in respect of letters circulated by the Company to its Debtors. In the opinion of the management these are correctly stated. | | |
| 13 | Cash and cash equivalents | | |
| | (a) Balances with banks; | 55.24 | 0.78 |
| | (b) Cash on hand; | 0.15 | 0.81 |
| | (c) Fixed Deposits in Banks | 185.00 | 0.00 |
| | | 240.39 | 1.59 |
| 14 | Short - term loans and advances | | |
| | (a) Loans and advances to related parties: | | |
| | Advances Recoverable in cash or in kind for value to be received | 22.27 | 23.45 |
| | Deposits with Government Departments | 29.61 | 75.42 |
| | Prepaid Expenses | 0.42 | 1.20 |
| | Tax Deducted at Source | 17.07 | 9.05 |
| | (b) Others | 46.23 | 45.86 |
| | | 115.60 | 154.98 |

See Accompanying Notes to the Financial Statements
per our report of even date

For Sankaran & Krishnan,
Chartered Accountants,
Firm Registration No : 003582S

M. Balachandran.
Partner
Membership No : 16271
Chennai
30th May 2013

For and on behalf of the Board,
R. Jagadeesan
Chairman & Managing Director.

Malathi Jagadeesan
Director.

| | | (Rupees in Lacs) | |
|-----------|--------------------------------------|------------------|------------|
| | | 31.03.2013 | 31.03.2012 |
| 15 | Revenue from Operations : | | |
| | (a) sale of products; | 310.75 | 1215.18 |
| | (b) other operating revenues; | 212.65 | 184.95 |
| | | 523.40 | 1400.13 |
| | Less: | | |
| | (c) Excise duty & Sales Tax | 1.85 | 38.77 |
| | | 521.55 | 1361.36 |
| | VARIATION IN STOCK - FINISHED GOODS | | |
| | Opening Stock | 99.28 | 320.19 |
| | Closing Stock | 35.17 | 99.28 |
| | Variation in stock | 64.11 | 220.91 |
| | | | |
| 16 | Other income | | |
| | (a) Interest Income | 1.69 | 3.44 |
| | (b) Other non-operating income | 65.28 | 11.68 |
| | | 66.97 | 15.12 |
| 17 | Cost of Materials consumed :- | | |
| | Raw materials : | | |
| | Opening Stock | | |
| | Cotton & Useable Waste | 98.02 | 267.22 |
| | Cotton in Process | 75.59 | 190.15 |
| | | 173.61 | 457.37 |
| | Add : Purchase of Cotton | 45.46 | 475.54 |
| | | 219.07 | 932.91 |
| | Less : Closing Stock | | |
| | Cotton & Useable Waste | 0.00 | 98.02 |
| | Cotton in Process | 18.93 | 75.59 |
| | | 18.93 | 173.61 |
| | Raw Material Consumed | 200.14 | 759.30 |

| | | (Rupees in Lacs) | |
|-----------|--|---|--|
| | | 31.03.2013 | 31.03.2012 |
| 18 | Employee Benefits | | |
| | (i) salaries and wages, | 100.22 | 199.00 |
| | (ii) contribution to provident and other funds | 1.95 | 6.05 |
| | (iii) expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP) | 0.00 | 0.00 |
| | (iv) staff welfare expenses | 4.50 | 13.27 |
| | | 106.67 | 218.32 |
| 18.1 | The Company had been served notices by the commissioner of EPFO demanding interest on delayed remittances of Provident Fund interest amounting to Rs. 24,32,144/- in earlier years and also damages towards the same amounting to Rs.67,43,815/-. While a provision has been made in the books for the interest demand an appeal before the appropriate authorities is being preferred by the company for the damages claimed .Hence no provision has been made in the books for the same. | | |
| 18.2 | As per Accounting Standard 15" Employee benefits" disclosures required are given below, 1. DEFINED BENEFIT PLAN : GRATUITY I. Reconciliation of opening and closing balances of Defined Benefit obligation:(Funded) Defined Benefit obligation at beginning of the year Interest Cost Current Service Cost Actuarial (gain)/loss Benefits Paid Settlement Cost Defined Benefit obligation at year end II. Reconciliation of opening and closing balances of fair value of plan assets Fair Value of plan assets at beginning of the year Expected return on plan assets Actuarial gain /(loss) Employer Contribution | 18.11 0.00 0.27 (0.39) -14.87 --- 3.12 0.27 0.00 0.02 15.21 | 15.71 1.25 1.98 3.02 -3.86 --- 18.11 15.47 0.62 -0.61 3.80 |

| | | (Rupees in Lacs) | |
|-----------|---|-----------------------|----------------|
| | | 31.03.2013 | 31.03.2012 |
| | Benefits Paid | -14.87 | -3.86 |
| | Settlement Cost | -- | -- |
| | Fair value of plan assets at year end | 0.63 | 15.42 |
| | III. Reconciliation of fair value of assets and obligations | | |
| | Fair Value of plan assets | 0.63 | 15.42 |
| | Present value of obligation | 3.12 | 18.11 |
| | IV. Expense recognised during the year | | |
| | Current Service Cost | 0.27 | 1.98 |
| | Interest Cost | 0.00 | 1.25 |
| | Expected return on plan assets. | 0.00 | -0.62 |
| | Acturial (gain)/ loss | 17.70 | 3.63 |
| | Net Cost | 2.49 | 6.25 |
| | V. Actuarial assumptions | | |
| | Mortality Table (LIC) | 1994-96 | 1994-96 |
| | Discount rate (per annum) | 8.20% | 8.00% |
| | Expected rate of return on plan assets (per annum) | Does not arise | Does not arise |
| | Rate of escalation in salary (per annum) | 2% | 2% |
| 18.3 | (b) Depreciation | 82.94 | 105.46 |
| 19 | Finance Costs | | |
| | Interest expenses | 174.12 | 187.92 |
| | | 174.12 | 187.92 |
| 20 | Other Expenses | | |
| | Manufacturing Expenses: | | |
| | (a) Consumption of stores and spare parts. | 5.72 | 38.02 |
| | (b) Power and fuel. | 161.73 | 250.56 |
| | (c) Repairs to buildings. | 4.60 | 8.79 |
| | (d) Repairs to machinery. | 16.37 | 61.91 |

| | | (Rupees in Lacs) | |
|-----------|--|------------------|---------------|
| | | 31.03.2013 | 31.03.2012 |
| | Establishment Expenses | | |
| | (a) Insurance . | 2.89 | 4.39 |
| | (b) Rates and taxes, excluding, taxes on income. | 8.38 | 3.38 |
| | (c) Miscellaneous expenses, | 14.53 | 65.30 |
| | (d) Loss on sale of Machinery | 38.16 | 0.00 |
| | (e) Audit fees & others | 2.01 | 10.30 |
| | Payment to Auditors | | |
| | (a) As Auditor - Statutory Audit | 0.84 | 0.72 |
| | (b) For Taxation Matters | 0.17 | 0.17 |
| | | 255.40 | 443.54 |
| | | | |
| | OTHER NOTES | | |
| 21 | Segment Information The Company is principally engaged in the business of the manufacturing of cotton yarn. Accordingly there are no other reportable segments as per Accounting Standard No.17 issued by the ICAI on Segment Reporting. | | |
| 22 | Related Party Disclosures I. List of related parties with whom no transactions have taken place; M/s. Sunrise Jewelleries P Ltd.,Chennai II. List of related parties with whom transaction has taken place : a) Transaction with key management personel: i. Mr. R. Jagadeesan - Managing Director Remuneration Rs.15,00,000/- b) Transaction with relative of key management personnel: i. Mr. R. Jagadeesan & Mrs. Malathi Jagadeesan - Fixed Deposit outstanding Rs. 89, 88, 275/- c) Land and Buildings belonging Jagadeesh Apartments P Ltd., is given as security to the term Loan of Rs.300 lakhs from Repco Bank Limited.,Salem | | |

| | | (Rupees in Lacs) | |
|-----------|---|------------------|-------------|
| | | 31.03.2013 | 31.03.2012 |
| 23 | CONTINGENT LIABILITES ON ACCOUNT OF | | |
| | (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (after adjusting advances made thereof) | 221.79 | 221.79 |
| | (b) Claims against the company which are contested/proposed to be contested before various juducial forums are given as under: | | |
| | (i) The Cotton Corporation of India Limited.,Coimbatore | 62.59 | 62.59 |
| | (ii) Sales Tax | 11.43 | 11.43 |
| | (iii) Employee's Provident Fund Organisation (Refer Note No. 18.1) | 67.44 | 0.00 |
| | (iv) BPSC (Refer Note No 6.3) | 23.63 | 0.00 |
| 24 | Previous year figures have been re-worked, re grouped, re-arranged wherever considered necessary. | | |
| 25 | Quantity Particulars | Kgs. | Kgs. |
| | Raw Materials | | |
| | Opening Stock | | |
| | Cotton and Usable Waste | 56301 | 218764 |
| | Cotton in process | 22805 | 96965 |
| | Purchases | 47391 | 396794 |
| | Closing Stock:- | | |
| | Cotton and Usable Waste | 0 | 56301 |
| | Cotton in Process | 9338 | 22805 |
| | Consumption – Cotton | 117159 | 633417 |
| | Finished Goods – (YARN) | | |
| | Opening Stock | 68592 | 110387 |
| | Own Production | 103990 | 511882 |
| | From outside job Work | 0 | NIL |
| | Purchases | 0 | NIL |
| | Sales | 142001 | 553677 |
| | Closing Stock | 30581 | 68592 |
| | Yarn on conversion basis -Production | 297255 | 365064 |
| | Stock as on 31.03.2013 | 5121 | 8333 |

| | | (Rupees in Lacs) | |
|---|--|-------------------------|-------------------|
| | | 31.03.2013 | 31.03.2012 |
| Information on imports and consumption | | | |
| Consumption of Cotton | | | |
| Imported (Rs. in lakhs) | | -- | -- |
| | | -- | -- |
| Indigenous (Rs. in lakhs) | | 200.14 | 759.30 |
| | | 100% | 100% |

See Accompanying Notes to the Financial Statements
per our report of even date

For Sankaran & Krishnan,
Chartered Accountants,
Firm Registration No : 003582S

M. Balachandran.
Partner
Membership No : 16271
Chennai
30th May 2013

For and on behalf of the Board,

R. Jagadeesan
Chairman & Managing Director.

Malathi Jagadeesan
Director.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2013

| | 31st March 2013 | | 31st March 2012 | |
|---|-------------------------|---------|-------------------------|---------|
| | Rs. in Lacs (12 Months) | | Rs. in Lacs (12 Months) | |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit/Loss before tax and extra-ordinary items | | -274.42 | | -515.24 |
| Adjustments for- | | | | |
| Depreciation | 82.94 | | 105.46 | |
| Preliminary expenses | 0.00 | | 0.00 | |
| Interest and other income | -66.97 | | -15.12 | |
| Provision for tax & prior year adjustments | 0.00 | | 0.00 | |
| | | 15.97 | | 90.34 |
| Operating profit before working capital | | -258.45 | | -424.90 |
| Adjustments for- | | | | |
| Trade and other receivables | 244.19 | | -30.34 | |
| Inventories | 221.98 | | 519.02 | |
| Interest on Working capital & Term loan | 0.00 | | 0.00 | |
| Trade payable | 122.78 | | -0.35 | |
| | | 588.95 | | 488.33 |
| CASH GENERATED FROM OPERATING ACTIVITIES | | 330.50 | | 63.43 |
| Interest on working capital | -20.44 | | -43.71 | |
| Loans & Advances | 39.38 | | 17.42 | |
| | | 18.94 | | -61.13 |
| NET CASH FLOW FROM OPERATING ACTIVITIES (A) | | 349.44 | | 124.56 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | 0.00 | | 84.20 | |
| Interest and other income received | 66.97 | | 15.12 | |
| NET CASH USED IN INVESTING ACTIVITIES (B) | | 66.97 | | 99.32 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Proceeds from borrowing | 338.04 | | 223.75 | |
| Reserves & Surplus | -294.37 | | -459.42 | |
| Interest on term borrowing | 0.00 | | 0.00 | |
| NET CASH IN FINANCE ACTIVITIES (C) | | 43.67 | | -235.67 |
| NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS A+B-C | | 238.80 | | -11.79 |
| CASH & CASH EQUIVALENT AS AT 31.03.2012(Opening balance) | | 1.59 | | 13.38 |
| CASH & CASH EQUIVALENT AS AT 31.03.2013(Closing balance) | | 240.39 | | 1.59 |
| Note: | | | | |
| Net Loss Before Tax | -294.86 | | -558.95 | |
| add: Interest on Working Capital | 20.44 | | 43.71 | |
| Net (Loss) / Profit Before Tax and Extra-Ordinary Items | | -274.42 | | -515.24 |

See Accompanying Notes to the Financial Statements
per our report of even date

For Sankaran & Krishnan,
Chartered Accountants,
Firm Registration No : 003582S

M. Balachandran.
Partner
Membership No : 16271
Chennai
30th May 2013

For and on behalf of the Board,
R. Jagadeesan
Chairman & Managing Director.

Malathi Jagadeesan
Director.

Balance sheet Abstract and Company's General Business Profile

Additional information under part IV to schedule VI of the Companies Act, 1956

I. REGISTRATION DETAILS

 Registration Number State Code

 Balance Sheet as at
 DDMM YYY Y

II. CAPITAL RAISED DURING THE YEAR (Amount in ₹ Thousands)

 Public issue Right issue

 Bonus issue Private Placement
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in ₹ Thousands)

 TOTAL LIABILITIES Total Assets
SOURCES OF FUNDS

 Paid up capital Reserves & Surplus

 Secured Loans Unsecured Loans
APPLICATION OF FUNDS

 Net Fixed Assets Deferred Tax Asset

 Net Current Assets Misc. expenditure
IV. PERFORMANCE OF THE COMPANY (Amount in ₹ Thousands)

 Turnover Total Expenditure
 (including other income)

 Profit before tax (-) Profit after tax (-)

 Earnings per share (-) (in ₹) Divided Rate %
V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (as per monetary terms)

 Item code number

 Product Description

Attendance Slip

Please complete this Attendance Slip and hand it over at the entrance of the meeting hall.
I hereby record my presence at the thirty fifth Annual General Meeting to the Company held Unit II Premises, Opp. TNEB Sub Station, Udayapatti By-pass Road, Kamaraj Nagar Colony Post, Salem 636 014 on Monday, 16th September'2013 at 10:00 a.m.

NAME AND ADDRESS OF THE MEMBER

Folio/ DP ID/ Client ID No.

NO. OF SHARES:

Proxy's Name:

Signature of attending Member/Proxy



PROXY FORM

I / We of being the Member(s) of Thambbi Modern Spinning Mills Limited hereby appoint Sri/Smt of failing him/her, Sri/Smt of as my/our proxy to attend and vote for me/us on my/our behalf at the 35th Annual General Meeting of the Company to be held on Monday, the 16th September, 2013 at 10.00 A.M. and Unit II Premises, Opp. TNEB Sub Station, Udayapatti By-pass Road, Kamaraj Nagar Colony, Salem 636 014 and at any adjournment thereof. Signed this day of 2013.

| FOR OFFICE USE ONLY | |
|---------------------|---------------|
| Folio No. | DP ID No. |
| No.of Shares | CLIENT ID No. |
| Date of Receipt | |
| Proxy No. | |

Affix 1/-
₹
Revenue
Stamp

Signature:

Member's Name:

N.B: 1. This proxy form must be deposited at the Registered office of the Company not less than 48 hours before the time for holding the meeting. (i.e) before 14th September 2013. 2. Proxy need not a member. 3. Attendance slip should be sent to the proxy appointed by the member and not to the Company. 4. Strike out blank space not used. 5. Members should sign the proxy form duly affixing Rs.1/- Revenue Stamp. Unstamped or unsigned proxy is not valid and is liable for rejection. 5. A shareholder may vote either for or against each resolution [clause 34(g) of listing agreement].

BOOK - POST

If undelivered please return to

THAMBI MODERN SPINNING MILLS LIMITED

Omalur Road, Jagir Ammapalayam,
Salem 636 302