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**TMS**

**THAMBI MODERN  
SPINNING MILLS LIMITED**

**36<sup>th</sup>**

**ANNUAL REPORT**

**2013-2014**

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**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 OF ANNUAL GENERAL MEETING / POSTAL BALLOT / E VOTING**

NOTICE is hereby given that the Thirty Sixth 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 Wednesday, the 8th September, 2014 at 10:00 A.M to transact the following business:

#### **Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014 and the Profit and Loss Account for the financial year ended on that date, together with the reports of the Board of Directors and the Auditors thereon.
2. To Appoint a Director in the place of Mr.M.Pugazhendhi who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider the appointment of retiring auditors M/s. 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.

#### **Special Business**

1. To Consider and if thought fit to pass, to give assent or dissent to the following resolutions as a special Resolution

RESOLVED THAT PURSUANT TO THE PROVISIONS OF SECTION 196 and other provision if any, of the Companies Act, 2013 (including any statutory modification or re enactment thereof) for the time being in force, the company hereby accords its approval and consent to the Appointment of Sri. R.Jagadeesan as Managing Director of the Company for a period of five years with effect from 01.04.2014 on a Salary of Rs.1,25,000/- per month.

#### **NOTES:**

1. 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 of the Company. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.
2. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
3. The instrument appointing a proxy, in order to be effective, must be deposited at the company's office at OPP-TNEB Sub Station, Kamaraj Nagar Colony, Udayapatti,, Salem 636 014 not less than 48 hours before the meeting.
4. The Register of Members and the share transfer books of the company will remain closed from 01.09.2014 to 08.09.2014 (both days inclusive).
5. Members are requested to register their e-mail id with company (at company's email id sharestms@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.

6. 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 Mr. M.Pugazhendhi is 49 years of Age. He is a Mechanical Engineer having expertise and experience in the field of textiles. He is associated with the company from June 2002 onward as director on the board.
7. An statement of material facts pursuant to Section 102 of the Companies Act, 2013, in respect of special business set out in the notice and the relevant details pursuant to the provisions of clause 49 of the listing agreement executed with stock exchanges are annexed hereto.
8. Brief resume of the Directors seeking appointment / reappointment and other details as stipulated under Clause 49 (IV) (G) of the listing agreement are provided in the Report on corporate Governance forming part of Annual Report 2014.
9. In terms of Section 110 of the Companies Act, 2013 read with Rule 22 and other applicable rules of the Companies (Management and Administration) Rules, 2014, assent or dissent of the members in respect of the item of business set out in the Notice above are sought to be passed by postal ballot including e-voting Facility as an alternate for our members.
10. The shareholders can opt for only one mode of voting i.e. either by sending postal ballot form or e-voting. If you are opting for e-voting, then do not vote by postal ballot form also and vice versa. However, in case shareholders cast their vote by postal ballot form and e-voting then voting done through valid Postal Ballot form shall prevail and voting done by e-voting will be treated as invalid.
11. The Board of Directors at its Meeting held on 14.07.2014 has appointed M/s. K.N.Subramanian & Co., Practicing Company Secretaries, as the Scrutinizer for conducting the Postal Ballot/ E-Voting process in accordance with the law and in a fair and transparent manner.
12. Members are requested to carefully read the instructions printed in the attached Postal Ballot Form. The Postal Ballot Form, duly completed and signed should be returned in the enclosed self-addressed postage prepaid envelope directly to the Scrutinizer at #3, Sundaram Bros Layout, Opp. All India Radio, Ramanathapuram, Coimbatore - 641045 as to reach the Scrutinizer before the close of working hours (6 P.M) on or before 05.09.2014
13. Pursuant to Section 110 of Companies Act, 2013 read with Rule 22 of Companies (Management and Administration) Rules, 2014, it is mandatory to extend to the Members of the Company, the facility to vote by electronic means. Members of the Company can transact all the items of the businesses through electronic voting system as contained in the Notice of the Meeting.

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**Statement Of Material Facts Concerning Items Of Special Business**

(Annexed to notice pursuant to section 102 of the Companies Act,2013)

Sri. R. Jagadeesan was appointed by the Board as the Chairman & Managing Director w.e.f 01.04.2014. This resolution has to be ratified as per Sec. 196 (4) of the Companies Act, 2013.

Sri.R.Jagadeesan aged 65 years is a Commerce Graduate from Madras University. He serves 40 years at Textile Industry.

Currently he is on the board of following companies

1. M/s Sunrise Jewelleries Private Limited
2. M/s Jagadeesh Apartments Private Limited

No Director and other relatives are in any way concerned or interested in the Resolution at item No. 1 of the notice except Mrs.Malathi Jagadeesan

Salem  
14<sup>th</sup> July 2014

By Order of the Board of Directors  
R. Jagadeesan  
Chairman & Managing Director

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## Directors' Report

To

**The Members,**

Your Directors have pleasure in presenting their 36th Annual Report together with Audited Accounts for the year ended 31st March 2014

## Financial Results

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

	<b>2013-14</b> <b>Rs. In '000</b>	2012-13 Rs. In '000
Turnover	<b>43,76</b>	3,10,75
Profit /(Loss) before depreciation and taxation	<b>(142,12)</b>	(211,92)
Depreciation	<b>76,78</b>	82,94
Profit /(Loss) Before Taxation	<b>(218,90)</b>	(294,86)
Net Profit /(Loss)	<b>(218,90)</b>	(294,86)

## Performance

During the year under review, your company achieved a sales turnover of Rs.44 lakhs compared to the sales turnover of Rs.311 lakhs achieved in the previous year. This is due to severe recession in Textile Industry during the whole year caused by changes in Government policies which led to steep drop in yarn realization compared to increase in cotton prices. In addition to non availability of required working capital, which had been affecting production, the obsolete conditions of machineries also contributed to low level of production. The frequent power disruption and power cuts prevailed during the year badly affected production and the high cost of generating power using diesel gen-sets during the severe power cut period, ranging from ten to twelve hours a day posed serious threat to production and performance. The company made cash loss of Rs.142 lakhs for the financial year as against the cash loss of Rs.212 lakhs in the previous year. The company made net loss of Rs.219 lakhs for the financial year as against net loss of Rs.295 lakhs for the previous year. The loss became inevitable mainly because of abnormal increase in cost of raw materials and power and low production caused by continuous recession in textile industry, shortage of working capital and stiff competition in the market. The company had to keep the activities at low level in order to reduce the loss

## 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

The Textile Industry has been facing severe recession year after year, for more than a decade now. There is steep increase in cost of raw material and power, which are continuously increasing. The machineries of the company are very old and obsolete and the company has no funds to buy cost-efficient new machines to replace them. The cost of production is high, the yield is low and the company had no adequate working capital required. The operations result in loss due to low selling prices and the cumulative effect of all the above factors. The Government Policy is not conducive to existence and healthy growth of Textile Industry and the prospects for Textile Industry are very bleak.

Your directors are therefore seriously thinking of moving towards trading activity and conversion of yarn and also diversifying to new lines of activities within the objects of the company for the time being, till such time the recession continues in Textile industry. This is essential for the present in order to arrest the loss, which the company is incurring year after year, due to recession in Textile Industry. Once the position of Textile Industry improves, the power supply becomes normal and the company is able to mobilize the required working capital and also funds required for purchasing new modern cost-efficient machinery, the company will make cautious assessment of the situation and consider re-commencing own production of yarn.

## 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, Mr. M.Pugazhendhi retires by rotation at the ensuing Annual General Meeting and, being eligible, he offers himself for re-appointment.

## Directors' Responsibility Statement

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31<sup>st</sup> March, 2014

- (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 is given at Annexure-II. 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 2014 and analyzed 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.Venkateshwar, Cost Auditor, 31/3E, Ramakrishna Nagar, Kavundampalayam, Coimbatore 641030.
- b) Due date for filing of the Cost Audit Report : 30.09.2013.
- c) Actual date of filing of the Cost Audit Report by the Financial Year 2012-2013 : 26.10.2013

## 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.

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

SALEM  
30<sup>th</sup> May 2014

R.Jagadeesan  
Chairman & Managing Director



## 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  
30<sup>th</sup> May 2014

R.Jagadeesan  
Chairman & Managing Director

## ADDENDUM TO DIRECTORS' REPORT

The Auditors, in their report dated 30th May 2014, for the year ended on 31st March 2014, 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

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 Rs.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 31.03.2014. 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..

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

SALEM  
30<sup>th</sup> May 2014

R.Jagadeesan  
Chairman & Managing Director

## 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. Our company is always on the lookout for potential areas for energy conservation towards reduction in manufacturing cost and takes all measures to conserve energy. The cost of energy is kept at the minimum level and consumption is reduced wherever possible.
- b. Power and Fuel Consumption

	2013-2014	2012-2013
1. Electricity		
(a) Purchased		
Total Units (in '000 Kwh)	1299.772	1235.647
Total amount (₹. In 000)	9358.359	8745.710
Rate per unit (₹.)	7.21	7.08
(b) Own Generation (Through Generators)		
Units (in '000 Kwh)	108.120	270.430
Units per liter of Diesel	3.15	3.28
Cost per Unit (₹.)	17.55	15.24
2. Coal	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Other/Internal generation	NIL	NIL

c. Technology Absorption and Research and Development

NIL

NIL

d. 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

NIL

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

SALEM  
30th May 2014

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 31.03.2014, 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 2014

## 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 seven board meetings were held on 15/05/2013, 30/05/2013, 13/08/2013, 15/11/2013, 23/12/13, 10/02/2014, and 24/03/2014. 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 16/09/2013	No of other companies in which director	No of committees other than the company in which chairman/ member
R.Jagadeesan	Executive/Chairman & Managing Director	7	No	2	-
Mrs.Malathi Jagadeesan	Non-Executive	6	No	2	-
Ashok P Shah	Non-Executive / Independent	6	No	-	-
M.Pugazhendhi	Non-Executive / Independent	7	Yes	-	-

### Remuneration to Directors

Director	Sitting Fees
Mrs. Malathi Jagadeesan	₹.6000/-
Ashok P. Shah	₹.6000/-
M.Pugazhendhi	₹.7000/-

## 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 2014, five Meetings were held. The dates on which the said meetings were held are 15/05/2013 , 30/05/2013, 13/08/2013, 15/11/2013 and 10/02/2014

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)	5
Ashok P. Shah	Chairman (Non-Executive & Independent)	5
M.Pugazhendhi	Member (Non-Executive & Independent)	5

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:

- A. 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.
- B. 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 12 times during the year 2013-14 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
2011	26/09/2011 10:00 am	Unit II, Opp TNEB Sub Station, Udayapatti By-Pass Road, Kamaraj Nagar Colony, Salem -636014
2012	17/09/2012 10:00am	--do--
2013	16/09/2013 10:00 am	--do--

\* 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 08th September 2014 at 10:00 a.m at Unit II, Opp TNEB Sub Station, Udayapatti By-Pass Road, Kamaraj Nagar Colony, Salem -636014
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### II. Financial Year 01-04-2014 to 31-03-2015

III. Results for Quarter ending 30th June 2014	-	2nd Week of August 2014
Results for Quarter ending 30th September 2014	-	2nd Week of November 2014
Results for Quarter ending 31st December 2014	-	2nd Week of February 2015
Results for Quarter ending 31st March 2015	-	Last Week of May 2015
AGM for the year ending 31st March 2015	-	September 2015

### IV. Date of Book Closure : 01.09.2014 to 08.09.2014 (inclusive of both days)

V. Listing on stock Exchange - The Bombay Stock Exchange

The Company has paid the listing fees.

VI. Physical ISIN Number for NSDL and CDSL - INE830 D01016

## Stock Market Data

As traded at The Bombay Stock Exchange

Month	High (₹.)	Low (₹.)
Apr-13	13.63	11.93
May-13	13.63	12.95
Jun-13	13.25	13.25
Jul-13	13.80	13.80
Aug-13	13.12	13.12
Sep-13	13.00	10.25
Oct-13	9.75	8.50
Nov-13	8.08	7.81
Dec-13	7.99	7.80
Jan-14	7.60	7.13
Feb-14	7.13	7.00
Mar-14	7.40	6.70

## Distribution of shareholding as on 31<sup>st</sup> March, 2014.

Slab of Shareholding	Shareholders	%	No. of Shares	%
1 - 100	3760	80.89	345506	6.00
101 - 500	615	13.23	185768	3.22
501 - 1000	140	3.01	109972	1.91
1001 - 2000	70	1.51	103348	1.79
2001 - 3000	18	0.39	44714	0.78
3001 - 4000	9	0.19	28070	0.49
4001 - 5000	6	0.13	27203	0.47
5001- 10000	10	0.22	69016	1.20
10001- above	20	0.43	4849173	84.14
Total	4648	100.00	5762770	100.00

### Share holding Pattern as on 31<sup>st</sup> March 2014

Category		No of Shares Held	% of Shareholding
<b>A</b>	<b>Promoters' Holding</b>		
1	Promoters		
	Indian Promoters	36,84,295	63.9327
	Foreign Promoters	--	--
2	Person Acting in Concert	--	--
	<b>Sub Total</b>	<b>36,84,295</b>	<b>63.9327</b>
<b>B</b>	<b>Non-Promoters' Holding</b>		
3.	Institutional Investors		
a.	Mutual Funds & UTI		
b.	Banks, Financial institutions, Insurance Companies (Central/State Govt. Institutions / Non-Govt. Institutions	14,200	0.2467
c.	FIIS	--	--
	<b>Sub Total</b>	<b>14,200</b>	<b>0.2467</b>
<b>C</b>	<b>Others</b>		
a.	Private Corporate Bodies	72,018	1.2497
b.	Indian Public	19,90,496	34.5405
c.	NRIs /OCBs	881	0.0152
d.	Clearing Member	880	0.0152
	<b>Sub Total</b>	<b>20,64,275</b>	<b>35.8206</b>
	<b>Grand Total</b>	<b>57,62,770</b>	<b>100.000</b>

#### 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  
 Opp-TNEB Sub Station, Kamaraj Nagar Colony, Udayapatty,  
 Salem – 636 014  
 sharestms@gmail.com

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

R.Jagadeesan  
 Chairman & Managing Director

SALEM  
 30<sup>th</sup> May 2014

## Independent Auditor's Report

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

We have audited the accompanying financial statements of **M/s. Thambbi Modern Spinning Mills Ltd.**, which comprise the Balance Sheet as at 31 March 2014, 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

The Company's 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 notified under the Companies Act, 1956 (the Act) read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. 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 misstatement.

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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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**

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

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;



- b) In the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 (the Order) issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - a) 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
  - b) 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.
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
  - e) On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

M. BALACHANDRAN  
Partner  
Membership No.16271

Place : Chennai  
Date : 30th May 2014

#### **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 sold 31012 sq.ft. of land of Unit I for an amount of Rs.465.31 lakhs.

The company also sold some machinery of Unit III for an amount of Rs.152.69 lakhs. The company continues to be a going concern after these transaction.

- 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 Rs.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 31.03.2014, 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 31.03.14, except towards
  - (i) entry tax on purchase of car amounting to Rs.4.65 lakhs pending before the High Court of Chennai.

- (ii) Sales Tax dues amounting to Rs.7.12 lakhs pending before Sales Tax Tribunal.
- (iii) Income Tax due of Rs.98.77 lakhs for Asst. Year 2011 – 12 which is contested and pending before CIT (Appeals).
- x) As on 31.03.2014 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) The company has not availed any Term Loan during the year except a short term borrowings of Rs.150 lakhs on security of 4.01 acres of land repayable in one lumpsum installment in May 2014. Hence the clause regarding repayment / default is not applicable.
- 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) Since no term loan has been availed during the year the clause regarding utilization is not applicable.
- 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 2014

**Balance Sheet as at 31st March 2014****(Rupees in Lakhs)**

<b>Particulars</b>	<b>Note No.</b>	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholders' funds			
(a) Share capital	1	576.28	576.28
(b) Reserves and surplus	2	838.47	561.22
		<b>1414.75</b>	<b>1137.50</b>
(2) Non-current liabilities			
(a) Long-term borrowings	3	0.00	552.13
(b) Other Long term liabilities	4	97.24	131.68
		<b>97.24</b>	<b>683.81</b>
(3) Current liabilities			
(a) Short Term Borrowings	5	200.00	178.77
(b) Trade payables	6	90.27	394.34
(c) Other current liabilities	7	36.87	47.00
(d) Short-term provisions	8	0.00	19.25
		<b>327.14</b>	<b>639.36</b>
<b>TOTAL</b>		<b>1839.13</b>	<b>2460.67</b>
<b>II. ASSETS</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	357.30	725.28
(b) Deferred tax assets (net)	10	1015.97	1015.97
		<b>1373.27</b>	<b>1741.25</b>
(2) Current assets			
(a) Inventories	11	21.23	57.52
(b) Trade receivables	12	288.98	305.91
(c) Cash and cash equivalents	13	35.46	250.36
(d) Short-term loans and advances	14	120.19	105.63
		<b>465.86</b>	<b>719.42</b>
<b>TOTAL</b>		<b>1839.13</b>	<b>2460.67</b>

See Accompanying Notes to the Financial Statements

per our report of even date

For Sankaran &amp; Krishnan,

Chartered Accountants,

Firm Registration No:003582S

M. Balachandran.

Partner

Membership No:16271

Chennai

30<sup>th</sup> May 2014

For and on behalf of the Board,

R. Jagadeesan  
Chairman & Managing Director.M. Pugazhendhi  
Director.

**Statement of Profit and loss for the year ended March 2014 (Rupees in Lakhs)**

Particulars	Note No.	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
<b>I. Revenue from operations</b>	15	251.97	521.55
<b>II. Other income</b>	16	96.21	66.97
<b>III. Total Revenue (I + II)</b>	<b>(A)</b>	<b>348.18</b>	<b>588.52</b>
<b>IV. Expenses:</b>			
Cost of materials consumed	17	13.68	200.14
Changes in inventories of finished goods		22.08	64.11
Employee benefits expense	18	115.58	106.67
Finance costs	19	24.58	174.12
Depreciation		76.78	82.94
Other expenses	20	314.38	255.40
<b>Total expenses</b>	<b>(B)</b>	<b>567.08</b>	<b>883.38</b>
<b>V. Profit before exceptional and extraordinary items and tax</b>	<b>(A-B)</b>	-218.90	-294.86
<b>VI. Previous Year Adjustments</b>		11.79	0.00
<b>VII. Profit before tax</b>		-207.11	-294.86
<b>VIII Tax expense:</b>			
(1) Deferred tax Asset		----	----
(2) Income Tax Paid		----	----
<b>IX Profit (Loss) for the period from continuing operations</b>		<b>-207.11</b>	<b>-294.86</b>
<b>X Earnings per equity share:</b>			
(1) Basic	₹	-3.79	-5.12
(2) Diluted	₹	-3.79	-5.12

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  
30<sup>th</sup> May 2014

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

M. Pugazhendhi  
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 capitalized. 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 on the actuarial valuation 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 realization 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)	
		31.03.2014	31.03.2013
<b>1</b>	<b>Share Capital</b>		
(a)	The number and amount of shares authorized; No. of Shares	<b>14000000</b>	14000000
	₹	<b>140,000,000</b>	140,000,000
(b)	The number of shares issued, subscribed and fully paid, and subscribed but not fully paid; No. of Shares	<b>5762770</b>	5762770
	₹	<b>576.28</b>	576.28
(c)	Par value per share; ₹	<b>10</b>	10
(d)	A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;	<b>Nil</b>	Nil
(e)	Shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;		
	R.Jagadeesan	<b>2791195</b>	2557520
	Malathi Jagadeesan	<b>424530</b>	424530
	Salem Ramamurthy Murali Manohar	<b>860000</b>	860000
(f)	Shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;	<b>Nil</b>	Nil
(g)	For the period of five years immediately preceding the date as at which the Balance Sheet is prepared:	<b>Nil</b>	Nil
	Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.	<b>Nil</b>	Nil
	Aggregate number and class of shares allotted as fully paid up by way of bonus shares.	<b>Nil</b>	Nil
	Aggregate number and class of shares bought back.	<b>Nil</b>	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.	<b>Nil</b>	Nil
(i)	Calls unpaid (showing aggregate value of calls unpaid by directors and officers)	<b>Nil</b>	Nil
(j)	Forfeited shares (amount originally paid up)	<b>Nil</b>	Nil

		(Rs. In. Lakhs)	
		31.03.2014	31.03.2013
<b>2</b>	<b>Reserves and Surplus</b>		
	(a) Capital Reserves ;		
	As per Last Balance Sheet	<b>3011.26</b>	3011.26
	Add/Less:Profit /Loss for the year	<b>484.36</b>	0
	Balance as at the end of the year	<b>3495.62</b>	3011.26
	(b) Investment Allowance Utilisation Reserve	<b>71.39</b>	71.39
	(c) Share Premium Account	<b>745.79</b>	745.79
	(d) General Reserve	<b>516.73</b>	516.73
	(e) Surplus in Profit and Loss Account:		
	As per Last Balance Sheet	<b>-3783.95</b>	-3489.09
	Add/Less:Profit /Loss for the year	<b>-207.11</b>	-294.86
	Balance as at the end of the year	<b>-3991.06</b>	-3783.95
		<b>838.47</b>	561.22
<b>3</b>	<b>Long-Term Borrowings</b>		
	<b>Secured</b>		
	(a) Term loans		
	REPCO Bank Limited.,Salem	<b>0.00</b>	552.13
		<b>0.00</b>	552.13
	During the year the company's one time settlement proposal was accepted by REPCO Bank.Accordingly the waiver of term loan principal of Rs.23.67 lakhs has been transferred to Capital Reserve.		
<b>4</b>	<b>Other Long Term Liabilities</b>		
	<b>Unsecured</b>		
	From Directors	<b>30.33</b>	89.88
	Trade Deposits	<b>66.91</b>	41.80
		<b>97.24</b>	131.68
<b>5</b>	<b>Short Term Borrowings</b>		
	Working Capital Loan from REPCO Bank Ltd ,Salem	<b>0.00</b>	128.77
	Others	<b>200.00</b>	50.00
		<b>200.00</b>	178.77



		(Rs. In. Lakhs)	
		31.03.2014	31.03.2013
	<p>i) The Working capital loan from Repco Bank has been settled under One Time Settlement scheme. The interest waiver of Rs.11.45 lakhs relating to earlier year has been credited to prior period account.</p> <p>ii) The Short term borrowing from others is secured by deposit of title deeds of 4.01 acres of land vide Memorandum dated 06.01.2014 in favour of the Mortgagees and repayable in one instalment with interest @12% P.A in May 2014.</p>		
<b>6</b>	<b>Current Liabilities</b>		
	(a) Trade payables	<b>90.27</b>	115.54
	(b) Others	<b>0.00</b>	278.80
		<b>90.27</b>	394.34
	<p>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:</p> <p>i. Gowri Tex Cones, Namakkal Rs.1,48,640/-</p> <p>ii. Sree Mahalakshmi Paper Cones, Gopi Rs.1,00,151/-</p> <p>6.2 The company has not identified the amount due to Micro, Small &amp; Medium Enterprises (as defined in the Micro Small &amp; Medium Enterprises Development Act 2006) as on 31.03.2014. Hence the company has not ascertained the overdue amount due to Micro, Small &amp; 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 &amp; 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.25.00 lakhs. However the refund is yet to be received pending decision from the higher authorities of TANGEDCO</p>		
<b>7</b>	<b>Other current liabilities</b>	<b>36.87</b>	47.00
<b>8</b>	<b>Short-term provisions</b>		
	Provision for employee benefits.	<b>0.00</b>	19.25

9. Tangible Assets		(Rupees in Lacs)									
		COST			DEPRECIATION			WRITTEN DOWN VALUE			
DESCRIPTION OF ASSETS	AS ON 31.03.2013	ADDITIONS (DEDUCTIONS)	AS ON 31.03.2014	AS ON 31.03.2013	ADDITIONS (DEDUCTIONS)	AS ON 31.03.2014	AS ON 31.03.2014	AS ON 31.03.2014	AS ON 31.03.2014	AS ON 31.03.2013	AS ON 31.03.2013
Land	32.69	-4.64	28.05	0.00	0.00	0.00	0.00	28.05	0.00	28.05	32.69
Buildings	644.12		644.12	351.18	20.82	372.00	372.00	272.12	372.00	272.12	292.94
Machinery - General	896.15	11.93 -596.39	311.69	568.58	48.41 -332.63	284.36	284.36	27.33	284.36	27.33	327.57
Machinery - Electricals	89.51	0.00 -76.40	13.11	65.03	2.53 -55.29	12.27	12.27	0.84	12.27	0.84	24.48
Generator Sets	25.63	-22.61	3.02	22.59	0.31	4.97	4.97	-1.95	4.97	-1.95	3.04
Vehicles	52.91	-0.49	52.42	19.78	-17.93 4.69 -2.04	22.43	22.43	29.99	22.43	29.99	33.13
Furniture & Fixtures	7.92	-6.76	1.16	7.28	0.01 -6.27	1.02	1.02	0.14	1.02	0.14	0.64
Office Equipments	63.59	-61.56	2.03	52.80	0.01 -51.56	1.25	1.25	0.78	1.25	0.78	10.79
<b>Total</b>	<b>1812.52</b>	<b>11.93</b> <b>(-768.85)</b>	<b>1055.60</b>	<b>1087.24</b>	<b>76.78</b> <b>(-465.72)</b>	<b>698.30</b>	<b>698.30</b>	<b>357.30</b>	<b>698.30</b>	<b>357.30</b>	<b>725.28</b>
<b>PREVIOUS YEAR</b>	<b>2449.07</b>	<b>-636.55</b>	<b>1812.52</b>	<b>1479.46</b>	<b>-392.22</b>	<b>1087.24</b>	<b>1087.24</b>	<b>725.28</b>	<b>1087.24</b>	<b>725.28</b>	<b>969.61</b>

		<b>(Rs. In. Lakhs)</b>	
		<b>31.03.2014</b>	<b>31.03.2013</b>
<b>10</b>	<b>Deferred Tax Asset</b>	<b>1015.97</b>	1015.97
	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 u/s.143 (i)(a) has been received for assessment year 2012-2013.		
	10.4.The Assistant Commissioner of Income Tax passed an order u/s.143 (3) for A.Y 2011-12 and raised a demand of Rs.98.76 lakhs including interest vide order dt 21.01.2014.Since the company has filed an appeal before CIT (A) and confident of winning in appeal ,no provision has been made for the demand.		
<b>11</b>	<b>Inventories</b>		
	(a) Raw Materials - (At Cost)	<b>0.00</b>	0.00
	(b) Work-in-Progress - (At Cost)	<b>8.14</b>	18.93
	(c) Finished Goods - (At lower of cost or net realisable value)	<b>13.09</b>	35.17
	(d) Stores and Spares - (At Cost)	<b>0.00</b>	3.42
		<b>21.23</b>	57.52
<b>12</b>	<b>Trade Receivables</b>		
	(a) Out Standing for a period exceeding six months from the date they are due for payment Unsecured, Considered Good.(A)	<b>0.00</b>	0.00
	(b) Other Recivables (Unsecured, Considered Good) (B)	<b>288.98</b>	305.91
	Total (A+B)	<b>288.98</b>	305.91
<b>13</b>	<b>Cash and cash equivalent</b>		
	(a) Balances with banks;	<b>9.67</b>	55.24
	(b) Cash on hand;	<b>0.82</b>	0.15
	(c) Fixed Deposits in Banks	<b>24.97</b>	194.97
		<b>35.46</b>	250.36
	(Fixed Depoits includes Deposit of Rs.9.97 lakhs under lien in Union Bank of India for the guarantee to DGFT.)		

		(Rupees in Lacs)	
		31.03.2014	31.03.2013
<b>14</b>	<b>Short - term loans and advances</b>		
	(a) Loans and advances to related parties:	0.00	0.00
	Advances Recoverable in cash or in kind for value to be received	1.35	22.27
	Deposits with Government Departments	15.87	29.61
	Prepaid Expenses	0.51	0.42
	Tax Deducted at Source	25.36	17.07
	(b) Others	77.10	36.26
		120.19	105.63

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  
30<sup>th</sup> May 2014

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

M. Pugazhendhi  
Director.

		(Rupees in Lacs)	
		31.03.2014	31.03.2013
<b>15</b>	<b>Revenue from Operations :</b>		
	(a) sale of products;	<b>43.76</b>	310.75
	(b) other operating revenues;	<b>208.21</b>	212.65
		<b>251.97</b>	523.40
	Less:		
	(c) Excise duty & Sales Tax	<b>0.00</b>	1.85
		<b>251.97</b>	521.55
	VARIATION IN STOCK - FINISHED GOODS		
	Opening Stock	<b>35.17</b>	99.28
	Closing Stock	<b>13.09</b>	35.17
	Variation in stock	<b>22.08</b>	64.11
<b>16</b>	<b>Other income</b>		
	(a) Interest Income	<b>8.04</b>	1.69
	(b) Other non-operating income	<b>88.17</b>	65.28
		<b>96.21</b>	66.97
<b>17</b>	<b>Cost of Materials consumed :-</b>		
	Raw materials :		
	Opening Stock		
	Cotton & Useable Waste	<b>0.00</b>	98.02
	Cotton in Process	<b>18.93</b>	75.59
		<b>18.93</b>	173.61
	Add : Purchase of Cotton	<b>2.89</b>	45.46
		<b>21.82</b>	219.07
	Less : Closing Stock		
	Cotton & Useable Waste	<b>0.00</b>	0.00
	Cotton in Process	<b>8.14</b>	18.93
		<b>8.14</b>	18.93
	Raw Material Consumed	<b>13.68</b>	200.14

		(Rupees in Lacs)	
		31.03.2014	31.03.2013
<b>18</b>	<b>Employee Benefits</b>		
	(i) salaries and wages,	<b>109.38</b>	100.22
	(ii) contribution to provident and other funds	<b>1.74</b>	1.95
	(iv) staff welfare expenses	<b>4.46</b>	4.50
		<b>115.58</b>	106.67
	GRATUITY: The company has employed five permanent employees for whom provision has already been made. There is no subsisting liability as on 31.03.2014. Accordingly no provision is required to be made.		
<b>19</b>	<b>Finance Costs</b>		
	Interest expenses	<b>24.58</b>	174.12
		<b>24.58</b>	174.12
	<b>Depreciation</b>	<b>76.78</b>	82.94
<b>20</b>	<b>Other Expenses</b>		
	<b>Manufacturing Expenses:</b>		
	(a) Consumption of stores and spare parts.	<b>5.91</b>	5.72
	(b) Power and fuel.	<b>104.49</b>	161.73
	(c) Repairs to buildings.	<b>14.91</b>	4.60
	(d) Repairs to machinery.	<b>17.84</b>	16.37
	<b>Administrative Expenses</b>		
	(a) Insurance .	<b>1.08</b>	2.89
	(b) Rates and taxes, excluding, taxes on income.	<b>2.33</b>	8.38
	(c) Miscellaneous expenses, (Miscellaneous expenses include loss on sale of machinery Rs.142.18 lakhs (Prev.year Rs.38.16 lakhs)	<b>163.23</b>	52.69
	(d) Audit fees & others	<b>4.59</b>	3.02

			(Rupees in Lacs)		
			31.03.2014	31.03.2013	
	Payment to Auditors	31.03.2014	31.03.2013		
	(a) As Auditor - Statutory Audit	0.42	0.84		
	(b) For Taxation Matters	0.09	0.17		
				<b>314.38</b>	255.40
<b>21</b>	<p><b>OTHER NOTES</b></p> <p><b>Segment Information</b></p> <p>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.</p>				
<b>22</b>	<p><b>Related Party Disclosures</b></p> <p>I. List of related parties with whom no transactions have taken place; M/s. Sunrise Jewelleries P Ltd.,Chennai</p> <p>II. List of related parties with whom transaction has taken place :</p> <p>a) Transaction with key management personnel: i. Mr. R. Jagadeesan - Managing Director Remuneration Rs.15,00,000/- b) Transaction with relative of key management personnel: i. Mr. R. Jagadeesan &amp; Mrs. Malathi Jagadeesan - Fixed Deposit outstanding Rs.30,33,549/-</p>				
<b>23</b>	<b>CONTINGENT LIABILITES ON ACCOUNT OF</b>				
	(a) Estimated amount of contracts remaining to be executed on capital account and not provided for ( after adjusting advances made thereof)			<b>221.79</b>	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			<b>62.59</b>	62.59
	(ii) Sales Tax			<b>11.43</b>	11.43
	(iii) Income Tax Department			<b>98.77</b>	0.00
	( c) On account of Bank Guarntee issued by UBI favouring to DGFT			<b>9.97</b>	9.97
<b>24</b>	Previous year figures have been re-worked, re grouped, re-arranged wherever considered necessary.				

		(Rupees in Lacs)	
		31.03.2014	31.03.2013
<b>25</b>	<b>Quantity Particulars</b>	<b>Kgs.</b>	<b>Kgs.</b>
	<b>Raw Materials</b>		
	Opening Stock		
	Cotton and Usable Waste	0	56301
	Cotton in process	9338	22805
	Purchases	0	47391
	Closing Stock:-		
	Cotton and Usable Waste	0	0
	Cotton in Process	9338	9338
	Consumption – Cotton	0	117159
	<b>Finished Goods – (YARN)</b>		
	Opening Stock	30581	68592
	Own Production	0	103990
	From outside job Work	0	0
	Purchases	0	0
	Sales	27673	142001
	Closing Stock	2908	30581
	Yarn on conversion basis -Production	302429	297255
	Stock as on 31.03.2013	0	5121
	<b>Information on imports and consumption</b>		
	Consumption of Cotton		
	Imported (Rs. in lakhs)	--	--
		--	--
	Indigenous (Rs. in lakhs)	13.68	200.14
		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  
30<sup>th</sup> May 2014

For and on behalf of the Board,

R. Jagadeesan  
Chairman & Managing Director.

M. Pugazhendhi  
Director.



### CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2014

	31st March 2014		31st March 2013	
	Rs. in lacs (12 months)		Rs. in lacs (12 months)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit/Loss before tax and extra-ordinary items		-203.04		-274.42
Adjustments for-				
Depreciation	76.78		82.94	
Preliminary expenses	0.00		0.00	
Interest and other income	-96.21		-66.97	
Provision for tax & prior year adjustments	11.79		0.00	
		-7.64		15.97
Operating profit before working capital		-210.68		-258.45
Adjustments for-				
Trade and other receivables	16.93		244.19	
Inventories	36.29		221.98	
Interest on Working capital & Term loan	0.00		0.00	
Trade payable	-304.07		122.78	
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>-250.85</b>		<b>588.95</b>
		<b>-461.53</b>		<b>330.50</b>
Interest on working capital	-15.86		-20.44	
Loans & Advances	-14.57		49.35	
		-30.43		28.91
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>		<b>-491.96</b>		<b>359.41</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Proceeds from Fixed Assets	0.00		0.00	
Interest and other income received	96.21		66.97	
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>		<b>96.21</b>		<b>66.97</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowing	586.57		338.04	
Reserves & Surplus	-405.72		-294.37	
Interest on term borrowing	0.00		0.00	
<b>NET CASH IN FINANCE ACTIVITIES (C)</b>		<b>180.85</b>		<b>43.67</b>
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS A+B-C</b>		<b>-214.90</b>		<b>248.77</b>
CASH & CASH EQUIVALENT AS AT 31.03.2013(Opening balance)		250.36		1.59
CASH & CASH EQUIVALENT AS AT 31.03.2014(Closing balance)		35.46		250.36
<i>Note:</i>				
Net Profit Before Tax	-218.90		-294.86	
add: Interest on Working Capital	15.86		20.44	
Net (Loss) / Profit Before Tax and Extra-Ordinary Items		<b>-203.04</b>		<b>-274.42</b>

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  
30<sup>th</sup> May 2014

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

M. Pugazhendhi  
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)

 Loss 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, 08th September 2014 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 36<sup>th</sup> Annual General Meeting of the Company to be held on Monday, the 08<sup>th</sup> SEPTEMBER, 2014 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 ..... 2014.

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 6th September 2014. 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].

If undelivered please return to

**THAMBBI MODERN SPINNING MILLS LIMITED**

Unit II, Opp. TNEB Sub Station,

Udayapatti By-pass Road,

Kamaraj Nagar Colony Post,

Salem 636 014