



RAJAPALAYAM MILLS LIMITED

Board of Directors

Shri P.R. RAMASUBRAHMANEYA RAJHA, B.Sc.
Chairman

Smt R. SUDARSANAM
Managing Director

Shri P.R. VENKETRAMA RAJA, B.Tech., M.B.A.

Shri S.S. RAMACHANDRA RAJA, B.Sc.

Shri N.K. RAMASUWAMI RAJA, B.Sc.

Dr. K.T. KRISHNAN, M.D., F.C.C.P.

Shri P.S. JAGANATHA RAJA

Shri N.R.K. VENKATESH RAJA, B.E.

Shri V.S. VEMBAN

Bankers

Canara Bank

Citi Bank, N.A.

HDFC Bank Ltd

HSBC Ltd

IDBI Bank Ltd

Indian Bank

Karur Vysya Bank

Standard Chartered Bank

State Bank of India

Tamilnad Mercantile Bank Ltd

UTI Bank

Registered Office

Rajapalayam Mills Premises,
Post Box No.1, P.A.C. Ramasamy Raja Salai,
Rajapalaiyam,
Tamilnadu.

Auditors

M/s. M.S. Jagannathan & N. Krishnaswami,
Chartered Accountants,
31, Premier Flats, Karur Bypass Road,
Tiruchirappalli – 620 002,
Tamilnadu.

M/s. Ramakrishana Raja and Co.,
Chartered Accountants,
5, N.C.C. Office Road,
Visalakshipuram,
Madurai - 625 014,
Tamilnadu.

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RAJAPALAYAM MILLS LIMITED, RAJAPALAYAM

NOTICE TO THE MEMBERS

Notice is hereby given that the 71st Annual General Meeting of the Shareholders of the Company will be held at 10.00 A.M. on Wednesday the 25th July, 2007 at P.A.C.Ramasamy Raja Centenary Community Hall, P.A.C.Ramasamy Raja Salai, Rajapalayam to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year 2006-2007.
3. a) To appoint a Director in the place of Shri P.R.Venketrama Raja who retires by rotation and is eligible for re-appointment.
b) To appoint a Director in the place of Shri P.S.Jaganatha Raja who retires by rotation and is eligible for re-appointment.
c) To appoint a Director in the place of Shri V.S.Vemban who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and, if thought fit, to pass with or without modification the following Resolution as an ORDINARY RESOLUTION:

“RESOLVED that M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants and M/s. Ramakrishna Raja and Co., Chartered Accountants be and are hereby jointly appointed as Auditors of the Company to hold Office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs. 90,000/- (Rupees Ninety thousand only) each, exclusive of out-of-pocket expenses”.

Special Business :

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

“RESOLVED that the Board of Directors of the Company be and are hereby authorised to borrow monies with or without security for the purpose of the Company upto a limit of Rs.360 Crores (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business) over and above the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose of the Company”.

RAJAPALAIYAM,
28th April, 2007.

By Order of the Board,
For RAJAPALAYAM MILLS LTD.,
P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN.



NOTICE

NOTES:

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No.5 of the Notice is annexed hereto;
2. The Register of Members of the Company will be closed from 20-07-2007 to 25-07-2007 (both days inclusive);
3. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member of the company;
4. Proxy Form is enclosed. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hours before the commencement of the Meeting;
5. Under the provisions of Section 205C of the Companies Act, 1956, dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection Fund of the Central Government. Thereafter no claim shall lie against the Fund or the Company and no payment will be made in respect of any such claims. Hence, the members who have not claimed their dividend relating to the earlier years may write to the Company for claiming the amount before it is so transferred to the Fund. The details of due dates for transfer of such unclaimed dividend to the said Fund are given below:

FINANCIAL YEAR ENDED	DATE OF DECLARATION OF DIVIDEND	LAST DATE FOR CLAIMING UNPAID DIVIDEND	DUE DATE FOR TRANSFER TO IEP FUND
31-03-2001	03-08-2001	02-08-2008	31-08-2008
31-03-2002	12-08-2002	11-08-2009	09-09-2009
31-03-2003	07-08-2003	06-08-2010	04-09-2010
<u>31-03-2004</u>			
Interim Dividend	15-12-2003	14-12-2010	12-01-2011
Final Dividend	05-08-2004	04-08-2011	02-09-2011
<u>31-03-2005</u>			
First Interim Dividend	15-09-2004	14-09-2011	12-10-2011
Second Interim Dividend	31-01-2005	30-01-2012	28-02-2012
Final Dividend	12-08-2005	11-08-2012	09-09-2012
<u>31-03-2006</u>			
First Interim Dividend	24-10-2005	23-10-2012	21-11-2012
Second Interim Dividend	31-01-2006	30-01-2013	29-02-2013
Final Dividend	28-07-2006	27-07-2013	25-08-2013



NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

The Board of Directors are at present empowered to borrow upto a limit of Rs. 200 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) over and above the paid-up capital and free reserves. The Company is planning expansion of spindles capacity. To meet the cost of such expansion, the Company requires additional funds as the existing limit of borrowing is not sufficient.

Hence the consent to borrow upto a limit of Rs. 360 Crores (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) over and above the paid-up capital and free reserves is being sought by the Board of Directors under Sec.293(1)(d) of the Companies Act, 1956 as an ordinary resolution.

None of the Directors is concerned or interested in the resolution.

RAJAPALAIYAM,
28th April, 2007.

By Order of the Board,
For RAJAPALAYAM MILLS LTD.,
P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN.



NOTICE

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING.

1. Shri. P.R.Venketrama Raja

Shri P.R.Venketrama Raja, aged 48, has a Bachelor's degree in Chemical Engineering from University of Madras and Masters in Business Administration from University of Michigan, USA.

He has been on the Board of Rajapalayam Mills Ltd Since 1986.

He is a Member in the investor Grievances Committee of the Company.

He holds 3,72,280 shares in the Company.

He is the son of Shri.P.R.Ramasubrahmaneya Rajha, Chairman of the Company.

He is also a Director in the following Companies-

1. Ramco Industries Limited (Vice-Chairman & Managing Director)
2. Ramco Systems Limited (Vice-Chairman & Managing Director)
3. Madras Cements Ltd
4. The Ramaraju Surgical Cotton Mills Ltd
5. Thanjavur Spinning Mill Ltd
6. Sri Vishnu Shankar Mill Ltd
7. Sandhya Spinning Mill Ltd
8. Sri Sandhya Farms (India) Pvt. Ltd.
9. Sri Saradha Deepa Farms Private Ltd
10. Ramamandiram Agricultural Estate Private Ltd
11. Nalina Agricultural Farms Private Ltd
12. Sudharsanam Investments Ltd
13. Ramco Systems Corporation, USA
14. Ramco Systems Ltd, Switzerland
15. Ramco Systems Sdn Bhd., Malaysia
16. Ramco Systems Pte. Ltd., Singapore
17. Sri Ramco Lanka (Private) Limited, Sri Lanka
18. RCDC Securities and Investments Private Ltd.
19. Nirmala Shankar Farms & Estates Private Ltd.
20. Sri Nithyalakshmi Farms Private Ltd
21. Ram Sandhya Farms Private Ltd.
22. Ramco Infotech Solutions Ltd.
23. RSL Enterprise Solutions (Pty) Ltd., South Africa
24. Sri Harini Textiles Limited



NOTICE

2. Shri. P.S.Jaganatha Raja

Shri P.S.Jaganatha Raja, aged 73 years, has been on the Board since 1982. He holds 3,180 shares in the Company.

He is a Member in the following Committees of the Company:

- a) Audit Committee
- b) Remuneration Committee

3. Shri. V.S.Vemban

Shri.V.S.Vemban, aged 60 years, has been on the Board since 1978. He holds 2,080 shares in the Company.



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their 71st Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2007 after charging all expenses and contribution to P.A.C.Ramasamy Raja Memorial Fund of Rs. 50,00,000/- which is within the limits laid in the Articles of Association, but before deducting interest and providing depreciation has resulted in operating profit of Rs. 57,56,68,552/-.

After deducting Rs.10,85,15,799/- towards interest cost and providing Rs. 23,23,54,069/- towards Depreciation, the Net Profit for the year is Rs. 23,47,98,684/-. Adding the surplus of Rs. 1,12,20,800/- brought forward from the previous year, your Directors propose to appropriate the total sum of Rs. 24,60,19,484/- as detailed below:

		Rs.
Provision for Taxation	- Current Tax - MAT	2,20,00,000
	- Deferred Tax	4,50,00,000
	- Fringe Benefit Tax	15,00,000
First Interim Dividend	@ 30% (P.Y. - 25%)	1,05,37,740
Second Interim Dividend	@ 30% (P.Y. - 25%)	1,05,37,740
Tax on Interim Dividends	@ 14.025%	29,55,838
Final Dividend	@ 60% (P.Y. - 50%)	2,10,75,480
Tax on Final Dividend	@ 16.995%	35,81,778
Transfer to General Reserve		11,00,00,000
Balance carried over to Balance sheet		1,88,30,908
		<u>24,60,19,484</u>

DIVIDEND

Your Directors have pleasure in recommending a final dividend of 60%. Together with the 1st Interim dividend of 30% and 2nd Interim dividend of 30% paid during the year, the total dividend for the year is 120 %. The total amount of dividend outgo including interim dividends for the year will be Rs. 4,21,50,960/-. The amount of tax on dividends (including tax on interim dividends already paid) would be Rs. 65,37,616/-.

TAXATION

An amount of Rs. 685 Lakhs has been provided for Income-Tax (MAT), Fringe Benefit Tax and Deferred Tax. However, the cash outflow for Income-Tax is only Rs. 235 Lakhs under the provisions of MAT and FBT. The balance of Rs. 450 Lakhs has been provided towards Deferred Tax Liability for the current year. The tax paid under MAT will be available for set off in the year of regular income tax liability.



DIRECTORS' REPORT

TRADE CONDITIONS

During the year under review, your company has achieved better results compared to last year. There was increase in the prices of cotton during the year when compared to last year. However, by implementing various cost control measures and production of better product mix, your Directors were able to achieve better results in the current market scenario. Modernization of units with the latest state-of-the-art technology machines has given an opportunity to produce flexible count pattern demanded by the market.

SHRI RAMCO BIOTECH (RESEARCH & DEVELOPMENT)

An extensive Research & Development activity is being continuously carried out in Tissue Culture Unit to develop quality products. A new technology has been purchased from abroad to produce high quality Tissue Culture Plants and we hope that the unit will soon cross the Break Even Point.

EXPORTS

On the export front during the year, we have made direct export of Cotton Yarn / Garments for a value of Rs. 82.30 Crores as against Rs. 65.01 Crores of the previous year.

Shri Ramco Bio-Tech, our Tissue Culture Unit, has exported live plantlets for a value of Rs.1.54 Crores as against Rs. 2.08 Crores of the previous year.

Your Directors are thankful to M/s. Mitsubishi Corporation, M/s. Docobo Co. Ltd., and M/s. Unitika Ltd., Japan for their continued support and efforts for promotion of exports to Japan and other countries.

MODERNISATION

As a part of continuous intensive modernization programme, the company has invested about Rs.15.29 Crores by availing term loan under Technology Upgradation Fund (TUF) scheme for investment in state-of-the-art textile machinery & equipments.

EXPANSION

Your Directors are glad to inform that to get ourselves prepared for the expected increase in global demand for quality yarn, the company has taken up expansion of spindles capacity by about 16,800 Spindles at a project cost of about Rs. 50 Crores. The proposed expansion will be with most advanced compact spinning system and with Link Coner attachment, one of the latest technologies first to be implemented in India.

In view of additional demand for Double yarn, it is proposed to increase the TFO capacity at a project cost of about Rs. 20 Crores. It is also proposed to increase the capacity of OE Spinning by 1,800 rotors at a project cost of Rs. 35 Crores. The OE spinning unit is proposed to be established in the state of Andra Pradesh.



DIRECTORS' REPORT

For the above project, necessary loan has been sanctioned by the bankers under TUF scheme. Orders have already been placed for the project and the project is expected to be completed during the 3rd Quarter of the current year.

WIND MILL

The Wind Mill Division with an installed capacity of 21.90 MW is working satisfactorily. Though there were interruptions in the grid availability due to insufficient infrastructure facility at the evacuation point during the peak season, there was higher generation compared to previous year because of higher wind availability. The full benefit of 3.30 MW of Wind Mills installed in last year have also contributed for higher generation. The Division has generated 453 Lakhs Kwh as compared to 281 Lakhs Kwh of the previous year. The income during the year from the Wind Mill Division was Rs.17.38 Crores as against Rs.10.32 Crores of previous year.

PROSPECTS FOR THE CURRENT YEAR

The cotton prices during the year continue to prevail at higher levels despite good yields during the last cotton season due to export of cotton. The Interest rates are also showing increasing trend. By concentrating on export market for the premium quality yarn fetching better prices, improving productivity and by taking various measures for production of value added yarn such as Compact Yarn, Gassed Yarn, Elitwist Yarn and Double Yarn and other cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year.

PERSONNEL

Industrial relations with employees remained cordial during the year. Human Resources Development activities received considerable focus. The emphasis was on imparting training and development of the skill-set of the employees to enable them to face the challenges in the work environment. The number of persons employed as on 31.03.2007 was 2,199.

INTERNAL CONTROL SYSTEM

Your Company has adequate internal control procedures commensurate with the size and nature of its operations. The audit committee constituted by the Board of Directors is functioning effectively. All significant audit observations were discussed in the audit committee, which met four times during the year under review.

FINANCE

Your Company has established a good track record with the bankers and financial institutions, thereby enjoying their confidence fully. The increase in interest cost in recent period is a matter of concern, however with good standing of your company with the lenders, the Company is confident of securing loans at optimum costs.



DIRECTORS' REPORT

DIRECTORS

We regret to report the demise of Shri P.Gurusamy Chettiar on 17-06-2006. The Directors place on record Shri P. Gurusamy Chettiar's valuable and constructive contribution in the Board during his association with the Company for more than 50 years.

The following Directors retire by rotation at the ensuing Annual General Meeting and they are eligible for re-appointment.

1. Shri P.R.Venketrama Raja
2. Shri P.S.Jaganatha Raja
3. Shri V.S.Vemban

PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2007 were Rs.120.57 Lakhs including the deposits renewed in accordance with Section 58A of the Companies Act, 1956. This also includes a deposit of Rs. 0.35 Lakhs which had fallen due on or before 31-03-2007 but not claimed by the depositor. Reminders have been sent to the depositor for disposal instructions.

SHARES

The Company's shares are listed with

M/s. Madras Stock Exchange Ltd.,
Exchange Building,
P.B. No. 183, 11 Second Line Beach,
CHENNAI – 600 001.

M/s. Bombay Stock Exchange Ltd.,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
MUMBAI – 400 001.

The Company had paid listing fees to the Stock Exchanges for the financial year 2007-2008.

AUDITORS

M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants, Tiruchirapalli and M/s. Ramakrishna Raja and Co., Chartered Accountants, Madurai, Auditors of the Company retire at the end of the 71st Annual General Meeting and are eligible for re-appointment.

CONSERVATION OF ENERGY, ETC.,

The Company continues to take keen interest in conservation of energy and the information required under Section 217(1) (e) of the Companies Act, 1956 read with the relevant Rules, with regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure I to this report.



DIRECTORS' REPORT

CORPORATE GOVERNANCE

This Company has complied with the requirements regarding Corporate Governance as required under Clause 49 of the Listing Agreements with the Stock Exchanges. A Report on Corporate Governance followed by the Company together with a Certificate from the Statutory Auditors confirming compliance is set out in Annexure III to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors Confirm that -

- i) In the preparation of Annual Accounts for the year ended 31st March, 2007 the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period.
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) The Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

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

RAJAPALAIYAM,
28th April, 2007.

On behalf of the Board of Directors,
For RAJAPALAYAM MILLS LTD.,
P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN.



ANNEXURE I TO DIRECTORS' REPORT

Information pursuant to section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

- (a) Energy conservation measure taken : a. The practice of computing monthly UKG (40s converted) being continued to monitor monthly fluctuation.
- b. Energy Audit to check the energy consumption is being conducted periodically.
- c. The air-leakage in the compressor pipe lines and in the machines are checked monthly once and deviation are corrected by using pump up test.
- (b) Additional investments and proposals, if any being implemented for reduction of consumption of energy. : ———
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : ———
- (d) Total energy consumption/unit of production of goods : Particulars given in Form A

B. TECHNOLOGY ABSORPTION:

- (a) Efforts made in Technology Absorption : Particulars given in Form B

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (a) i) Activities relating to exports : Exporting Cotton yarn to Japan, Korea, Bangkok, Honduras, Malaysia, Dominican Republic, China, Indonesia, Italy, Bangladesh, Srilanka, Barcelona, Vietnam, Mauritius, Dubai and Bahrain.
- ii) Initiatives taken to increase exports
iii) Development of new export markets for products and services
iv) Export Plans : We are also exploring the possibilities of exporting yarn to western countries including EEC Countries.
- (b) i) Total foreign exchange used : Rs. 5006 Lakhs
ii) Total foreign exchange earned (in FOB Value) : Export of Cotton Yarn/Garments - Rs. 8230 Lakhs.
Export of Tissue Culture Plants - Rs. 154 Lakhs.



ANNEXURE I TO DIRECTORS' REPORT

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION:

		Current Year	Previous Year
1. Electricity			
(a) Purchased			
Units	KWH	6,58,36,555	4,69,14,723
Total Amount	Rs.	28,19,33,542	20,62,07,187
Rate/unit	Rs.	4.28	4.40
(b) Own Generation			
(i) Through Diesel Generator	KWH	5,76,302	3,56,395
Unit / Litre of Diesel Oil	KWH	2.49	3.37
Cost per unit	Rs.	14.70	11.20
(ii) Through HFO Gensets	KWH	22,01,835	48,65,226
Unit / Litre of Furnace Oil	KWH	3.59	3.76
Oil Cost per unit	Rs.	5.91	3.92

B. CONSUMPTION PER UNIT OF PRODUCTION:

Product : Cotton Yarn
Unit : Kg.

Electricity (KWH per Kg of Yarn) **5.482** 5.607

(Based on 40s converted production)

Note :-

- 1 No Standard Rate of consumption can be given as several factors enter into the picture.
- 2 As the Company is producing different counts of Yarn, separate details for each count are not given.



ANNEXURE I TO DIRECTORS' REPORT

FORM B

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

- 1 Specific areas in which R & D carried out by the company : Plant Tissue Culture
 - a. Introduction new Gerbera varieties & conducting multilocational trials
 - b. Micropropagation system development of various ornamental plants
 - c. Micropropagation system development for Limoniums & Gypsophilla
- 2 Benefits derived as a result of the above R & D
 - a. Various New Gerbera varieties were introduced. Multi locational trials are being conducted for adaptability, productivity and customer preference.
 - b. Large scale production of various ornamental plants like new varieties of Calathea, Caladium, Phormium and Syringa.
 - c. Large scale production of various edible & ornamental Bananas.
- 3 Future course of action
 - a. Micropropagation system development of Bamboo.
 - b. Micropropagation system development of Leather Leaf Fern & Ornamental Pineapple.
 - c. Micropropagation system development of latest potato varieties.

Expenditure of R & D

- | | | |
|--|---|-----|
| a. Capital | : | NIL |
| b. Recurring | : | NIL |
| c. Total | : | NIL |
| d. Total R & D expenditure as percentage of Total Turnover | : | NIL |

Technology absorption, adaption and innovation

- | | |
|---|----------------|
| <ol style="list-style-type: none">1. Efforts, in brief, made towards technology absorption and innovation.2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development import substitution etc.<ol style="list-style-type: none">(a) Technology imported(b) Year of import(c) Has technology fully absorbed ?(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plants of action. | Not Applicable |
|---|----------------|



ANNEXURE II TO DIRECTORS' REPORT

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Employed throughout the year under review and were in receipt of remuneration in the aggregate of not less than Rs. 24,00,000/- per annum.

Sl. No.	Name of Employee	Age (Years)	Designation	Remuneration Paid / Payable Rs.	Qualification and experience (Years)	Date of Commencement of employment	Last Employment
1	Smt. R. Sudarsanam	65	Managing Director	1,20,69,799	42 Years	01-07-2002	—

NOTE:

1. The Managing Director's employment is contractual.
2. Remuneration includes Salary, Commission, Company's contribution to Provident Fund, Superannuation Fund and Medical Reimbursement.
3. The Managing Director is related to Shri.P.R.Ramasubrahmaneya Rajha, Chairman and Shri.P.R.Venketrama Raja, Director.



ANNEXURE III TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Since inception, Rajapalayam Mills Ltd is assiduously following its self determined goals on Corporate Governance. The object of the Company is to protect and enhance the value of all the stake holders of the Company viz., shareholders, creditors, employees and customers. It strives to achieve these objectives through transparency in dealings and following business ethics in all its activities.

The Company believes in technology. It never compromises on quality and always strives to stay ahead in terms of technology to provide better products for increased customer satisfaction.

The Company lays great emphasis on team building and motivation. A contented and well developed worker will give to the Company better work and therefore better profits. The Company has strong faith in innate and infinite potential of human resources. It believes in the creative abilities of the people who work for the Company and investing in their development and growth lays foundation for stronger and qualitative growth of the organization.

If there is no customer, there is no business. Customers' continued satisfaction and sensitivity to their needs is the Company's sources of strength and security.

The Company also believes that when the organization grows, the society and the community around it should also grow.

2. BOARD OF DIRECTORS

The Board of Directors is headed by the Chairman Shri P.R. Ramasubrahmaneya Rajha. The Board consists of eminent persons with considerable professional expertise in various fields. The Board has 9 Directors out of which 8 Directors are Non-Executive. One Third of the Board of Directors consist of independent Directors as required by the Code of Corporate Governance. There is no pecuniary relationship or transaction of the Non- Executive Directors vis-à-vis the Company.

During the year under review, Four Board Meetings were held, one each on 31-05-2006, 27-07-2006, 23-10-2006 and 25-01-2007.

Details of attendance of each Director at the Board Meeting held during the year are as follows:

Sl. No.	Name of the Director	Directorship	No. of Board Meeting attended	% of Meetings attended during the year
1.	Shri P.R. Ramasubrahmaneya Rajha	Chairman	4	100
2.	Smt R. Sudarsanam	MD	4	100
3.	Shri P.R. Venketrama Raja	PD	1	25
4.	Shri S.S. Ramachandra Raja	PD	4	100
5.	Shri N.K. Ramasuwami Raja	PD	4	100
6.	Dr. K.T. Krishnan	ID	4	100
7.	Shri P. Gurusamy Chettiar #	ID	1	25
8.	Shri P.S. Jaganatha Raja	ID	4	100
9.	Shri N.R.K. Venkatesh Raja	PD	4	100
10.	Shri V.S. Vemban	ID	4	100

MD – Managing Director; PD – Promoter Director; ID – Independent Director # Shri.P.Gurusamy Chettiar expired on 17-06-2006.



ANNEXURE III TO DIRECTORS' REPORT

The previous Annual General Meeting of the Company was held on 28th July, 2006 at Rajapalayam. The following Directors attended the Annual General Meeting:

SI.No.	Name of the Director
1.	Shri P.R. Ramasubrahmaneya Rajha, Chairman
2.	Shri N.K.Ramasuwami Raja
3.	Dr.K.T.Krishnan

CODE OF CONDUCT

The Board has laid down the Code of Conduct for the Board Members and Senior Management Personnel of the Company. The Code of Conduct is given below :-

1) FOR DIRECTORS

A Director being a Trustee of the Shareholders shall :-

- i. Act always in the best interest of the Shareholders.
- ii. Maintain a high standard of probity in his relations with the Company, its subsidiaries, employees, contractors, suppliers and customers.
- iii. Maintain confidentiality of the Company on matters that come to his knowledge as Director, both during his Directorship and thereafter as well.
- iv. Always conduct himself in a manner that befits his position.
- v. Assist the Company to observe the provisions of the Company law and other laws applicable to the Company, both in letter and in its spirits.
- vi. Not use this position in any manner to his personal advantage or that of his family or friends.

2) FOR SENIOR MANAGEMENT PERSONNEL

A Senior Management person is one who occupies the rank of General Manager or above and notified from time to time as a Senior Management person.

A Senior Management personnel shall :-

- i. By his personal behaviour and conduct, set an example to his fellow employees.
- ii. Conduct himself in a manner that upholds his integrity, rectitude and fair name of the Company and give no occasion to the Management to explain his actions or behaviors.
- iii. Refrain his position for personal benefit from the employees, contractors, suppliers and customers of the Company.
- iv. Maintain the confidentiality of the Company's information that has come to his notice, except where disclosure is authorised in writing by the Management.



ANNEXURE III TO DIRECTORS' REPORT

- v. Observe all prescribed safety and environmental related norms.
- vi. Not divulge to any member of the press or media any matter concerning the company unless authorised by the Management.
- vii. Not engage himself in any business relationship or commercial activity with or without remuneration, without the prior written permission of the Management.

3. COMMITTEES OF THE BOARD OF DIRECTORS

The Board has constituted Committees of Directors to deal with matters in detail and to monitor the activities falling within the terms of reference. The Board Committees are as follows:

a) AUDIT COMMITTEE

The terms of reference of the Audit Committee include:

- i) To review the report of Internal Audit Department;
- ii) To review the Auditors' Report on the financial statements;
- iii) To review the strength and weakness of the internal controls and to provide recommendations relating thereto.
- iv) To generally assist the Board to discharge their functions more effectively.

In addition, the Audit Committee would discharge the roles and responsibilities as prescribed by the Code of Corporate Governance and Companies Act from time to time.

The Company's Audit Committee consists of three Non executive Directors, of which two are Independent Directors. The composition of the Committee and the qualification of members of Committee are in compliance with the requirements of clause 49 of the Listing Agreement.

SI.No.	Name of the Director	No. of Meetings attended
1.	Dr. K.T. Krishnan, Chairman of the Committee	4
2.	Shri N.K. Ramasuwami Raja	4
3.	Shri P.S. Jaganatha Raja	4

During the year under review, four meetings were held, one each on 31-05-06, 27-07-06, 23-10-06 and 25-01-07. The Statutory Auditors, Management Auditors, Chief General Manager and Accounts Manager are invitees to the Audit Committee Meetings.

(b) REMUNERATION COMMITTEE

The Company's Remuneration Committee consists of three Non Executive Directors, of which two are Independent Directors.



ANNEXURE III TO DIRECTORS' REPORT

The scope / role of the Remuneration Committee is to recommend to the Board of Directors the remuneration payable to the whole time directors of the company as and when they come for review.

SI.No.	Name of the Director
1.	Dr. K.T. Krishnan, Chairman of the Committee
2.	Shri N.K. Ramasuwami Raja
3.	Shri P.S. Jaganatha Raja

No. of meeting held during the year : Two
Date of the meeting : 31-05-2006 & 27-07-2006

(c) SHARE/DEBENTURE COMMITTEE

SI.No.	Name of the Director
1.	Shri P.R. Ramasubrahmaneya Rajha, Chairman
2.	Shri S.S.Ramachandra Raja
3.	Shri N.K. Ramasuwami Raja
4.	Shri P. Gurusamy Chettiar (upto 17-06-2006)

During the year under review, Eight meetings were held to consider transfer and transmission of shares and debentures matters.

(d) INVESTOR GRIEVANCES COMMITTEE

The Company's Shareholders / Investor Grievance Committee, looks into Shareholders and Investors Grievances. The Members of the Committee are given below:

SI.No.	Name of the Director
1.	Shri P.R. Ramasubrahmaneya Rajha, Chairman
2.	Shri P.R. Venketrama Raja
3.	Shri S.S. Ramachandra Raja

The Compliance Officer is Shri S.Kanthimathinathan, Chief General Manager.

Number of Shareholders' complaints received so far : 1
Number not solved to the satisfaction of shareholders : Nil
Number of pending complaints : Nil
Number of meetings held during the year : Nil

The above Committees meet as and when necessity arises.



ANNEXURE III TO DIRECTORS' REPORT

4. BOARD PROCEDURE

The details about performance of the various Units of the Company, financial position, legal action, quarterly results, market environment and all other aspects of the Company which are relevant for review of the Board of Directors are being given in a structured format at each meeting. The said information complies with the requirements of the Code of Corporate Governance with regard to the information to be placed before the Board of Directors.

No Director is a Member in more than 10 Committees or acts as Chairman of more than 5 Committees of Companies in which he is a Director. Every Director informs the Company about the position he occupies in other Companies and notifies the changes as and when they take place.

5. REMUNERATION OF DIRECTORS

The details of remuneration paid to the Managing Director are given under Note No.4 of Schedule 24 to the Balance Sheet.

The Non Executive Directors do not draw any remuneration from the Company except Sitting Fees which were paid @ Rs.10,000/- for each meeting of the Board and Rs.5,000/- for each meeting of the Committee of the Board attended by them.

6. DISCLOSURE OF SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS:

Following are the details of shareholdings of the non-executive directors in the Company.

Sl.No	Name of the Director	Directorship	No of Shares
1.	Shri P.R. Ramasubrahmaneya Rajha	Chairman	2,56,710
2.	Shri P.R. Venketrama Raja	PD	3,72,280
3.	Shri S.S. Ramachandra Raja	PD	12,240
4.	Shri N.K. Ramasuwami Raja	PD	7,700
5.	Dr. K.T. Krishnan	ID	Nil
6.	Shri P.S. Jaganatha Raja	ID	3,180
7.	Shri N.R.K. Venkatesh Raja	PD	12,160
8.	Shri V.S. Vemban	ID	2,080

7. MANAGEMENT

The matters that are required to be discussed under Management Discussion and Analysis report have been included in the Directors' Report to the Shareholders. Whenever commercial and financial transactions have been entered with Companies in which directors are interested, the nature of interest is being disclosed to the Board of Directors.

8. SHAREHOLDERS

For appointment/re-appointment of Directors, shareholders are being provided with information at the Annual General Meeting about the Directors, their expertise and Companies in which they are interested. The same information are included in the Notice calling the Annual General Meeting.



ANNEXURE III TO DIRECTORS' REPORT

AUDITORS' CERTIFICATE

This is to certify that we, the Auditors of M/s. Rajapalayam Mills Ltd., Rajapalaiyam, have reviewed the compliance by the Company of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges and report that all the conditions contained therein have been complied with by the Company.

For M.S.JAGANNATHAN & N.KRISHNASWAMI,
Chartered Accountants
K.SRINIVASAN
Partner
Membership No.:21510

For RAMAKRISHNA RAJA AND CO.,
Chartered Accountants
V.JAYANTHI
Partner
Membership No.:28952

RAJAPALAIYAM,
28th April, 2007.

SHAREHOLDER INFORMATION

Registered office

RAJAPALAYAM MILLS LIMITED
Rajapalayam Mills Premises,
Post Box No.1,P.A.C. Ramasamy Raja Salai,
Rajapalaiyam – 626 117,
Tamilnadu.

Details of Factory Location

Textile Division

Rajapalayam Mills Limited,
Post Box No.1,P.A.C. Ramasamy Raja Salai,
Rajapalaiyam – 626 117,
Tamilnadu.

Rajapalaiyam Spintext,
P.A.C. Ramasamy Raja Salai,
Rajapalaiyam – 626 117,
Tamilnadu.

Rajapalaiyam Textiles,
Perumalpatti Village – 627 753
Tirunelveli District,
Tamilnadu.

Tissue Culture Division

Shri Ramco Bio-Tech,
Mailanahalli Village,
Nelamangala – 526 123
Bangalore Rural District,
Karnataka.

Person to be contacted for Shareholder enquires

S. KANTHIMATHINATHAN
Chief General Manager (Compliance Officer),
Rajapalayam Mills Limited,
Post Box No.1, P.A.C. Ramasamy Raja Salai,
Rajapalaiyam – 626 117, Tamilnadu.
Phone : 04563 – 235666
Fax : 04563 – 236520
E.Mail : rajacot@vsnl.com
: rajacot@sancharnet.in

Share Transfer Documents are to be sent to the above Office address. The Share Transfer matters are being handled in-house.

Listing on Stock Exchanges

The Company's shares have been listed in Madras Stock Exchange and Bombay Stock Exchange for which Listing Fees for the year 2007-08 has been paid.

Stock Code

Name of the Stock Exchange	Code
Madras Stock Exchange	RAJAPALAYA
Bombay Stock Exchange	532503



ANNEXURE III TO DIRECTORS' REPORT

GENERAL MEETINGS

The last 3 Annual General Meetings/ Extraordinary General Meetings were held as under:

Year ended	Date	Time	Venue
31-03-2004	05-08-2004	10.00 A.M	P.A.C.R Centenary Community Hall, P.A.C.Ramasamy Raja Salai, Rajapalayam-626 108.
31-03-2005	12-08-2005	10.00 A.M	-do-
31-03-2006	28-07-2006	10.00 A.M	-do-

A Special Resolution was passed at the Annual General Meeting held on 28th July, 2006 approving re-appointment of Smt.R.Sudarsanam as Managing Director of the Company for a period of 5 Years effective from 1st July, 2007.

No resolution on matters requiring postal ballot as per Section 192A of the Companies Act, were passed during the year.

Ensuing Annual General Meeting

Date	Time	Venue
25-07-2007	10.00 A.M.	P.A.C.R Centenary Community Hall, P.A.C.Ramasamy Raja Salai, Rajapalayam - 626 108, Tamil Nadu.

FINANCIAL CALENDAR

(For the Financial year April 2006 to March 2007)

Board Meeting for consideration of Accounts and recommendation of dividend	28-04-2007
Posting of Annual Report	01-07-2007
Book Closure dates	20-07-2007 to 25-07-2007
Last date for receipt of Proxy forms	23-07-2007
Date of the 71 st AGM	25-07-2007
Dividend Payment date	Date of the AGM



ANNEXURE III TO DIRECTORS' REPORT

MEANS OF COMMUNICATION

The Company's Quarterly and Half yearly Unaudited Financial Results and Audited Annual Results are being published in English in Business Line (All edition) and in Tamil in Dinamani (Madurai edition).

All the financial results are provided to the Stock Exchanges where the company's shares are listed.

The financial results and other specified information are also being filed on the Electronic Data Information Filing And Retrieval (EDIFAR) website maintained by National Informatic Centre for on-line information for the Public.

SHARE TRANSFER SYSTEM

All the transfers received are processed in-house and are approved by the Share Transfer Committee / Board of Directors and through Circular Resolutions. Share transfers are registered and returned within thirty days from the date of lodgment, if the documents are complete in all respects.

DEPOSITORY SYSTEM

The Company's shares have been mandated for trading in dematerialized form by all categories of investors with effect from 17-01-2000. The Company's shares are available for dematerialization both under National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL).

The Company is having in-house facilities for the Depository Registrar Services relating to both NSDL and CDSL. As on 31st March, 2007, 76.61% of the shares have been dematerialized.

In view of the advantages offered by the Depository System, members who have not yet dematerialized their shares are requested to avail the facility of dematerialization of the shares. They have the choice to open account with Depository participants of either of the Depositories by quoting the Company's ISIN No. INE 296E01026.

SHARES HELD IN ELECTRONIC FORM

Shareholders holding shares in electronic form may please note that:

- (i) all instructions regarding bank details which they wish to be incorporated in their dividend warrants will have to be submitted to their Depository Participants. As per the Regulations of NSDL and CDSL, the Company is obliged to print the bank details on the dividend warrants as furnished by these Depositories to the Company;
- (ii) instructions already given by them in respect of shares held in physical form will not be applicable to the dividend paid on shares held in electronic form and the Company will not entertain any request for deletion/change of bank details already printed on dividend warrants contrary to the information received from the concerned Depositories;
- (iii) all instructions regarding change of address, nomination, power of attorney etc. should be given directly to their Depository Participants and the Company will not entertain any such request directly from shareholders.



ANNEXURE III TO DIRECTORS' REPORT

REDRESSEL OF GRIEVANCES

There are no pending Share or Debenture transfers as on 31-03-2007.

Complaints from shareholders with regard to Non-receipt of Certificates after transfer, Non-receipt of dividend, Non-receipt of Annual Reports, etc., are being acted upon by the Company immediately on receipt. The Company has taken steps to redress the grievances received during the year except in cases where, in the opinion of the Company, the matter is to be referred to Court or have already been referred to Courts.

DISCLOSURES:

- i) The Company has no related party transactions that may have potential conflict with the interests of the Company at large. The Audit Committee reviews the details of the significant related party transactions. A summary of the significant related party transactions have been disclosed under "Notes on accounts".
- ii) There has been no penalty/stricture imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to capital markets during the last three years.

OUTSTANDING GDRs / ADRs / Warrants or Convertible Bonds

There are no outstanding convertible warrants / instruments.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for the year ended 31st March, 2007.

RAJAPALAIYAM,
28th April, 2007.

For RAJAPALAYAM MILLS LTD.,

R.SUDARSANAM
MANAGING DIRECTOR.



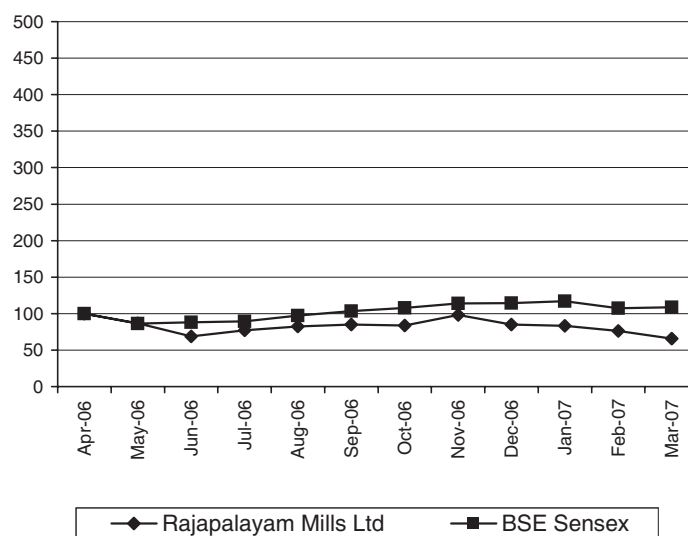
ANNEXURE III TO DIRECTORS' REPORT

STATISTICAL DATA

Share Price – High & Low / Volume During April 2006 to March 2007 in BSE

Month	Bombay Stock Exchange, Mumbai		
	High Rs.	Low Rs.	No. of Shares Traded
April, 2006	733	550	838
May	747	515	634
June	625	403	571
July	579	450	194
August	618	525	285
September	640	534	342
October	610	575	255
November	821	555	2315
December	729	580	1129
January, 2007	670	577	850
February	634	489	321
March	540	414	478

Rajapalayam Mills Share Price in Rs. on BSE (Closing) Vs BSE Sensex (Closing)
(Both rebased to 100)





ANNEXURE III TO DIRECTORS' REPORT

Distribution of Shareholding as on 31-03-2007

No. of Shares held	Total Shareholders	%	Total Shares	%
Upto - 500	2,460	82.49	2,76,354	7.87
501 to 1000	194	6.51	1,43,306	4.08
1001 to 2000	129	4.33	1,74,336	4.96
2001 to 3000	55	1.84	1,35,776	3.87
3001 to 4000	34	1.14	1,18,207	3.37
4001 to 5000	22	0.74	1,05,293	3.00
5001 to 10000	46	1.54	3,06,519	8.73
10001 & above	42	1.41	22,52,789	64.12
Total	2,982	100.00	35,12,580	100.00

Pattern of Shareholding as on 31-03-2007

Description	Total Shareholders	%	Total Shares	% to Capital
A. PROMOTERS HOLDING				
1. Promoters	53	1.78	18,98,261	54.04
Sub-total	53	1.78	18,98,261	54.04
B. NON-PROMOTERS HOLDING				
1. Banks, FI's Ins.Cos, Govt. Institutions	3	0.10	1,030	0.03
2. NRIs/OCBs & Non-domestic Companies	13	0.44	17,665	0.50
3. Private Corporate Bodies	114	3.82	1,01,579	2.89
4. Public	2,799	93.86	14,94,045	42.54
Sub-total	2,929	98.22	16,14,319	45.96
Total	2,982	100.00	35,12,580	100.00

Category of Shareholding as on 31.03.2007

Description	Total Shareholders	%	No. of Shares held	% to Capital
Dematerialised Form:				
CDSL	405	13.58	5,13,916	14.63
NSDL	1,620	54.33	21,77,238	61.98
Physical Form	957	32.09	8,21,426	23.39
Total	2,982	100.00	35,12,580	100.00



AUDITORS' REPORT TO SHAREHOLDERS

1. We have audited the attached Balance Sheet of Rajapalayam Mills Limited as at 31st March, 2007 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations give to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;
 - (iii) The Balance sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and the Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31,2007 from being appointed as a director in terms of Section 274 (1) (g) of the Act.



AUDITORS' REPORT TO SHAREHOLDERS

- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and also 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 31st March, 2007;
 - (b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

For M.S. JAGANNATHAN & N. KRISHNASWAMI,
Chartered Accountants
K. SRINIVASAN
Partner
Membership No.: 21510

For RAMAKRISHNA RAJA AND CO.,
Chartered Accountants
V. JAYANTHI
Partner
Membership No.: 28952

Rajapalaiyam,
28th April, 2007.



AUDITORS' REPORT TO SHAREHOLDERS

ANNEXURE TO THE AUDITOR'S REPORT

Annexure Referred to in paragraph 3 of our report of even date to the Shareholders of RAJAPALAYAM MILLS LIMITED

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The management is having a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets of the company has been disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories 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. The discrepancies noticed on verification between the physical stocks and the book records were not material, and have been dealt with in the books of accounts.
- (iii) (a) The Company has granted unsecured loans to a party (5 parties during the year) covered in the Register maintained under section 301 of the Act, 1956. The maximum amount involved during the year and the year end balance of such loan aggregate to Rs. 37.58 Crores and Rs. 22.33 Crores respectively.
- (b) In our opinion, the rate of interest and other terms and conditions on which the loan has been given to such companies / persons are not, *prima facie* prejudicial to the interest of the company.
- (c) In respect of loans granted wherever stipulation have been made, the principal amounts are received as stipulated and also the payment of interest is regular where applicable.
- (d) There are no over due amount of loan granted by the company.
- (e) The Company has taken unsecured loans from 3 persons covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year end balance of unsecured loans aggregate to Rs. 18.24 Lakhs and Rs. 6.80 Lakhs respectively.
- (f) In our opinion, the rate of interest and other terms and conditions on which the loan has taken from such companies / persons are not, *prima facie* prejudicial to the interest of the company.



AUDITORS' REPORT TO SHAREHOLDERS

- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contract or arrangement referred is in Section 301 of the Act, have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has accepted deposits from the public and the company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provision of the companies Act and rules framed there under.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the company in respect of products pursuant to the rules made by the Central Government for the maintenance of cost record under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been maintained. We have not however made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) Undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, service tax, cess and other material statutory dues applicable have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, service tax and cess were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there was no disputed dues in respect of Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess as on 31st March, 2007.
- (x) The Company has no accumulated losses at the end of the financial year nor had it incurred any cash loss during the financial year or in the immediately preceding financial year.
-



AUDITORS' REPORT TO SHAREHOLDERS

- (xi) According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institutional or bank during the year.
- (xii) According to the information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures or other Investments.
- (xiii) The provisions of any special statute applicable to Chit fund/Nidhi/Mutual benefit fund societies are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debenture or other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (xv) The terms and conditions of the guarantee given by the Company for loans taken by others from banks or financial institutions are not *prima facie* prejudicial to the interest of the Company.
- (xvi) On the basis of review of utilisation of funds on an overall basis, in our opinion, the term loans taken by the company were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has not issued debentures and accordingly no securities or charges have been created in respect of debentures.
- (xx) The Company has not made a public issue of any its securities during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For M.S. JAGANNATHAN & N. KRISHNASWAMI,
Chartered Accountants
K. SRINIVASAN
Partner
Membership No.: 21510

For RAMAKRISHNA RAJA AND CO.,
Chartered Accountants
V. JAYANTHI
Partner
Membership No.: 28952

Rajapalayam,
28th April, 2007.



BALANCE SHEET AS AT 31ST MARCH 2007

	Schedule		As at 31-03-2007		(In Rupees) As at 31-03-2006
SOURCES OF FUNDS					
1. Shareholders' Funds					
Share Capital	1	3,51,25,800		3,51,25,800	
Reserves & Surplus	2	<u>103,81,15,908</u>	107,32,41,708	<u>92,05,05,800</u>	95,56,31,600
2. Loan Funds					
Secured Loans	3	231,66,51,989		197,16,61,097	
Unsecured Loans	4	<u>1,27,37,246</u>	232,93,89,235	<u>1,80,55,515</u>	198,97,16,612
3. Deferred Tax Liability					
			22,29,40,000		17,79,40,000
			<u>362,55,70,943</u>		<u>312,32,88,212</u>
APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	5	378,48,59,603		338,30,14,350	
Less: Depreciation		<u>145,97,03,956</u>		<u>128,76,98,884</u>	
Net Block		232,51,55,647		209,53,15,466	
Capital Work in Progress		<u>1,98,24,081</u>	234,49,79,728	<u>68,78,923</u>	210,21,94,389
2. Investments					
	6		44,98,92,861		46,07,48,361
3. Current Assets, Loans & Advances					
Inventories	7	55,18,26,734		52,54,44,806	
Sundry Debtors	8	12,16,53,836		7,90,98,627	
Cash & Bank Balances	9	2,26,85,210		4,99,76,637	
Loans & Advances	10	<u>49,11,56,530</u>		<u>37,25,70,449</u>	
		118,73,22,310		102,70,90,519	
Less :					
4. Current Liabilities & Provisions					
Current Liabilities	11	28,56,04,637		43,36,01,390	
Provisions	12	<u>8,16,86,362</u>		<u>5,76,70,660</u>	
		36,72,90,999		49,12,72,050	
Net Current Assets					
			82,00,31,311		53,58,18,469
5. Miscellaneous Expenditure					
	13		1,06,67,043		2,45,26,993
			<u>362,55,70,943</u>		<u>312,32,88,212</u>
Significant Accounting Policies					
	23				
Notes on Accounts					
	24				

The Schedules referred to above form part of the accounts.

As per our report annexed
For M.S. JAGANNATHAN & N. KRISHNASWAMI,
K.SRINIVASAN
Partner. M.No:21510

For RAMAKRISHNA RAJA AND CO.,
V. JAYANTHI
Partner. M.No:28952
Chartered Accountants,
Rajapalaiyam, 28th April 2007.

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT. R.SUDARSANAM
Managing Director

P.R.VENKETRAMA RAJA
S.S.RAMACHANDRA RAJA
N.K.RAMASUWAMI RAJA
K.T.KRISHNAN
P.S.JAGANATHA RAJA
N.R.K.VENKATESH RAJA
V.S.VEMBAN

Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007



	Schedule	For the year ended 31.03.2007	(In Rupees) For the year ended 31.03.2006
INCOME			
Sales	14	181,81,16,110	147,03,87,006
Value of Power Generated from Wind Mills		17,37,74,012	10,31,91,234
Other Income	15	13,80,60,782	8,27,17,018
Increase / (decrease) in stock	16	7,50,77,663	2,71,68,650
		<u>220,50,28,567</u>	<u>168,34,63,908</u>
EXPENDITURE			
Raw Material Consumed		84,18,42,135	61,81,05,696
Trade Purchases	17	64,19,040	5,24,00,933
Salaries & Wages	18	15,71,28,926	12,11,16,919
Power & Fuel		30,56,84,228	23,00,46,611
Stores Consumed		3,04,44,379	2,46,01,265
Job Work Charges		5,97,46,355	3,54,48,154
Repairs	19	10,13,74,959	7,56,53,869
Interest	20	10,85,15,799	6,94,53,213
Managing Director's remuneration		1,20,69,799	78,17,828
Licences & Taxes	21	71,33,674	83,54,087
Deferred Revenue Expenses		1,38,59,950	1,86,63,844
Administrative Expenses	22	8,73,30,400	6,30,77,619
Donations		63,26,170	41,63,587
Depreciation		23,23,54,069	19,64,14,348
Provision for Taxation			
Current Tax - MAT		2,20,00,000	1,15,00,000
Deferred Tax		4,50,00,000	3,60,00,000
Fringe Benefit Tax		15,00,000	14,00,000
		<u>203,87,29,883</u>	<u>157,42,17,973</u>
Profit After Tax		16,62,98,684	10,92,45,935
Add: Brought Forward from Previous Year		1,12,20,800	1,20,27,058
		<u>17,75,19,484</u>	<u>12,12,72,993</u>
Appropriated as :Amount transferred to			
General Reserve		11,00,00,000	7,00,00,000
Interim Dividends		2,10,75,480	1,75,62,900
Tax on Interim Dividends		29,55,838	24,63,196
Final Dividend		2,10,75,480	1,75,62,900
Tax on Final Dividend		35,81,778	24,63,197
Balance Carried to Balance Sheet		1,88,30,908	1,12,20,800
		<u>17,75,19,484</u>	<u>12,12,72,993</u>
Earnings per Share (Basic & diluted)		47	31
Significant Accounting Policies	23		
Notes on Accounts	24		

The Schedules referred to above form part of the accounts.

As per our report annexed
For M.S. JAGANNATHAN & N. KRISHNASWAMI,
K.SRINIVASAN
Partner. M.No:21510

P.R. RAMASUBRAHMANEYA RAJHA
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P.R.VENKETRAMA RAJA
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N.R.K.VENKATESH RAJA
V.S.VEMBAN

For RAMAKRISHNA RAJA AND CO.,
V. JAYANTHI
Partner. M.No:28952
Chartered Accountants,
Rajapalaiyam, 28th April 2007.

SMT. R.SUDARSANAM
Managing Director

Directors



SCHEDULES TO BALANCE SHEET

	As at 31-03-2007	(In Rupees) As at 31-03-2006
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
50,00,000 Equity Shares of Rs. 10/- each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued, Subscribed & Fully Paid-up		
35,12,580 Equity Shares of Rs. 10/- each	<u>3,51,25,800</u>	<u>3,51,25,800</u>
	<u>3,51,25,800</u>	<u>3,51,25,800</u>
Note:		
The Equity Shares Capital includes 27,01,270 Shares allotted as fully paid up by Bonus Shares by Capitalisation of Reserves.		
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserves Account	3,75,000	3,75,000
Share Premium	10,55,50,000	10,55,50,000
General Reserve		
As per Last Balance Sheet	80,33,60,000	73,33,60,000
Add : Transfer from Profit & Loss Account	<u>11,00,00,000</u>	<u>7,00,00,000</u>
	<u>91,33,60,000</u>	<u>80,33,60,000</u>
SURPLUS		
Balance in Profit & Loss Account	1,88,30,908	1,12,20,800
	<u>103,81,15,908</u>	<u>92,05,05,800</u>
SCHEDULE 3		
SECURED LOANS		
Term Loans (Note i)		
Rupee Loans from Bank	169,54,70,601	148,65,33,931
Foreign Currency Loans from Bank	70,88,326	1,55,45,608
Working Capital (Note ii)		
Rupee Loans from Bank	29,20,43,814	—
Foreign Currency Loans from Bank	<u>32,20,49,248</u>	<u>46,95,81,558</u>
	<u>231,66,51,989</u>	<u>197,16,61,097</u>
Notes :		
(i) Secured by specific charges on the assets acquired under the respective schemes and / or by pari-passu charge on all the fixed assets of the company other than those covered by a specific charge.		
(ii) Secured by charge on stock-in-trade, stores and book debts of the company and a second charge on the fixed assets of the company.		
SCHEDULE 4		
UNSECURED LOANS		
Fixed and Cumulative Deposits	1,20,56,921	1,66,92,000
From Directors	<u>6,80,325</u>	<u>13,63,515</u>
	<u>1,27,37,246</u>	<u>1,80,55,515</u>



SCHEDULES TO BALANCE SHEET

SCHEDULE 5 FIXED ASSETS

Particulars	(In Rupees)									
	Cost as at 01-04-2006	Additions during the year	Sold/ withdrawn during the year	Cost as at 31-03-2007	Depreciation upto 01-04-2006	Depreciation for the year	Depreciation Withdrawn	Depreciation upto 31-03-2007	Net Value as at 31-03-2007	Net Value as at 31-03-2006
Land	3,57,70,055	1,44,00,692	—	5,01,70,747	—	—	—	—	5,01,70,747	3,57,70,055
Buildings	20,64,35,276	2,07,43,980	14,39,347	22,57,39,909	4,25,93,462	65,64,941	2,74,219	4,88,84,184	17,68,55,725	16,38,41,814
Plant & Machinery	299,93,29,412	39,46,85,946	5,92,85,394	333,47,29,964	118,32,79,362	21,46,09,976	5,62,70,628	134,16,18,710	199,31,11,254	181,60,50,050
Electrical Machinery	9,74,64,405	3,34,68,159	6,48,267	13,02,84,297	3,85,15,598	62,82,766	6,15,854	4,41,82,510	8,61,01,787	5,89,48,807
Furniture & Office Equipments	2,80,33,581	26,31,579	5,36,501	3,01,28,659	1,58,07,390	26,31,308	4,15,966	1,80,22,732	1,21,05,927	1,22,26,191
Vehicles	1,58,43,701	8,06,035	29,81,629	1,36,68,107	74,35,248	22,60,325	27,72,329	69,23,244	67,44,863	84,08,453
Loose Tools	1,37,920	—	—	1,37,920	67,824	4,752	—	72,576	65,344	70,096
	338,30,14,350	46,67,36,391	6,48,91,138	378,48,59,603	128,76,98,884	23,23,54,068	6,03,48,996	145,97,03,956	232,51,55,647	209,53,15,466

Note :-

A sum of Rs. 1,10,60,258/- being excess depreciation has been withdrawn and adjusted against current year depreciation.



SCHEDULES TO BALANCE SHEET

(In Rupees)
As at 31-03-2007 As at 31-03-2006

SCHEDULE 6

INVESTMENTS

Non - Trade

Name of the Company	No. of Shares	Total face Value Rs.	Cost Rs.		
a) Quoted					
Ramco Industries Ltd	3,96,034	39,60,340	92,39,596		
Ramco Systems Ltd	6,48,815	64,88,150	6,18,53,840		
*3,46,034 Equity Shares were allotted consequent to the Demerger of Software Division of M/s. Ramco Industries Ltd.					
Madras Cements Ltd	16,45,250	164,52,500	37,79,94,215		
The Ramaraju Surgical Cotton Mills Ltd	1,000	10,000	5,026		
Mafatlal Engineering Industries Ltd	140	14,000	14,000		
Lakshmi Automatic Loom Works Ltd	2,500	25,000	25,000		
Tamilnadu Jai Bharath Mills Ltd	1,200	12,000	12,000	44,91,43,677	45,99,99,177
b) Unquoted					
(i) SHARES OF JOINT STOCK COMPANIES : FULLY PAID-UP					
Sri Vishnu Shankar Mill Ltd	38,400	3,84,000	2,11,022		
Miot Hospitals Ltd	2,500	25,000	25,000		
Ontime Transport Co. Ltd	50,000	5,00,000	5,00,000		
(ii) SHARES OF JOINT STOCK COMPANIES : PARTLY PAID-UP					
Bharat Paper Mills Ltd. Rs.5/- paid up per share.	2,500	25,000	12,562		
(iii) OTHERS					
Ramco Group Employee's Co-op Stores Ltd	50	500	500		
Srivilliputhur Uganda Producers Co-operative Society	10	100	100	7,49,184	7,49,184
				44,98,92,861	46,07,48,361
Aggregate Value of:					
Quoted Investments - Cost				44,91,43,677	45,99,99,177
- Market Value				487,04,41,218	429,78,98,538
Unquoted Investments - Cost				7,49,184	7,49,184



SCHEDULES TO BALANCE SHEET

	As at 31-03-2007	(In Rupees) As at 31-03-2006
SCHEDULE 7		
INVENTORIES		
Stores, Spares, Packing Materials etc.	1,32,75,280	1,00,66,012
Finished Goods	13,83,76,234	7,55,74,776
Raw Materials	35,89,81,819	41,08,86,822
Process Stock	4,11,93,401	2,89,17,196
	55,18,26,734	52,54,44,806
SCHEDULE 8		
SUNDRY DEBTORS (UNSECURED-CONSIDERED GOOD)		
Outstanding for a period exceeding six months	13,29,556	13,89,225
Other debts	12,03,24,280	7,77,09,402
	12,16,53,836	7,90,98,627
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on Hand	8,82,989	97,850
Balance with Scheduled Banks		
in Current Account	1,50,50,348	3,21,92,105
in Unclaimed Dividend Warrant Account	46,31,347	40,01,698
in Deposit Account	21,20,526	1,36,84,984
	2,26,85,210	4,99,76,637
SCHEDULE 10		
LOANS AND ADVANCES		
Unsecured : Considered Good		
Advances Recoverable in Cash or Kind	41,01,17,163	30,18,69,556
Advance Income Tax and TDS	3,80,40,088	3,71,43,132
Deposits	4,08,38,737	2,38,23,448
Prepaid Expenses	21,60,542	97,34,313
	49,11,56,530	37,25,70,449
SCHEDULE 11		
CURRENT LIABILITIES		
Liabilities for Purchases	22,15,65,072	37,33,13,407
Interest Accrued but not due	7,53,079	7,38,685
Liabilities for Expenses	4,97,55,223	4,90,17,048
Liabilities for Other Finance	88,99,916	65,30,552
Unclaimed Dividends	46,31,347	40,01,698
	28,56,04,637	43,36,01,390
SCHEDULE 12		
PROVISIONS		
Provision for Taxation	3,63,60,346	2,19,75,805
Proposed Dividends	2,10,75,480	1,75,62,900
Provision for Tax on Dividend	35,81,778	24,63,197
P.A.C. Ramasamy Raja Memorial Fund	2,06,68,758	1,56,68,758
	8,16,86,362	5,76,70,660



SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended 31-03-2007		For the year ended 31-03-2006	(In Rupees)
SCHEDULE 13				
MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
Deferred Revenue Expenses				
(a) Research & Development Expenses				
Opening Balance	73,89,689		78,10,342	
Add : Incurred during the year	—		38,98,550	
	<u>73,89,689</u>		<u>1,17,08,892</u>	
Less : Amortized during the year	<u>32,10,999</u>	41,78,690	<u>43,19,203</u>	73,89,689
 (b) Voluntary Retirement Scheme				
Opening Balance	1,71,37,304		3,14,81,945	
Add : Incurred during the year	—		—	
	<u>1,71,37,304</u>		<u>3,14,81,945</u>	
Less : Amortized during the year	<u>1,06,48,951</u>	64,88,353	<u>1,43,44,641</u>	1,71,37,304
	<u><u>1,06,67,043</u></u>		<u><u>2,45,26,993</u></u>	
 SCHEDULE 14				
SALES				
Sale of Yarn & Garments	179,16,21,676		140,12,71,616	
Sale of Tissue Culture Plants	2,64,94,434		3,11,74,143	
Sale of Cement Products	—		3,79,41,247	
	<u>181,81,16,110</u>		<u>147,03,87,006</u>	
 SCHEDULE 15				
OTHER INCOME				
Waste Cotton Sales	80,57,322		67,59,846	
Interest received (Tax Deducted at Source - Rs. 51,94,460/-)	2,68,08,888		1,15,77,346	
Rent received	2,52,210		2,63,150	
Export Incentives	3,83,98,865		1,97,53,560	
Miscellaneous Income	1,57,61,201		36,15,683	
Dividend received	3,90,45,010		2,92,34,476	
Profit on Sale of Investments	58,07,000		99,74,196	
Profit on Sale of Assets	39,30,286		15,38,761	
	<u>13,80,60,782</u>		<u>8,27,17,018</u>	
 SCHEDULE 16				
INCREASE / (DECREASE) IN STOCK				
Closing Stock :				
Process Stock	4,11,93,401		2,89,17,196	
Finished Goods	<u>13,83,76,234</u>	17,95,69,635	<u>7,55,74,776</u>	10,44,91,972
Opening Stock :				
Process Stock	2,89,17,196		2,14,71,470	
Finished Goods	<u>7,55,74,776</u>	10,44,91,972	<u>5,58,51,852</u>	7,73,23,322
	<u><u>7,50,77,663</u></u>		<u><u>2,71,68,650</u></u>	
 SCHEDULE 17				
TRADE PURCHASES				
Purchase of Yarn	64,19,040		1,44,59,686	
Purchase of Cement Products	—		3,79,41,247	
	<u>64,19,040</u>		<u>5,24,00,933</u>	



SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended 31-03-2007	For the year ended 31-03-2006
(In Rupees)		
<hr/>		
SCHEDULE 18		
SALARIES AND WAGES		
Salaries, Wages and Bonus	13,17,39,784	10,15,65,406
Contribution to Provident Fund and other Funds	1,79,92,975	1,38,41,244
Staff and Labour Welfare Expenses	73,96,167	57,10,269
	<u>15,71,28,926</u>	<u>12,11,16,919</u>
 SCHEDULE 19		
REPAIRS		
Building	2,81,65,504	1,55,48,886
Machinery	5,07,08,395	4,48,37,822
Electrical & General	2,25,01,060	1,52,67,161
	<u>10,13,74,959</u>	<u>7,56,53,869</u>
 SCHEDULE 20		
INTEREST		
Fixed Loans	6,36,94,682	3,37,85,770
Fixed and Cumulative Deposits	8,91,462	16,46,809
Other Loans	4,39,29,655	3,40,20,634
	<u>10,85,15,799</u>	<u>6,94,53,213</u>
 SCHEDULE 21		
LICENCES AND TAXES		
Licences and Taxes	64,17,307	59,92,503
Sales Tax	7,16,367	23,61,584
	<u>71,33,674</u>	<u>83,54,087</u>
 SCHEDULE 22		
ADMINISTRATIVE EXPENSES		
Postage, Telegram & Telephone	22,70,657	20,36,162
Printing & Stationery	18,14,074	14,67,043
Travelling & Conveyance	67,68,619	56,32,589
Maintenance of Motor Car & Other Vehicles	46,03,567	38,41,073
Insurance	1,04,49,489	63,88,243
Bank Charges, Advertisement etc.,	46,92,165	47,84,846
Brokerage & Selling Commission	3,05,59,331	1,79,21,682
Export Sales Expenses	2,10,30,943	1,52,24,288
Directors Sitting Fees	3,34,500	3,67,000
Audit, Accountancy & Legal Charges	8,73,623	9,78,575
Miscellaneous Expenses	39,33,432	44,36,118
	<u>8,73,30,400</u>	<u>6,30,77,619</u>



SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE: 23

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

- (i) The financial statements have been prepared under the historical cost convention and in accordance with the generally accepted accounting principles, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, as adopted consistently by the Company.
- (ii) The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Depreciation

- (i) On additions to Buildings, Plant & Machinery from 1978-79 to 1986-87: Under Straight Line Method in accordance with Circular No.1/86 dated 21-05-1986 issued by the Department of Company Affairs as per rates then in force.
- (ii) On additions to Buildings, Plant & Machinery from 1987-88 to 1992-93: Under Straight Line Method as per rates specified in Schedule XIV.
- (iii) On additions to Buildings, Plant & Machinery from 1993-94 onwards: Under Straight Line Method as per rates specified in Schedule XIV vide notification dated 16-12-1993.
- (iv) For Plant and Machinery purchased for Rajapalayam Mill's C unit (Expansion programme) are classified as 'Continuous Process Plant' based on a technical assessment. Accordingly depreciation is calculated under SLM at the rates applicable to the Continuous Process Plant under Schedule XIV from 2005-06.
- (iv) On Other assets:
Under Written Down Value Method as per rates specified in Schedule XIV.

3. Investments

All Investments being long term & non-trade are stated at cost. No provision has been made for the short fall with value of some investment as they are temporary in nature.

4. Fixed Assets

Fixed Assets are stated at cost (net of CENVAT/TNVAT wherever applicable) less accumulated Depreciation.

5. Valuation of Inventories

- (i) Raw materials, stores, spares, packing materials etc., are valued at weighted average cost including the cost incurred in bringing the inventories to their present location and condition or net realizable value whichever is lower.
- (ii) Process stock is valued at weighted average cost of Raw material and cost of conversion.
- (iii) Finished goods are valued at cost or net realisable value whichever is lower. Cost includes cost of conversion and other costs incurred in bringing the inventory to their present location and condition.



SIGNIFICANT ACCOUNTING POLICIES

6. Sales

Net Sales exclude Sales Tax/VAT.

7. Income from Wind Mill

Units generated from windmills are adjusted against the consumption of power at our Mills. The monetary value of the units so adjusted, calculated at the prevailing EB rates net of wheeling charges has been included in power & fuel. The value of unadjusted units as on Balance Sheet date has been included under loans and advances.

8. Provision for Retirement Benefits

- a. The Company contributes to the Employees Provident Fund maintain under the Employees Provident Fund Scheme run by the Government of India.
- b. The Company has its own approved Gratuity Fund to which contributions are made based on the Actuarial Valuation obtained as on the Balance Sheet date.
- c. The Company has its own approved Superannuation Fund for its eligible officers to which contributions are made at 15% of the eligible salary.
- d. Provision for Leave encashment is made on the basis of Actuarial Valuation obtained as on the Balance Sheet date.

9. Contingent Liabilities

Unprovided contingent liabilities are disclosed in the Accounts by way of Notes.

10. Research and Development

Expenditure on Research & Development of revenue nature incurred by this Company is amortized over a period of 5 years.

11. Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition of the assets have been capitalized as part of the cost of those assets.

12. Foreign Currency Transactions

- a. Foreign Currency transactions are accounted at the exchange rates prevailing during the period of the transactions.
- b. Monetary assets and liabilities are valued at the rate prevailing on the Balance Sheet date/ estimated realizable or payable rate.
- c. Exchange gain / loss on account of forward exchange contract are recognized over the life of the contract.

13. Earnings Per Share

Net profit after tax is divided by the number of equity shares outstanding as on Balance Sheet date.



SIGNIFICANT ACCOUNTING POLICIES

14. Income tax

The tax provision is considered as stipulated in AS-22 (Accounting for Taxes on income) and includes both current and deferred tax liability. The Company recognises the deferred tax liability at the beginning of the year based on the accumulated timing difference using the current tax rate.

15. Segment Reporting

As stipulated by the Accounting Standard-17 (Segment Reporting) the company has got two Reportable segments :

1. Textiles
2. Tissue Culture

Segment information is furnished below:

Sl. No.	Particulars	Year Ended 31-03-2007	Year Ended 31-03-2006
(Rs. in Lakhs)			
1	Segment Revenue (Net Sales / Income)		
	Tissue Culture	296	312
	Textiles	21,004	15,872
	Others	—	379
	Net Sales / Income from Operation	21,300	16,563
2	Segment Results (Profit / Loss) Before Interest and Tax		
	Tissue Culture	-153	-41
	Textiles	3,586	2,317
	Others	—	—
		3,433	2,276
	Less: Interest - (Unallocable Expenditure)	1,085	695
	Total Profit Before Tax	2,348	1,581
3	Capital Employed (Segment Assets - Segment Liabilities)		
	Tissue Culture	739	857
	Textiles	35,763	30,376
	Others	—	—
	Total Capital Employed	36,502	31,233

16. Miscellaneous Expenditure

Compensation paid under Voluntary Retirement Schemes and Research & Development Expenditure which is expected to yield enduring benefits are held under Miscellaneous Expenditure and amortized over the expected beneficial period, not exceeding five years.



NOTES ON ACCOUNTS

SCHEDULE: 24

NOTES ON ACCOUNTS

	As at
	31-03-2007
1. Contingent Liabilities	
(i) Liability on Letter of Credit opened	
Capital Goods	Rs. 546 Lakhs
Others	Rs. 92 Lakhs
(ii) Estimated amount of contracts remaining to be executed on capital account not provided	Rs. 6,529 Lakhs
(iii) Liability on guarantees given by the bankers	Rs. NIL
(iv) Liability on guarantees given to the bankers	Rs. 17,601 Lakhs
2. Income tax assessments have been completed up to the accounting year ended on 31-03-2004 i.e., Assessment year 2004-05. With respect to the issues pending before appellate authorities based on the recent judicial pronouncements / appellate orders, no further Tax liability is expected other than provided in the book.	

An amount of Rs. 685 Lakhs has been provided for Income Tax (MAT), Fringe Benefit Tax and Deferred Tax. However the cash outflow for Income Tax is only Rs. 220 Lakhs under the provision of MAT & Rs. 15 Lakhs for FBT. The Balance of Rs. 450 Lakhs has been provided towards Deferred Tax liability for the current year as per AS-22. The break up of net deferred tax liability of Rs. 2,229 Lakhs as at 31-03-2007 is as under:

(Rs. in Lakhs)

Timing differences on account of:	Deferred tax
Tax effect on difference between book depreciation and depreciation under the Income Tax Act, 1961	2,215
Tax effect on Amortization of Deferred Revenue Expenditure	14
Deferred tax liability	2,229

3. Sales Tax Assessment upto year ended 31st March, 2001 has been completed.
4. Managing Director's remuneration for the year ended 2006-07.

	(In Rupees)
Salary	24,00,000
Commission	89,99,043
Contribution to Provident Fund	2,88,000
Contribution to Superannuation Fund	3,60,000
Medical Reimbursement	22,756
	<u>1,20,69,799</u>



NOTES ON ACCOUNTS

Computation of Net profits in accordance with Section 349 of the Companies Act, 1956 for the purpose of calculating Managing Director's Remuneration for the year ended 31-03-2007.

		(In Rupees)
Net profit before tax as per Profit and Loss Account		23,47,98,684
Add: Directors' Sitting Fees	3,34,500	
Managing Director's Remuneration	<u>1,20,69,799</u>	1,24,04,299
		<u>24,72,02,983</u>
Less: Profit on Sale of Investments		58,07,000
Net profit under Section 349 of the Companies Act, 1956		<u>24,13,95,983</u>
Remuneration to Managing Director at 5% of the above		<u>1,20,69,799</u>

5. Details of Loans from Directors under "Unsecured Loans" are:

Name	Closing Balance as on 31-03-2007	Interest
1. Shri. P.R. Ramasubrahmaneya Rajha	25,175	2,550
2. Shri. P.R. Venketrama Raja	6,473	656
3. Smt. R. Sudarsanam	6,48,677	87,697
Total	<u>6,80,325</u>	<u>90,903</u>

6. As per the accounting policy followed by the company in respect of payment under Voluntary Retirement Scheme to the employees, 1/5 of the expenditure amounting to Rs. 1,06,48,951/- has been charged to current year's profit and loss account.

7. The Net Exchange gain with respect of uncovered liabilities in foreign currencies amounting to Rs. 98.46 Lakhs adjusted against interest and finance charges.

8. Auditors' remuneration (including Service Tax) & expenses:

		(In Rupees)	
		2006-07	2005-06
<u>Statutory Auditors:</u>			
a. As Auditors		2,02,248	1,32,240
b. In other Capacities			
(i) For Tax Audit		28,090	17,500
(ii) Certification Work		39,284	20,000
(iii) Expenses reimbursed		1,10,632	35,421
		<u>3,80,254</u>	<u>2,05,161</u>

9. The Company has paid the listing fee to Madras and Bombay Stock Exchange, where its shares are listed.



NOTES ON ACCOUNTS

10. There are no outstanding to small-scale industrial undertaking for more than 30 days.

11. The unadjusted units generated from the Windmills as on 31-03-2007 are 28.46 Lakhs KWH (PY 3.04 Lakhs KWH) and its monetary value of Rs. 101.87 Lakhs (PY Rs. 11.17 Lakhs) has been included in Loans & Advances.

12. Earnings per Share

	(In Rupees)	
Particulars	2006-07	2005-06
Net Profit after tax (A)	16,62,98,684	10,92,45,935
No. of Shares (B)	35,12,580	35,12,580
Basic & Diluted earnings per share for Rs. 10/- each (A) / (B)	47	31

13. RELATED PARTY TRANSACTIONS

As per AS-18 issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

Key Management Personnel & Relatives

Shri. P.R. Ramasubrahmaneya Rajha, Chairman

Smt. R. Sudarsanam, Managing Director

Shri. P.R. Venketrama Raja, Director

The Company's transactions with the above persons are furnished in Note No.4 and 5 above.

Enterprises over which the above persons exercise significant influences and with which the Company had transactions during the year:

M/s. Madras Cements Limited

M/s. Sri Vishnu Shankar Mill Limited

M/s. The Ramaraju Surgical Cotton Mills Limited

M/s. Thanjavur Spinning Mill Limited

M/s. Ramco Industries Limited

M/s. Sandhya Spinning Mill Limited

M/s. Ramco Management Private Limited

M/s. Sri Harini Textiles Limited

The Company's transactions with the above Related Parties are summarized below:

1. Inter Corporate Deposits given:

(In Rupees)

Name of the Related Party	Maximum Outstanding during the year	Interest	Outstanding as on 31-03-2007	
			ICD	Interest
The Ramaraju Surgical Cotton Mills Ltd	5,00,00,000	43,38,356	NIL	NIL
Sri Vishnu Shankar Mill Ltd	12,50,00,000	67,99,933	6,00,00,000	NIL
Sandhya Spinning Mill Ltd	11,25,00,000	63,08,632	11,25,00,000	NIL
Thanjavur Spinning Mill Ltd	7,25,00,000	29,45,823	3,50,00,000	NIL
Ramco Management P. Ltd	1,58,05,000	2,72,499	1,58,00,000	50,395



NOTES ON ACCOUNTS

2. Goods Supplied:

(In Rupees)

Name of the Related Party	Value	Outstanding as on 31-03-2007
The Ramaraju Surgical Cotton Mills Ltd	44,55,056	NIL
Sri Vishnu Shankar Mill Ltd	38,79,902	NIL
Sandhya Spinning Mill Ltd	46,64,490	NIL
Thanjavur Spinning Mill Ltd	17,96,800	NIL
Ramco Industries Ltd	7,75,194	NIL

3. Cost of Goods & Services-purchased / availed:

Name of the Related Party	Value	Outstanding as on 31-03-2007
The Ramaraju Surgical Cotton Mills Ltd	5,99,095	NIL
Sri Vishnu Shankar Mill Ltd	1,85,19,860	NIL
Sandhya Spinning Mill Ltd	9,16,893	NIL
Madras Cements Ltd	50,42,800	NIL
Ramco Industries Ltd	61,65,783	NIL
Ramco Systems Ltd	8,15,947	NIL

4. Corporate Guarantee given:

Name of the Related Party	Guarantee Amount	Bank Name
The Ramaraju Surgical Cotton Mills Ltd	7,98,00,000	Punjab National Bank
	4,44,00,000	Citi Bank
	25,97,00,000	Indian Bank
Sri Vishnu Shankar Mill Ltd	14,70,00,000	Punjab National Bank
	9,44,00,000	Citi Bank
	23,50,00,000	Karur Vysya Bank
Sandhya Spinning Mill Ltd	5,28,00,000	Indian Bank
	13,10,00,000	Punjab National Bank
	10,00,00,000	Citi Bank
Thanjavur Spinning Mill Ltd	15,60,00,000	Indian Bank
	16,00,00,000	Karur Vysya Bank
Sri Harini Textiles Ltd	30,00,00,000	UTI Bank



NOTES ON ACCOUNTS

5. Investment Made during the year: Nil

6. Investments sold during the year: (In Rupees)

Name	Value	Outstanding	Nature
Shri P.R.Ramasubrahmaneya Rajha	1,66,62,500	Nil	Sale of Shares

14. Additional information pursuant to provision of paragraphs III & IV of part II of the Schedule VI of the Companies Act, 1956.

(a) Installed Capacity:

UOM	2006-07	2005-06
Spindles	1,06,064	96,224
Rotors	1,568	1,344

(b) Particulars in respect of Sales, Opening and Closing Stock of goods manufactured:

	UOM	2006-07		2005-06	
		Quantity	Value	Quantity	Value
Opening Stock	Kgs	4,44,086	5,82,84,861	4,32,622	4,67,65,583
Production	Kgs	1,11,60,574	—	92,90,749	—
Yarn Purchases	Kgs	61,916	—	1,39,670	—
Sales	Kgs	1,08,82,018	175,56,06,035	94,18,955	138,42,48,416
Closing Stock	Kgs	7,84,558	11,99,02,330	4,44,086	5,82,84,861

(c) Raw Materials Consumed:

	UOM	2006-07		2005-06	
		Quantity	Value	Quantity	Value
Cotton & Cotton Waste	Kgs	1,34,00,569	85,23,09,097	1,04,81,720	60,75,31,795

(d) Value of Imports calculated on CIF Value:

	2006-07	2005-06
Raw Materials	14,33,59,980	11,04,90,006
Components and Spares	1,57,05,292	1,60,62,412
Capital Goods	33,16,01,541	34,32,90,039

(e) Expenditure in Foreign Exchange during the year:

	2006-07	2005-06
Travelling	23,03,926	14,70,630
Commission	40,84,744	41,35,290
Others	49,41,89,335	46,98,42,457



NOTES ON ACCOUNTS

(f) Earnings in Foreign exchange: (Rs. in Lakhs)

	2006-07	2005-06
Export on Yarn (FOB) Value	8,230	6,501
Export on Cement	—	379
Export on Tissue Culture Plants	154	208

(g) Value of Raw Materials, Stores & Spare Parts consumed: (In Rupees)

	2006-07	%	2005-06	%
Cotton & Cotton Waste				
Imported	12,64,63,812	15	9,39,75,904	15
Indigenous	72,58,45,285	85	51,35,55,891	85
Spares and Components				
Imported	1,63,83,978	14	96,41,982	16
Indigenous	10,06,16,101	86	5,18,32,409	84

18. Previous years figures have been regrouped/restated wherever necessary to make them comparable with the current year's figures.

19. Figures have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 24

As per our report annexed
For M.S. JAGANNATHAN & N. KRISHNASWAMI,
K.SRINIVASAN
Partner. M.No:21510

For RAMAKRISHNA RAJA AND CO.,
V. JAYANTHI
Partner. M.No:28952
Chartered Accountants,
Rajapalaiyam, 28th April 2007.

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

SMT. R.SUDARSANAM
MANAGING DIRECTOR

P.R.VENKETRAMA RAJA
S.S.RAMACHANDRA RAJA
N.K.RAMASUWAMI RAJA
K.T.KRISHNAN
P.S.JAGANATHA RAJA
N.R.K.VENKATESH RAJA
V.S.VEMBAN

Directors.



RAJAPALAYAM MILLS LIMITED, RAJAPALAYAM

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.

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Balance Sheet Date

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 State Code

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Date Month Year

II. CAPITAL RAISED DURING THE YEAR

(Rs. in Thousands)

Public Issue	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		N I L	Right Issue	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		N I L
Bonus Issue	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		N I L	Private Placement	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		N I L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities	<table border="1"><tr><td>3</td></tr></table>	3	<table border="1"><tr><td>6</td></tr></table>	6	<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>5</td></tr></table>	5	<table border="1"><tr><td>5</td></tr></table>	5	<table border="1"><tr><td>7</td></tr></table>	7	<table border="1"><tr><td>1</td></tr></table>	1	Total Assets	<table border="1"><tr><td>3</td></tr></table>	3	<table border="1"><tr><td>6</td></tr></table>	6	<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>5</td></tr></table>	5	<table border="1"><tr><td>5</td></tr></table>	5	<table border="1"><tr><td>7</td></tr></table>	7	<table border="1"><tr><td>1</td></tr></table>	1
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Sources of Funds

Paid up Capital	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td>3</td></tr></table>	3	<table border="1"><tr><td>5</td></tr></table>	5	<table border="1"><tr><td>1</td></tr></table>	1	<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>6</td></tr></table>	6	Reserves & Surplus	<table border="1"><tr><td>1</td></tr></table>	1	<table border="1"><tr><td>0</td></tr></table>	0	<table border="1"><tr><td>3</td></tr></table>	3	<table border="1"><tr><td>8</td></tr></table>	8	<table border="1"><tr><td>1</td></tr></table>	1	<table border="1"><tr><td>1</td></tr></table>	1	<table border="1"><tr><td>6</td></tr></table>	6
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Application of Funds

Net Fixed Assets	<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>3</td></tr></table>	3	<table border="1"><tr><td>4</td></tr></table>	4	<table border="1"><tr><td>4</td></tr></table>	4	<table border="1"><tr><td>9</td></tr></table>	9	<table border="1"><tr><td>8</td></tr></table>	8	<table border="1"><tr><td>0</td></tr></table>	0	Investments	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td>4</td></tr></table>	4	<table border="1"><tr><td>4</td></tr></table>	4	<table border="1"><tr><td>9</td></tr></table>	9	<table border="1"><tr><td>8</td></tr></table>	8	<table border="1"><tr><td>9</td></tr></table>	9	<table border="1"><tr><td>3</td></tr></table>	3
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Accumulated Losses	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		N I L														

IV PERFORMANCE OF THE COMPANY

Turnover*	<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>1</td></tr></table>	1	<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>9</td></tr></table>	9	<table border="1"><tr><td>9</td></tr></table>	9	<table border="1"><tr><td>5</td></tr></table>	5	<table border="1"><tr><td>1</td></tr></table>	1	Profit/Loss Before Tax	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>3</td></tr></table>	3	<table border="1"><tr><td>4</td></tr></table>	4	<table border="1"><tr><td>7</td></tr></table>	7	<table border="1"><tr><td>9</td></tr></table>	9	<table border="1"><tr><td>9</td></tr></table>	9
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*Turnover includes Wind Mill Generation and other Income

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Earnings per share in Rs.	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td>4</td></tr></table>	4	<table border="1"><tr><td>7</td></tr></table>	7																	
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Dividend Rate %	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td>1</td></tr></table>	1	<table border="1"><tr><td>2</td></tr></table>	2	<table border="1"><tr><td>0</td></tr></table>	0															
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V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As per monetary terms)

Item Code No. (ITC Code)

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Product Description

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Item Code No. (ITC Code)

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Product Description

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As per our report annexed
For M.S. JAGANNATHAN & N. KRISHNASWAMI,
K.SRINIVASAN
Partner. M.No:21510

For RAMAKRISHNA RAJA AND CO.,
V. JAYANTHI
Partner. M.No:28952
Chartered Accountants,
Rajapalayam, 28th April 2007.

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

SMT. R.SUDARSANAM
MANAGING DIRECTOR

P.R.VENKETRAMA RAJA
S.S.RAMACHANDRA RAJA
N.K.RAMASUWAMI RAJA
K.T.KRISHNAN
P.S.JAGANATHA RAJA
N.R.K.VENKATESH RAJA
V.S.VEMBAN

Directors.



CASH FLOW STATEMENT

	31-03-2007	(Rs. in Lakhs) 31-03-2006
Cash flow from Operating Activities		
Net Profit before tax and prior period and extraordinary items	2,347.99	1,581.46
Adjustments for :		
Depreciation	2,323.54	1,964.14
Interest paid	1,085.16	694.53
Interest Received	(268.09)	(115.77)
Dividend Received	(390.45)	(292.34)
Deferred revenue expenditure written off	138.60	186.64
Profit on sale of assets/investments	(97.37)	(115.13)
Operating Profit before Working Capital changes	<u>5,139.38</u>	<u>3,903.53</u>
(Increase)/Decrease in Sundry Debtors	(425.55)	(147.83)
(Increase)/Decrease in Loans and Advances	(572.36)	611.03
(Increase)/Decrease in Inventories	(263.82)	(2,171.18)
Increase/(Decrease) in Current liabilities	<u>(1,429.97)</u>	<u>1,307.40</u>
Cash generated from Operations	2,447.68	3,502.95
Income tax Paid	(100.12)	(112.41)
Cash Flow before prior period and extraordinary items	<u>2,347.56</u>	<u>3,390.54</u>
Prior period and extraordinary items	—	—
Net Cash from Operating activities	(A) <u>2,347.56</u>	<u>3,390.54</u>
Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(4,796.82)	(9,718.20)
Advance to Machinery Suppliers	(604.54)	(784.00)
Purchase of Investments	—	(272.50)
Sale of Investments	166.63	111.00
Sale of Assets	84.72	104.53
Interest Received	268.09	115.77
Dividend Received	390.45	292.34
Deferred Revenue Expenditure	—	(39.49)
Net Cash used in Investing Activities	(B) <u>(4,491.47)</u>	<u>(10,190.55)</u>
Cash Flow from Financing Activities :		
Proceeds from Long Term Borrowings	3,902.47	7,464.01
Repayment of Long Term Loan	(1,897.68)	(1,355.00)
Proceeds from Short Term Borrowings	1,391.93	1,952.15
Dividend Paid	(440.57)	(300.39)
Interest Paid	(1,085.16)	(694.53)
Net Cash used in Financing Activities	(C) <u>1,870.99</u>	<u>7,066.24</u>
Net Increase in Cash and Cash Equivalent	(A+B+C) (272.92)	266.23
Opening Cash and Cash Equivalent	(D) 499.77	233.54
Closing Cash and Cash Equivalent	(E) 226.85	499.77
Net Cash from Financing Activities	(E-D) <u>(272.92)</u>	<u>266.23</u>
<p>As per our report annexed For M.S. JAGANNATHAN & N. KRISHNASWAMI, K.SRINIVASAN Partner. M.No:21510</p> <p>For RAMAKRISHNA RAJA AND CO., V. JAYANTHI Partner. M.No:28952 Chartered Accountants, Rajapalaiyam, 28th April 2007.</p>		
<p style="text-align: center;">P.R. RAMASUBRAHMANEYA RAJHA CHAIRMAN</p> <p style="text-align: center;">SMT. R.SUDARSANAM MANAGING DIRECTOR</p>		
<p style="text-align: right;">P.R.VENKETRAMA RAJA S.S.RAMACHANDRA RAJA N.K.RAMASUWAMI RAJA K.T.KRISHNAN P.S.JAGANATHA RAJA N.R.K.VENKATESH RAJA V.S.VEMBAN</p> <p style="text-align: right;">Directors.</p>		



RAJAPALAYAM MILLS LIMITED

Regd. Office: Rajapalayam Mills Premises, P.A.C.Ramasamy Raja Salai,

Post Box No. 1, RAJAPALAYAM – 626 117.

PROXY FORM

I/WeSon of/Wife of/Daughter ofresiding at.....being a member/members of RAJAPALAYAM MILLS LTD., do hereby appoint Sri/Smt/Miss.....Son of/Wife of/Daughter ofresiding at..... or failing him Sri/Smt/Miss.....son of/Wife of/Daughter of.....residing at.....as my/our proxy to vote for me/us on my/our behalf at the 71st Annual General Meeting of the Company to be held on Wednesday the 25th July, 2007 at 10.00 A.M. and at any adjournment thereof.

Signed thisday of 2007.

Folio No / DP ID / CL ID	No. of Shares

Affix 1 Rupee
Revenue
Stamp and
Sign over it

N.B.: Any member entitled to attend and vote at the meeting is entitled to attend and either vote in person or by Proxy and that the Proxy need not be a member of the Company. This form thus completed should be deposited at the Registered Office of the Company at Rajapalayam before 10.00 A.M. on Monday the 23rd July, 2007.

