



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

Shri A.V. DHARMAKRISHNAN, B.Com., ACA.,

Bankers

Axis Bank

Canara Bank

Citi Bank, N.A.

HDFC Bank Ltd

HSBC Ltd

IDBI Bank Ltd

Indian Bank

Karur Vysya Bank

Punjab and Sind Bank

Standard Chartered Bank

State Bank of India

Tamilnad Mercantile Bank Ltd

Registered Office

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

Auditors

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

M/s. Ramakrishana Raja and Co.,
Chartered Accountants,
1-D, Shanthiniketan,
Rathinasamy Nadar Road,
Madurai - 625 002,
Tamilnadu.

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RAJAPALAYAM MILLS LIMITED, RAJAPALAYAM

NOTICE TO THE MEMBERS

Notice is hereby given that the 72nd Annual General Meeting of the Shareholders of the Company will be held at 10.00 A.M. on Wednesday the 6th August, 2008 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, 2008 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year 2007-2008.
3. a) To appoint a Director in place of Shri N.R.K. Venkatesh Raja who retires by rotation and is eligible for re-appointment.
b) To appoint a Director in place of Shri S.S.Ramachandra Raja who retires by rotation and is eligible for re-appointment.
c) To appoint a Director in place of Shri N.K. Ramasuwami Raja 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:

“RESOLVED that Shri A.V. Dharmakrishnan who has been appointed as Additional Director and holds office until this Annual General Meeting be and is hereby appointed as a Director of the company liable to retire by rotation”.

By Order of the Board,
For RAJAPALAYAM MILLS LTD.,

RAJAPALAIYAM,
18th June, 2008.

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 01-08-2008 to 06-08-2008 (both days inclusive);
3. Every Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of himself. Such Proxy need not be a Member of the Company;
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	28-02-2013
Final Dividend	28-07-2006	27-07-2013	25-08-2013
<u>31-03-2007</u>			
First Interim Dividend	23-10-2006	22-10-2013	20-11-2013
Second Interim Dividend	25-01-2007	24-01-2014	22-02-2014
Final Dividend	25-07-2007	24-07-2014	22-08-2014



NOTICE

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

ITEM NO. 5

Shri A.V. Dharmakrishnan was appointed as an Additional Director by the Board of Directors of the Company on 16-01-2008. He holds office till the date of the Annual General Meeting. Under Section 257(1) of the Companies Act, 1956, a notice in writing has been received from a Member signifying his intention to propose the appointment of Shri A.V. Dharmakrishnan as a Director, at the AGM.

Shri A.V. Dharmakrishnan, a Chartered Accountant, started his carrier in 1982 with Madras Cements Ltd. He is presently holding the position of Executive - Director (Finance) at Madras Cements Ltd. He has specialized knowledge and rich experience in Finance and Taxation matters.

He holds 550 Shares in Rajapalayam Mills Ltd.

He is presently a Director in the following companies :

1. On-Time Transport Company Limited
2. Ramco Systems Limited

None of the Directors is deemed to be interested in the Resolution.

By Order of the Board,
For RAJAPALAYAM MILLS LTD.,

RAJAPALAIYAM,
18th June, 2008.

P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN.



NOTICE

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

1. Shri. N.R.K. Venkatesh Raja

Shri N.R.K. Venkatesh Raja, aged 57 years, holds a degree in Engineering. He has been on the Board of Rajapalayam Mills Ltd. since 1986.

He holds 12,160 Equity shares in the Company.

He is also a Director in the following Companies:

1. Sri Yennarkey Services Ltd.
2. Sri Vidhiya Spinners Private Ltd.

2. Shri. S.S. Ramachandra Raja

Shri S.S. Ramachandra Raja, aged 73 years, holds a degree in Science. He has been on the Board of Rajapalayam Mills Ltd. since 1992.

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

1. Share Transfer Committee
2. Investor Grievances Committee

He holds 12,240 Equity shares in the Company.

He is also a Director in the following Companies:

1. Ramco Industries Ltd.
2. Sri Vishnu Shankar Mill Ltd.
3. Ramco Systems Ltd.
4. Sri Sethu Ramasamy Farms Private Ltd.
5. Ramco Management Private Ltd.



NOTICE

3. Shri. N.K. Ramasuwami Raja

Shri N.K. Ramasuwami Raja, aged 65 years, holds a degree in Science. He has been on the Board of Rajapalayam Mills Ltd. since 1980.

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

1. Audit Committee
2. Remuneration Committee
3. Share Transfer Committee

He holds 7,700 Equity Shares in the Company.

He is Managing Director of Madras Chipboard Ltd. and he is also a Director in the following Companies:

1. Sri Harini Textiles Ltd.
2. Ramco Agencies Private Ltd.



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their 72nd Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2008 after charging all expenses and contribution to P.A.C.Ramasamy Raja Memorial Fund of Rs. 36,00,000/- 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. 55,74,88,015/-

After deducting Rs.15,13,53,821/- towards interest cost and providing Rs. 26,56,15,626/- towards Depreciation, the Net Profit for the year is Rs. 14,05,18,568/-. Adding the surplus of Rs. 1,88,30,908/- brought forward from the previous year, your Directors propose to appropriate the total sum of Rs. 15,93,49,476/- as detailed below:

		Rs.
Provision for Taxation	- Current Tax - MAT	96,00,000
	- Deferred Tax	1,90,00,000
	- Fringe Benefit Tax	15,00,000
First Interim Dividend	@ 30% (P.Y. - 30%)	1,05,37,740
Second Interim Dividend	@ 30% (P.Y. - 30%)	1,05,37,740
Tax on Interim Dividends	@ 16.995%	35,81,778
Final Dividend	@ 60% (P.Y. - 60%)	2,10,75,480
Tax on Final Dividend	@ 16.995%	35,81,778
Transfer to General Reserve		6,66,40,000
Balance carried over to Balance Sheet		1,32,94,960
	TOTAL	<u>15,93,49,476</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. 71,63,556/- .

TAXATION

An amount of Rs. 301 Lakhs has been provided for Income-Tax (MAT), Fringe Benefit Tax (FBT) and Deferred Tax. However, the cash outflow for Income-Tax is only Rs. 111 Lakhs towards Current Tax (MAT) and FBT. The balance of Rs. 190 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

The Textile Industry, in general, has been passing through the un-precedented crisis during last year. There was steep increase in the prices of cotton during the year when compared to last year. The yarn prices showed declining trend because of various reasons viz., recession in the US economy, appreciation of rupee, huge capacity addition etc. The rupee has been appreciated against dollar by more than 10% during the last year, which means that margin on exports has reduced to that extent, impacted heavily on the profits of the Company.

Furnace oil prices have gone up substantially and frequent power failures forced the company to operate Captive Gensets, which resulted in higher power cost. Timely decision taken by your Directors to install wind mills in previous years has helped the Company to maintain the power cost at reasonable level. By implementing various modernization programmes and production of flexible count pattern with more value added yarn, your Directors were able to achieve satisfactory results in the current market scenario.

EXPORTS

On the export front during the year, we have made direct export of Cotton Yarn for a value of Rs. 83.80 Crores as against Rs. 82.30 Crores of the previous year.

Shri Ramco Bio-Tech, our Tissue Culture Unit, has exported live plantlets for a value of Rs.1.97 Crores as against Rs.1.54 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 modernisation programme, the Company has invested about Rs.14 Crores by availing term loan under Technology Upgradation Fund (TUF) scheme for investment in state-of-the-art textile machinery & equipments like Slub Yarn System, Elite Compact Set, Auto Coners, Combers etc.

EXPANSIONS

As reported in the Directors' Report in the previous year, the Company has implemented the expansion of Spindles capacity by 16,800 spindles with state-of-the-art textile machineries at a project cost of Rs. 45.50 Crores. The project has been commissioned and commercial production has been started during March, 2008. All the machineries installed in the Unit are with most advanced spinning systems from Rieter Compact K441 with Link Coner from Savio. The entire back process machineries were imported from Rieter with latest Blow Room, Carding and Auto-piecing Combers except Simplex Machines imported from China. The Unit is producing yarn with Excellent Quality, which are incomparable with normal yarn as it is untouched by hand in the entire process. As expected, the demand for this high quality yarn is very good and full benefit of this Project will accrue from the Financial Year 2008-09.



DIRECTORS' REPORT

As reported in the earlier Directors' Report, the expansion of TFO capacity at a project cost of Rs.15.14 Crores has been commissioned and commercial production has been started during January, 2008.

The Company is establishing additional capacity of Open End Spinning Unit at Andhra Pradesh with 1800 Nos of automatic high speed Savio OE Rotors to produce high quality yarn. The estimated project cost is Rs.37 Crores. The project is slated to be commissioned in August, 2008. All the above projects are covered under Technology Upgradation Fund (TUF) scheme.

PROSPECTS FOR THE CURRENT YEAR

There was a steep increase in the prices of cotton during this year. Though yields of cotton were good during the last cotton season, due to export of cotton, there was un-precedented increase in cotton prices. The prices of yarn were stagnant due to recessionary trend in both domestic and global markets. The Interest rates are also hardening. There is also steep hike in crude oil prices and the generation of power by Captive Gensets is no more economically viable. By taking various measures for production of value added yarns and other cost reduction measures, your Directors are hopeful of achieving satisfactory results for the current year.

WIND MILL

The Wind Mill Division with an installed capacity of 21.90 M.W. is working satisfactorily. There were interruptions in the grid availability due to insufficient infrastructure facility at the evacuation point and also lower wind velocity during the peak season, which resulted in lower generation of power. The Division has generated 415 Lakhs Kwh as compared to 453 Lakhs Kwh of the previous year. The income during the year from the Wind Mill Division was Rs.15.19 Crores as against Rs.17.38 Crores of previous year.

SHRI RAMCO BIOTECH (RESEARCH & DEVELOPMENT)

The working of the unit after charging all expenses but before providing interest and depreciation has resulted in operating profit of Rs.77 Lakhs. New initiatives have been taken to develop quality products and various new measures have been taken including setting up of poly house for hardening the plants near the marketing locations. With new initiatives, we hope to improve its contribution to the Company in the coming years.

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 31-03-2008 was 2644.



DIRECTORS' REPORT

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company.

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. ERP System developed by Ramco Systems Ltd. has been installed for online monitoring of all functions and management information reports are being used to have better control and to take decision in time.

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

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

1. Shri N.R.K. Venkatesh Raja
2. Shri S.S. Ramachandra Raja
3. Shri N.K. Ramaswami Raja

At the Board Meeting held on 16th January, 2008, Shri A.V. Dharmakrishnan has been co-opted as an Additional Director and will hold office till the date of the forthcoming AGM. A Notice has been received from a Member signifying his intention to propose the appointment of Shri A.V. Dharmakrishnan at the AGM.

PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2008 were Rs.58.55 Lakhs including the deposits renewed in accordance with Section 58A of the Companies Act, 1956. There was no deposits unclaimed / unpaid as on 31-03-2008.



DIRECTORS' REPORT

SHARES

The Company's shares are listed in Madras Stock Exchange Limited and Bombay Stock Exchange Limited. The Company has paid listing fees to the Stock Exchanges for the Financial Year 2008-09.

AUDITORS

M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants and M/s. Ramakrishna Raja and Co., Chartered Accountants, Auditors of the Company retire at the end of the 72nd Annual General Meeting and are eligible for re-appointment.

COST AUDITORS

The Government has approved the Company's proposal to appoint M/s. Geeyes & Co. Cost Accountants, Chennai for audit of Company's cost accounts for the year ended 31-03-2008 on a remuneration of Rs. 30,000/- exclusive of out-of-pocket expenses. As per Central Government's direction, cost audit will be done every year.

CONSERVATION OF ENERGY, ETC.

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

CORPORATE GOVERNANCE

The 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 II to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that -

- i) In the preparation of Annual Accounts for the year ended 31st March, 2008 the applicable accounting standards had been followed;
- ii) The selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;



DIRECTORS' REPORT

- iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act had been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Annual Accounts were prepared on a going concern basis.

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors,
For RAJAPALAYAM MILLS LTD.,

RAJAPALAIYAM,
18th June, 2008.

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 : The practice of computing monthly UKG (40s converted) being continued to monitor monthly fluctuation.
- Energy Audit to check the energy consumption is being conducted periodically.
- 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:

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (f) 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.
- (g) i) Total foreign exchange used (including Capital Goods) : Rs. 7,792 Lakhs
- ii) Total foreign exchange earned (in FOB Value) : Export of Cotton Yarn - Rs. 8,380 Lakhs
: Export of Tissue Culture Plants - Rs. 197 Lakhs



ANNEXURE I TO DIRECTORS' REPORT

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION	2007-2008	2006-2007
1. Electricity		
(a) Purchased		
Units	Lakhs KWH	658.37
Total Amount	Rs. in Lakhs.	2,819.34
Rate per unit	Rs.	4.28
(b) Own Generation		
Through Diesel Generator	Lakhs KWH	27.78
Unit per Litre of Furnace/ Diesel Oil	KWH	3.31
Cost per unit	Rs.	7.43
2. Furnace oil		
Quantity	Lakhs Ltrs.	5.35
Total Cost	Rs. in Lakhs.	101.66
Average Rate	Rs.	18.98
3. Diesel oil		
Quantity	Lakhs Ltrs.	3.05
Total Cost	Rs. in Lakhs.	104.79
Average Rate	Rs.	34.38

B. CONSUMPTION PER UNIT OF PRODUCTION

Product : Cotton Yarn
Unit : Kg. (40s Converted)

Electricity (Unit / Kg.)	5.63	5.54
(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 FOR 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
- Micropropagation system development of various ornamental plants like Calathea, Cordyline, Nandina etc.
 - Various new Gerbera varieties have been introduced and multi - locational trials are being conducted for their adaptability, productivity and customer preference for domestic market.
- 2 Benefits derived as a result of the above R & D**
- Large scale production of various Banana varieties for domestic market (Grand Nain, Ellaki, Malbhog etc.)
 - Large scale production of various ornamentals for export / domestic market.
- 3 Future course of action**
- Development of micropropagation systems for medicinal and aromatic plants.
 - Commissioning of in house Virus indexing facility.
 - Micropropagation system development of the ornamentals other than the above.
- 4 Expenditure on 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

- Efforts, in brief, made towards technology absorption and innovation.
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development import substitution etc.
 - Technology imported
 - Year of import
 - Has technology fully absorbed ?
 - If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

Not Applicable



ANNEXURE II 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 10 Directors out of which 9 Directors are Non-Executive. Fifty percentage 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 28-04-2007, 25-07-2007, 24-10-2007 and 16-01-2008.

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 Meetings attended	% of Meetings attended during the year
1.	Shri P.R. Ramasubrahmaneya Rajha	Chairman	4	100
2.	Smt R. Sudarsanam	Managing Director	4	100
3.	Shri P.R. Venketrama Raja	Promoter Director	3	75
4.	Shri S.S. Ramachandra Raja	Promoter Director	4	100
5.	Shri N.K. Ramasuwami Raja	Independent Director	4	100
6.	Dr. K.T. Krishnan	Independent Director	4	100
7.	Shri P.S. Jaganatha Raja	Independent Director	4	100
8.	Shri N.R.K. Venkatesh Raja	Independent Director	4	100
9.	Shri V.S. Vemban	Independent Director	4	100
10.	Shri A.V. Dharmakrishnan #	Professional Director	-	-

Shri.A.V. Dharmakrishnan was appointed on 16-01-2008.



ANNEXURE II TO DIRECTORS' REPORT

The previous Annual General Meeting of the Company was held on 25th July, 2007 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 P.R. Venketrama Raja
3.	Shri S.S. Ramachandra Raja
4.	Shri N.K. Ramasuwami Raja
5.	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 behaviours.
- 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 II 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.

The code of conduct has also been posted on the Company's website www.rajapalayammills.co.in

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 reports 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.

Composition :

The Audit Committee consists of the following Directors:

Sl.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

No. of Meetings held during the year : 4

Date of the Meetings : 28-04-2007, 25-07-2007, 24-10-2007 & 16-01-2008.

The Statutory Auditors, Senior Management team of the Company and Internal Auditors are invitees to the Audit Committee Meetings.

2/3rd of the members of the Audit Committee are Independent Directors as required by the Code of Corporate Governance.



ANNEXURE II TO DIRECTORS' REPORT

(b) REMUNERATION COMMITTEE

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

(c) SHARE TRANSFER 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

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

(d) INVESTOR GRIEVANCES COMMITTEE

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

No complaint has been received during the year 2007-08 and no complaints are pending as on 31-03-2008.

The above Committees meet as and when necessity arises.

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.



ANNEXURE II TO DIRECTORS' REPORT

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 22 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 as on 31-03-2008.

SI.No.	Name of the Director	No. of Shares
1.	Shri P.R. Ramasubrahmaneya Rajha	2,88,957
2.	Shri P.R. Venketrama Raja	3,72,280
3.	Shri S.S. Ramachandra Raja	12,240
4.	Shri N.K. Ramasuwami Raja	7,700
5.	Dr. K.T. Krishnan	NIL
6.	Shri P.S. Jaganatha Raja	3,180
7.	Shri N.R.K. Venkatesh Raja	12,160
8.	Shri V.S. Vemban	2,080
9.	Shri A.V. Dharmakrishnan	550

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.



ANNEXURE II TO DIRECTORS' REPORT

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.

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

For RAMAKRISHNA RAJA AND CO.,
Chartered Accountants

K.SRINIVASAN
Partner
Membership No. 21510

V.JAYANTHI
Partner
Membership No. 28952

RAJAPALAIYAM,
18th June, 2008.



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
President (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

Share Transfer Documents are to be sent to the above 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 Limited and Bombay Stock Exchange Limited for which Listing Fees for the year 2008-09 has been paid.

Stockcode

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



ANNEXURE II TO DIRECTORS' REPORT

GENERAL MEETINGS

The last 3 Annual General Meetings were held as under:

Year ended	Date	Time	Venue
31-03-2005	12-08-2005	10.00 A.M	P.A.C.R Centenary Community Hall, P.A.C.Ramasamy Raja Salai, Rajapalayam-626 108.
31-03-2006	28-07-2006	10.00 A.M	-do-
31-03-2007	25-07-2007	10.00 A.M	-do-

One 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.

During the year 2007-08, the Shareholders of the company, through postal ballot process approved the following Special Resolution :

Subject	Name of the Scrutinizer	Votes for the Resolution (No. of Shares of Rs 10 each and %)	Votes against the Resolution (No. of Shares of Rs. 10 each and %)
To extend Corporate Guarantee/ Loan to our Group Companies	CA. K. Srinivasan, Practicing Chartered Accountant	19,77,106 99.95 %	951 0.05 %

Ensuing Annual General Meeting

Date	Time	Venue
06-08-2008	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, 2007 to March, 2008)

Board Meeting for consideration of Accounts and recommendation of dividend	18-06-2008
Posting of Annual Report	On or before 13-07-2008
Book Closure date	01-08-2008 to 06-08-2008 (both day inclusive)
Last date for receipt of Proxy forms	04-08-2008
Date of the 72 nd AGM	06-08-2008
Dividend Payment date	Date of the AGM



ANNEXURE II TO DIRECTORS' REPORT

MEANS OF COMMUNICATION

The Company's Quarterly and Half yearly Unaudited Financial results and audited Annual Results are published in English in Business Line (All edition) and in Tamil in Dinamani (Madurai edition). The results were also displayed on the Company's website www.rajapalayammills.co.in

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 Date Information Filing & 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, 2008, 77.89% 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 II TO DIRECTORS' REPORT

REDRESSEL OF GRIEVANCES

There are no pending Share transfers as on 31-3-2008.

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.

Any Shareholder who is having grievance may kindly email to investorgrievance@ramcotex.com.

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, 2008.

For RAJAPALAYAM MILLS LTD.,

RAJAPALAIYAM,
18th June, 2008.

R.SUDARSANAM
MANAGING DIRECTOR.



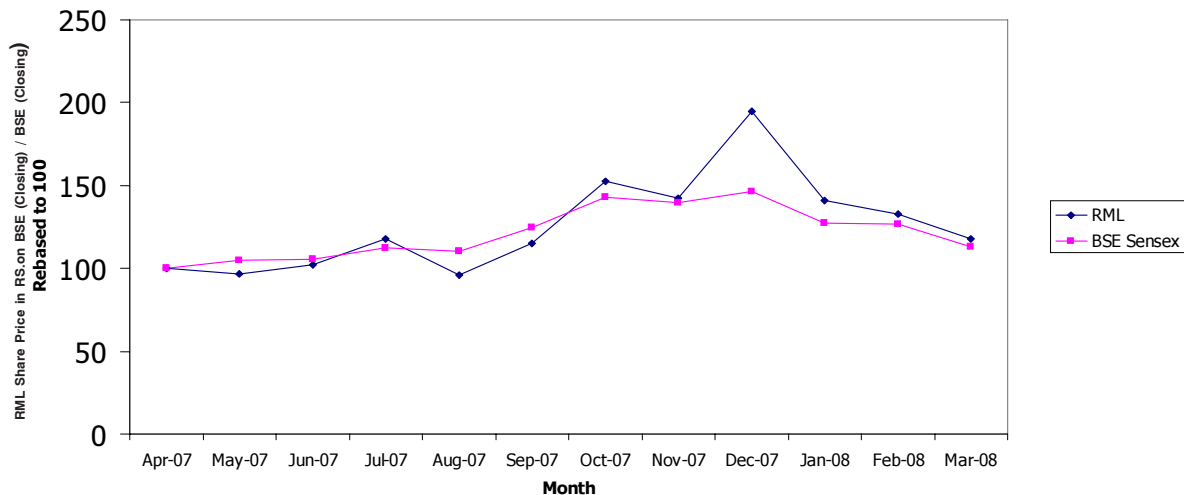
ANNEXURE II TO DIRECTORS' REPORT

STATISTICAL DATA

Share Price – High & Low / Volume (During April 2007 to March 2008 in BSE)

Month	Bombay Stock Exchange, Mumbai		
	High Rs.	Low Rs.	No. of Shares Traded
April, 2007	491.00	408.15	18709
May	538.95	443.60	7786
June	511.00	450.00	9710
July	632.00	473.00	20908
August	600.00	435.00	22800
September	634.40	440.00	30572
October	741.75	460.60	61469
November	870.00	650.00	200680
December	1045.40	677.00	128124
January, 2008	1273.05	680.55	135384
February	774.35	576.65	31978
March	643.90	545.00	76059

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





ANNEXURE II TO DIRECTORS' REPORT

Distribution of Shareholding as on 31-03-2008

No.of Shares held	Total Shareholders	%	Total Shares	%
Upto - 500	5020	90.73	370276	10.54
501 to 1000	204	3.69	153149	4.36
1001 to 2000	133	2.40	181294	5.16
2001 to 3000	51	0.92	124044	3.53
3001 to 4000	29	0.52	99174	2.82
4001 to 5000	18	0.33	82425	2.35
5001 to 10000	40	0.72	281024	8.00
10001 & above	38	0.69	2221194	63.24
Total	5533	100.00	3512580	100.00

Pattern of Shareholding as on 31-03-2008

Description	Total Shareholders	%	Total Shares	%
A. PROMOTERS HOLDING				
1. Individual / HUFS	17	0.31	1745477	49.69
Sub-total	17	0.31	1745477	49.69
B. NON-PROMOTERS HOLDING				
1. Banks, FI's Ins.Cos, Govt. Institutions	3	0.05	1030	0.03
2. NRIs/OCBs & Non-domestic Companies	19	0.34	19096	0.54
3. Private Corporate Bodies	261	4.72	136210	3.88
4. Public	5233	94.58	1610767	45.86
Sub-total	5516	99.69	1767103	50.31
Total	5533	100.00	3512580	100.00

Category of Shareholding as on 31-03-2008

Category	Total Shareholders	%	Total Shares	%
Dematerialised Form				
CDSL	1545	27.92	566350	16.12
NSDL	3079	55.65	2169776	61.77
Physical Form	909	16.43	776454	22.10
Total	5533	100.00	3512580	100.00



AUDITORS' REPORT TO SHAREHOLDERS

1. We have audited the attached Balance Sheet of Rajapalayam Mills Limited as at 31st March, 2008, the Profit and Loss Account and the 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 (the Act) 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, 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 Act;
 - (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, 2008 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, 2008;
 - (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

RAJAPALAIYAM,
18th June, 2008.

For RAMAKRISHNA RAJA AND CO.,
Chartered Accountants

V. JAYANTHI
Partner
Membership No. 28952



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 (6 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. 73.09 Crores and Rs. 25.69 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. 866.74 Lakhs and Rs. 410.30 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, 2008 for a period of more than six months from the date they became payable.
- (c) The disputed Statutory dues aggregating to Rs.7.60 Lakhs that have not been deposited on account of matter pending before appropriate authority are :

Name of the statute	Forum where dispute is pending	Amount (Rs. in Lakhs)
Service Tax	Commissioner, Appeals	7.60



AUDITORS' REPORT TO SHAREHOLDERS

- (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.
- (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

For RAMAKRISHNA RAJA AND CO.,
Chartered Accountants

K. SRINIVASAN
Partner
Membership No. 21510

V. JAYANTHI
Partner
Membership No. 28952

RAJAPALAIYAM,
18th June, 2008.



BALANCE SHEET AS AT 31ST MARCH 2008

	Schedule		As at 31-03-2008		(In Rupees) As at 31-03-2007
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	3,51,25,800		3,51,25,800	
Reserves & Surplus	2	<u>109,92,19,960</u>	113,43,45,760	<u>103,81,15,908</u>	107,32,41,708
Loan Funds					
Secured Loans	3	260,16,76,857		212,91,16,566	
Unsecured Loans	4	<u>42,98,60,649</u>	303,15,37,506	<u>20,02,72,669</u>	232,93,89,235
Deferred Tax Liability					
			24,19,40,000		22,29,40,000
			<u>440,78,23,266</u>		<u>362,55,70,943</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	458,96,98,350		378,48,59,603	
Less: Depreciation		<u>171,21,13,717</u>		<u>145,97,03,956</u>	
Net Block		287,75,84,633		232,51,55,647	
Add: Capital Work-in-progress		<u>3,58,24,616</u>	291,34,09,249	<u>1,98,24,081</u>	234,49,79,728
Investments					
	6		38,80,39,021		44,98,92,861
Current Assets, Loans & Advances					
Inventories	7	62,63,40,267		55,18,26,734	
Sundry Debtors	8	22,92,08,791		12,16,53,836	
Cash & Bank Balances	9	3,30,34,768		2,26,85,210	
Loans & Advances	10	<u>58,98,24,461</u>		<u>49,11,56,530</u>	
		<u>147,84,08,287</u>		<u>118,73,22,310</u>	
Less :					
Current Liabilities & Provisions					
Current Liabilities	11	28,25,27,047		28,56,04,637	
Provisions	12	<u>9,18,38,447</u>		<u>8,16,86,362</u>	
		<u>37,43,65,494</u>		<u>36,72,90,999</u>	
Net Current Assets					
			110,40,42,793		82,00,31,311
Miscellaneous Expenditure					
	13		23,32,203		1,06,67,043
			<u>440,78,23,266</u>		<u>362,55,70,943</u>
Significant Accounting Policies					
	21				
Notes on Accounts					
	22				

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,
Rajapalayam, 18th June 2008.

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
A.V. DHARMAKRISHNAN
Directors



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	Schedule	For the year ended 31-03-2008	(In Rupees) For the year ended 31-03-2007
INCOME			
Sales	14	204,76,06,926	181,81,16,110
Value of Power Generated from Wind Mills		15,19,13,709	17,37,74,012
Other Income	15	24,52,58,835	14,87,90,683
Increase / (Decrease) in stock	16	-2,26,37,220	7,50,77,663
		<u>242,21,42,250</u>	<u>221,57,58,468</u>
EXPENDITURE			
Raw Material consumed		99,33,75,161	84,18,42,135
Trade Purchases		1,17,33,501	64,19,040
Salaries,Wages & Other amenities to employees	17	18,18,10,482	15,71,28,926
Power & Fuel		33,12,61,110	30,56,84,228
Packing Materials consumed		4,14,37,667	3,04,44,379
Job Work Charges		9,08,48,533	5,97,46,355
Repairs & Maintenance	18	10,02,58,042	10,13,74,959
Interest & Finance Charges	19	15,13,53,821	11,92,45,700
Managing Director's Remuneration		55,28,530	1,20,69,799
Licences & Taxes		66,58,409	71,33,674
Deferred Revenue Expenses		83,34,840	1,38,59,950
Administrative Expenses	20	8,80,14,934	8,73,30,400
Donations		53,93,026	63,26,170
Depreciation		26,56,15,626	23,23,54,069
Provision for Taxation			
Current Tax - MAT		96,00,000	2,20,00,000
Deferred Tax		1,90,00,000	4,50,00,000
Fringe Benefit Tax		15,00,000	15,00,000
		<u>231,17,23,682</u>	<u>204,94,59,784</u>



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	Schedule	For the year ended 31.03.2008	(In Rupees) For the year ended 31.03.2007
Profit for the year		11,04,18,568	16,62,98,684
Add: Brought Forward from Previous Year		1,88,30,908	1,12,20,800
Balance available for appropriation		12,92,49,476	17,75,19,484
Appropriated as :			
Transfer to General Reserve		6,66,40,000	11,00,00,000
Interim Dividends		2,10,75,480	2,10,75,480
Tax on Interim Dividends		35,81,778	29,55,838
Final Dividend		2,10,75,480	2,10,75,480
Tax on Final Dividend		35,81,778	35,81,778
		11,59,54,516	15,86,88,576
Balance carried to Balance Sheet		1,32,94,960	1,88,30,908
Earnings per Share (Basic & diluted)		31	47
Significant Accounting Policies	21		
Notes on Accounts	22		

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
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N.R.K.VENKATESH RAJA
V.S.VEMBAN
A.V. DHARMAKRISHNAN
Directors



SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2008

	As at 31-03-2008	(In Rupees) As at 31-03-2007
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	91,33,60,000	80,33,60,000
Add : Transfer from Profit & Loss Account	<u>6,66,40,000</u>	<u>11,00,00,000</u>
	<u>98,00,00,000</u>	<u>91,33,60,000</u>
SURPLUS		
Balance in Profit & Loss Account	1,32,94,960	1,88,30,908
	<u>109,92,19,960</u>	<u>103,81,15,908</u>
SCHEDULE 3		
SECURED LOANS		
Term Loans (Note i)		
Rupee Loans from Bank	197,26,94,416	169,54,70,601
Foreign Currency Loans from Bank	-	70,88,326
Working Capital (Note ii)		
Rupee Loans from Bank	49,50,82,662	29,20,43,814
Foreign Currency Loans from Bank	13,38,99,779	13,45,13,825
	<u>260,16,76,857</u>	<u>212,91,16,566</u>
Notes :		
(i) Secured by pari - passu charge on the fixed assets of the company and a second charge on the current assets of the company.		
(ii) Secured by pari - passu 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	58,55,000	1,20,56,921
From Directors	4,10,30,013	6,80,325
Short Term Loan from Banks - in Foreign Currency	<u>38,29,75,636</u>	<u>18,75,35,423</u>
	<u>42,98,60,649</u>	<u>20,02,72,669</u>



SCHEDULES TO BALANCE SHEET

SCHEDULE 5 FIXED ASSETS

Particulars	Cost as at 01-04-2007	Additions during the year	Sold/ withdrawn during the year	Cost as at 31-03-2008	Depreciation upto 01-04-2007	Depreciation for the year	Depreciation Withdrawn	Depreciation upto 31-03-2008	Net Value as at 31-03-2008	Net Value as at 31-03-2007
Land	5,01,70,747	92,12,627	34,41,590	5,59,41,784	—	—	—	—	5,59,41,784	5,01,70,747
Buildings	22,57,39,909	9,91,99,393	—	32,49,39,302	4,88,84,184	73,95,039	—	5,62,79,223	26,86,60,079	17,68,55,725
Plant & Machinery	333,47,29,964	63,87,34,700	1,53,31,267	395,81,33,397	134,16,18,710	24,33,92,457	1,19,99,980	157,30,11,187	238,51,22,210	199,31,11,254
Electrical Machinery	13,02,84,297	6,94,02,914	87,403	19,95,99,808	4,41,82,510	93,40,610	83,033	5,34,40,087	14,61,59,721	8,61,01,787
Furniture & Office Equipments	3,01,28,659	32,28,980	2,00,000	3,31,57,639	1,80,22,732	30,36,707	57,485	2,10,01,954	1,21,55,685	1,21,05,927
Vehicles	1,36,68,107	57,77,603	16,57,210	1,77,88,500	69,23,244	24,46,061	10,65,367	83,03,938	94,84,562	67,44,863
Loose Tools	1,37,920	—	—	1,37,920	72,576	4,752	—	77,328	60,592	65,344
	378,48,59,603	82,55,56,217	2,07,17,470	458,96,98,350	145,97,03,956	26,56,15,626	1,32,05,865	171,21,13,717	287,75,84,633	232,51,55,647



SCHEDULES TO BALANCE SHEET

			(In Rupees)	
			As at 31-03-2008	As at 31-03-2007
SCHEDULE 6				
INVESTMENTS				
Non - Trade				
Name of the Company	No. of Shares	Total Face Value Rs.		
a) Quoted				
Madras Cements Ltd	16,45,250	1,64,52,500	37,79,94,215	37,79,94,215
Ramco Industries Ltd	3,96,034	39,60,340	92,39,596	92,39,596
Ramco Systems Ltd	6,48,815	64,88,150	—	6,18,53,840
The Ramaraju Surgical Cotton Mills Ltd	1,000	10,000	5,026	5,026
Mafatlal Engineering Industries Ltd	140	14,000	14,000	14,000
Lakshmi Automatic Loom Works Ltd	2,500	25,000	25,000	25,000
Tamilnadu Jai Bharath Mills Ltd	1,200	12,000	12,000	12,000
Sub - Total			38,72,89,837	44,91,43,677
b) Unquoted				
(i) SHARES OF JOINT STOCK COMPANIES : FULLY PAID-UP				
Sri Vishnu Shankar Mill Ltd	38,400	3,84,000	2,11,022	2,11,022
Miot Hospitals Ltd	2,500	25,000	25,000	25,000
Ontime Transport Co. Ltd	50,000	5,00,000	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	12,562
(iii) OTHERS				
Ramco Group Employee's Co-op Stores Ltd	50	500	500	500
Srivilliputhur Uganda Producers Co-operative Society	10	100	100	100
Sub- Total			7,49,184	7,49,184
Total			38,80,39,021	44,98,92,861
Aggregate Value of:				
Quoted Investments - Cost			38,72,89,837	44,91,43,677
- Market Value			582,39,84,897	487,04,41,218
Unquoted Investments - Cost			7,49,184	7,49,184



SCHEDULES TO BALANCE SHEET

	As at 31-03-2008	(In Rupees) As at 31-03-2007
SCHEDULE 7		
INVENTORIES		
Raw Materials	45,76,97,534	35,89,81,819
Stores, Spares, Packing Materials etc.	1,17,10,318	1,32,75,280
Process Stock	2,88,78,340	4,11,93,401
Finished Goods	<u>12,80,54,075</u>	<u>13,83,76,234</u>
	<u>62,63,40,267</u>	<u>55,18,26,734</u>
SCHEDULE 8		
SUNDRY DEBTORS (UNSECURED-CONSIDERED GOOD)		
Outstanding for a period exceeding six months	34,43,032	13,29,556
Other debts	<u>22,57,65,759</u>	<u>12,03,24,280</u>
	<u>22,92,08,791</u>	<u>12,16,53,836</u>
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on Hand	1,35,783	8,82,989
Balance with Scheduled Banks		
In Current Account	2,62,60,962	1,50,50,348
In Dividend Warrant Account	50,88,023	46,31,347
In Deposit Account	<u>15,50,000</u>	<u>21,20,526</u>
	<u>3,30,34,768</u>	<u>2,26,85,210</u>
SCHEDULE 10		
LOANS AND ADVANCES		
Unsecured : Considered Good		
Advances Recoverable in Cash or in Kind	47,50,76,363	41,01,17,163
Advance Income Tax paid, Income-Tax deducted at source and refund receivable	5,37,45,026	3,80,40,088
Deposits	5,32,75,539	4,08,38,737
Prepaid Expenses	<u>77,27,533</u>	<u>21,60,542</u>
	<u>58,98,24,461</u>	<u>49,11,56,530</u>
SCHEDULE 11		
CURRENT LIABILITIES		
Liabilities for Purchases	21,52,49,086	22,15,65,072
Interest Accrued but not due on Loans	4,49,172	7,53,079
Liabilities for Expenses	5,12,41,852	4,97,55,223
Liabilities for Other Finance	1,04,98,914	88,99,916
Unclaimed Dividends	<u>50,88,023</u>	<u>46,31,347</u>
	<u>28,25,27,047</u>	<u>28,56,04,637</u>
SCHEDULE 12		
PROVISIONS		
Provision for Taxation	4,69,12,431	3,63,60,346
Proposed Dividends	2,10,75,480	2,10,75,480
Provision for Tax on Dividend	35,81,778	35,81,778
P.A.C. Ramasamy Raja Memorial Fund	<u>2,02,68,758</u>	<u>2,06,68,758</u>
	<u>9,18,38,447</u>	<u>8,16,86,362</u>



SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended 31-03-2008	(In Rupees) For the year ended 31-03-2007
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenses		
(a) Research & Development Expenses		
Opening Balance	41,78,690	73,89,689
Add : Incurred during the year	—	—
	<u>41,78,690</u>	<u>73,89,689</u>
Less : Amortised during the year	<u>21,08,487</u>	<u>32,10,999</u>
	20,70,203	41,78,690
(b) Voluntary Retirement Scheme		
Opening Balance	64,88,353	1,71,37,304
Add : Incurred during the year	—	—
	<u>64,88,353</u>	<u>1,71,37,304</u>
Less : Amortised during the year	<u>62,26,353</u>	<u>1,06,48,951</u>
	<u>2,62,000</u>	64,88,353
	<u>23,32,203</u>	<u>1,06,67,043</u>
SCHEDULE 14		
SALES		
Sale of Yarn & Garments	201,38,69,290	179,16,21,676
Sale of Tissue Culture Plants	3,37,37,636	2,64,94,434
	<u>204,76,06,926</u>	<u>181,81,16,110</u>
SCHEDULE 15		
OTHER INCOME		
Waste Cotton Sales	98,34,793	80,57,322
Interest Received (Tax Deducted at Source - Rs. 99,93,500/-)	4,41,87,991	2,68,08,888
Rent Received	2,77,000	2,52,210
Export Incentives	5,93,57,443	3,83,98,865
Miscellaneous Income	2,78,97,553	1,57,61,201
Dividend Received	5,55,36,910	3,90,45,010
Exchange Fluctuations (Net)	1,11,25,773	1,07,29,901
Profit on Sale of Investments	3,59,26,506	58,07,000
Profit on Sale of Assets	11,14,866	39,30,286
	<u>24,52,58,835</u>	<u>14,87,90,683</u>
SCHEDULE 16		
INCREASE / (DECREASE) IN STOCK		
Closing Stock :		
Process Stock	2,88,78,340	4,11,93,401
Finished Goods	<u>12,80,54,075</u>	<u>15,69,32,415</u>
	15,69,32,415	13,83,76,234
Opening Stock :		
Process Stock	4,11,93,401	2,89,17,196
Finished Goods	<u>13,83,76,234</u>	<u>17,95,69,635</u>
	17,95,69,635	7,55,74,776
	<u>-2,26,37,220</u>	<u>7,50,77,663</u>



SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended 31-03-2008	For the year ended 31-03-2007
(In Rupees)		
SCHEDULE 17		
SALARIES, WAGES AND OTHER AMENITIES TO EMPLOYEES		
Salaries, Wages and Bonus	14,92,07,630	13,17,39,784
Contribution to Provident Fund and other Funds	2,43,41,234	1,79,92,975
Staff and Labour Welfare Expenses	82,61,618	73,96,167
	<u>18,18,10,482</u>	<u>15,71,28,926</u>
SCHEDULE 18		
REPAIRS AND MAINTENANCE		
Repairs to Buildings	1,84,71,887	2,81,65,504
Repairs to Machinery	5,09,69,449	5,07,08,395
Repairs - General	3,08,16,706	2,25,01,060
	<u>10,02,58,042</u>	<u>10,13,74,959</u>
SCHEDULE 19		
INTEREST AND FINANCE CHARGES		
Interest on Fixed Loans	9,21,76,372	6,36,94,682
Interest on Fixed and Cumulative Deposits	5,18,013	8,91,462
Interest on Other Loans	5,86,59,436	5,46,59,556
	<u>15,13,53,821</u>	<u>11,92,45,700</u>
SCHEDULE 20		
ADMINISTRATIVE EXPENSES		
Postage, Telegram & Telephone	22,20,184	22,70,657
Printing & Stationery	17,11,444	18,14,074
Travelling & Conveyance	51,97,883	67,68,619
Maintenance of Motor Car & Other Vehicles	48,88,865	46,03,567
Insurance	76,79,647	1,04,49,489
Bank Charges	33,53,893	42,50,983
Sales Expenses & Commission	3,37,24,345	3,05,59,331
Export Sales Expenses	2,31,17,724	2,10,30,943
Directors Sitting Fees	4,75,000	3,34,500
Rent	3,10,550	12,17,550
Audit, Accountancy & Legal Charges	12,42,551	8,73,623
Miscellaneous Expenses	40,92,848	31,57,064
	<u>8,80,14,934</u>	<u>8,73,30,400</u>



SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE: 21

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) For Buildings, Plant & Machinery and Electrical Machineries

- (a) 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.
- (b) From 1987-88 to 1992-93: Under Straight Line Method as per rates specified in Schedule XIV.
- (c) From 1993-94 onwards: Under Straight Line Method as per rates specified in Schedule XIV vide notification dated 16-12-1993.
- (d) For Units commissioned from 2005-06 onwards, depreciation on Plant and Machineries have been charged on Straight Line Method considering the Units as 'Continuous Process Plant'.

(ii) 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 Asset

Fixed Assets are stated at cost (net of CENVAT/VAT 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 realisable value whichever is lower.
- (ii) Process stock is valued at weighted average cost, including the cost of conversion. The cost of conversion represents direct costs viz., raw materials, labour and power.
- (iii) Finished goods are valued at cost or net realisable value whichever is lower. Cost includes cost of conversion, including a systematic allocation of production and administrative overheads 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 Wind Mills 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 and the same value has been taken as Income from Wind Mills in Profit and Loss Account. 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 maintained under the Employees Provident Fund Scheme run by the Government.
- b. The Company has its own approved Gratuity Fund to which contributions are made based on the Actuarial Valuation obtained as per Accounting Standard - 15 (Employee Benefits) (Revised) as on the Balance Sheet date. The Valuation is made using the Projected Unit Credit (PUC) actuarial method to assess the plan's liabilities. The transitional liability due to Revised AS-15 is amortised on a straight line basis over a period of 5 years.
- 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 per Accounting Standard - 15 (Revised) 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 during earlier period is amortized over a period of 5 years. No such expenditure incurred during the current year.

11. Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition of the assets till the date of commencement of commercial production have been capitalised as part of the cost of those assets.

12. Government Subsidy / Grants

Interest subsidy under Technology Upgradation Fund Scheme (TUF) is credited to the Interest and finance charges.

13. 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.



SIGNIFICANT ACCOUNTING POLICIES

The exchange difference on account of this is recognised in the Profit and Loss Account as per Accounting Standard-11 (The Effect of Changes in Foreign Exchange Rates).

- c. There is no exchange gain / loss on account of forward exchange contract as the company has not entered any such contract.

14. Earnings Per Share

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

15. Income tax

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

16. Segment Reporting

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

1. Textiles. 2. Tissue Culture. 3. Wind Mills.

Segment information is furnished below:

(Rs. in Lakhs)

Sl. No.	Particulars	Year Ended 31-03-2008	Year Ended 31-03-2007
1	Segment Revenue (Net Sales / Income)		
	Tissue Culture	337	296
	Textiles	22,592	19,373
	Wind Mills	1,519	1,738
	Net Sales / Income	<u>24,448</u>	<u>21,407</u>
2	Segment Results (Profit / Loss) Before Interest and Tax		
	Tissue Culture	-12	-153
	Textiles	1,979	2,398
	Wind Mills	952	1,295
		<u>2,919</u>	<u>3,540</u>
	Less: Interest - (Unallocable Expenditure)	1,514	1,192
	Total Profit Before Tax	<u>1,405</u>	<u>2,348</u>
3	Capital Employed (Segment Assets - Segment Liabilities)		
	Tissue Culture	775	739
	Textiles	38,200	29,853
	Wind Mills	5,080	5,557
	Total Capital Employed	<u>44,055</u>	<u>36,149</u>

17. 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: 22

NOTES ON ACCOUNTS

		As at 31-03-2008
1. Contingent Liabilities		
(i) Liability on Letter of Credit opened		
Capital Goods	Rs.	1,585 Lakhs
Others	Rs.	150 Lakhs
(ii) Estimated amount of contracts remaining to be executed on capital account not provided	Rs.	1,062 Lakhs
(iii) Liability on guarantees given by the bankers	Rs.	NIL
(iv) Liability on guarantees given to the bankers	Rs.	46,834 Lakhs
2. Income tax assessments have been completed up to the accounting year ended on 31-03-2005 i.e., Assessment year 2005-06.		

The break up of net deferred tax liability of Rs. 2,419 Lakhs as at 31-03-2008 is as under:

(Rs. in Lakhs)

	Deferred tax Liability
Timing differences on account of:	
Tax effect on difference between book depreciation and depreciation under the Income Tax Act, 1961	2,412
Tax effect on Amortization of Deferred Revenue Expenditure	7
Deferred tax liability	2,419

3. Sales Tax Assessment upto year ended 31st March, 2002 has been completed.
4. Managing Director's remuneration for the year 2007-08.

	(In Rupees)
Salary	24,00,000
Remuneration	24,62,658
Contribution to Provident Fund	2,88,000
Contribution to Superannuation Fund	3,60,000
Medical Reimbursement	17,872
Total	55,28,530

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 31-03-2008.



NOTES ON ACCOUNTS

		(In Rupees)
Net profit before tax as per Profit and Loss Account		14,05,18,568
Add: Directors' Sitting Fees	4,75,000	
Managing Director's Remuneration	<u>55,28,530</u>	<u>60,03,530</u>
		14,65,22,098
Less: Capital Profits u/s 349(3)(c)&(d) of the Companies Act		3,59,51,506
Net profit under Section 349 of the Companies Act, 1956		<u>11,05,70,592</u>
Remuneration to Managing Director at 5% of the above		<u>55,28,530</u>

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

		(In Rupees)	
Name	Closing Balance as on 31-03-2008	Interest	
1. Shri P.R. Ramasubrahmaneya Rajha	4,06,29,898	39,35,163	
2. Shri P.R. Venketrama Raja	1,59,725	1,72,301	
3. Smt R. Sudarsanam	2,40,840	2,30,875	
Total	<u>4,10,30,463</u>	<u>43,38,339</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. 62,26,353/- has been charged to current year's profit and loss account.

7. Contribution to Gratuity Fund includes an amount of Rs. 25.08 Lakhs recognised in the current period related to past service liability. An amount of Rs. 100.32 Lakhs related to past services liability remains unrecognised as at the Balance Sheet in accordance with Accounting Standard - 15 (Revised) .

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

		(In Rupees)	
		2007-08	2006-07
<u>Statutory Auditors:</u>			
a. As Auditors		1,91,124	2,02,248
b. In other Capacities			
(i) For Tax Audit		47,753	28,090
(ii) Certification Work		-	39,284
(iii) Management Consultancy		1,01,624	-
(iv) Expenses reimbursed		1,89,372	1,10,632
		<u>5,29,873</u>	<u>3,80,254</u>

9. The Company's shares are listed in Madras Stock Exchange Limited and Bombay Stock Exchange Limited for which Listing Fees for the year 2008-09 has been paid.

10. As at 31-03-2008, the company has no outstanding dues to micro, small and medium enterprises/ small-scale industrial undertaking.



NOTES ON ACCOUNTS

11. The unadjusted units generated from the Wind Mills as on 31-03-2008 are 12.53 Lakhs KWH (PY 28.46 Lakhs KWH) and its monetary value of Rs. 44.42 Lakhs (PY Rs. 101.87 Lakhs) has been included in Loans & Advances.

12. Earnings per Share

(In Rupees)

Particulars	2007-08	2006-07
Net Profit after tax (A)	11,04,18,568	16,62,98,684
No. of Shares (B)	35,12,580	35,12,580
Basic & Diluted earnings per share for Rs. 10/- each (A) / (B)	31	47

13. RELATED PARTY TRANSACTIONS

As per Accounting Standard -18 (Related Party Disclosures) 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

M/s Rajapalayam Spinners Private 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 31-03-2008	
			ICD	Interest
The Ramaraju Surgical Cotton Mills Ltd	20,00,00,000	1,21,15,069	10,00,00,000	NIL
Sri Vishnu Shankar Mill Ltd	18,50,00,000	75,91,782	NIL	NIL
Sandhya Spinning Mill Ltd	20,00,00,000	1,32,67,644	7,50,00,000	NIL
Thanjavur Spinning Mill Ltd	9,00,00,000	59,76,712	5,00,00,000	NIL
Sri Harini Textiles Ltd	4,00,00,000	6,93,151	1,60,00,000	NIL
Ramco Management Private Ltd	1,59,35,000	15,27,675	1,59,35,000	11,969



NOTES ON ACCOUNTS

2. Goods Supplied:

(In Rupees)

Name of the Related Party	Value	Outstanding as on 31-03-2008
The Ramaraju Surgical Cotton Mills Ltd	1,52,96,616	NIL
Sri Vishnu Shankar Mill Ltd	75,99,181	NIL
Sandhya Spinning Mill Ltd	52,14,591	NIL
Ramco Industries Ltd	31,71,461	NIL

3. Cost of Goods & Services purchased / availed:

Name of the Related Party	Value	Outstanding as on 31-03-2008
The Ramaraju Surgical Cotton Mills Ltd	27,17,915	NIL
Sri Vishnu Shankar Mill Ltd	1,43,03,047	NIL
Sandhya Spinning Mill Ltd	18,34,547	NIL
Thanjavur Spinning Mill Ltd	20,84,128	NIL
Madras Cements Ltd	1,07,04,564	NIL
Ramco Industries Ltd	2,14,51,805	NIL
Ramco Systems Ltd	35,14,653	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
	65,60,00,000	Canara Bank
	25,00,00,000	Tamilnad Mercantile 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
	62,40,00,000	Canara Bank
	20,00,00,000	Tamilnad Mercantile Bank
Sandhya Spinning Mill Ltd	5,28,00,000	Indian Bank
	13,10,00,000	Punjab National Bank
	10,00,00,000	Citi Bank
	72,00,00,000	Canara Bank
	15,00,00,000	Tamilnad Mercantile Bank
Thanjavur Spinning Mill Ltd	15,60,00,000	Indian Bank
	16,00,00,000	Karur Vysya Bank
	21,00,00,000	Canara Bank
Sri Harini Textiles Ltd	41,33,00,000	Axis Bank



NOTES ON ACCOUNTS

5. Investment Made during the year: NIL

6. Investments / Assets sold during the year:

(In Rupees)

Name	Value	Outstanding	Nature
Shri P.R.Venkatrama Raja	9,77,80,346	NIL	Sale of Shares
Rajapalayam Spinners Private Limited	16,84,283	NIL	Sale of Land

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

(a) Installed Capacities and Production :

Installed Capacity	UOM	2007-08	2006-07
Spindles	Nos	1,22,864	1,06,064
Rotors	Nos	2,016	1,568
Wind Mills	MW	21.90	21.90
Production			
Yarn	Kgs	1,36,23,197	1,11,60,574
Power from Wind Mills	Lakhs-KWH	415	453

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

Yarn	UOM	2007-08		2006-07	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Opening Stock	Kgs	7,84,558	11,99,02,330	4,44,086	5,82,84,861
Yarn Purchases	Kgs	1,11,197	1,17,33,501	61,916	64,19,040
Sales	Kgs	1,38,57,352	2,01,37,14,583	1,08,82,018	175,56,06,035
Closing Stock	Kgs	6,61,600	11,64,95,912	7,84,558	11,99,02,330

(c) Raw Materials Consumed :

Cotton & Cotton Waste	Kgs	1,59,17,781	99,12,90,704	1,34,00,569	83,43,02,461
-----------------------	-----	-------------	--------------	-------------	--------------

(d) Value of Imports calculated on CIF Value:

Raw Materials	25,59,52,723	14,33,59,980
Components and Spares	1,53,34,763	1,57,05,292
Capital Goods	49,99,96,481	33,16,01,541

(e) Expenditure in Foreign

Exchange during the year	77,91,66,650	50,05,78,005
--------------------------	--------------	--------------



NOTES ON ACCOUNTS

(f) Earnings in Foreign exchange (FOB Value) :

	2007-08 (Rs. in Lakhs)	2006-07 (Rs. in Lakhs)
Export - Yarn	8,380	8,230
Export - Tissue Culture Plants	197	154

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

(In Rupees)

	2007-08	%	2006-07	%
Cotton & Cotton Waste				
Imported	14,75,85,115	15	12,64,63,812	15
Indigenous	86,36,01,473	85	72,58,45,285	85
Spares and Components				
Imported	1,57,82,379	11	1,63,83,978	14
Indigenous	13,10,87,498	89	10,06,16,101	86

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

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

Signature to Schedules 1 to 22

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, 18th June 2008.

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
A.V. DHARMAKRISHNAN

Directors



CASH FLOW STATEMENT

	31-03-2008	(Rs. in Lakhs) 31-03-2007
A. Cash flow from Operating Activities		
Net Profit before tax and prior period and extraordinary items	1,405.19	2,347.99
Adjustments for :		
Depreciation	2,656.16	2,323.54
Interest paid	1,513.54	1,192.46
Interest Received	(441.88)	(268.09)
Dividend Received	(555.37)	(390.45)
Deferred revenue expenditure written off	83.35	138.60
Profit on sale of assets	(11.15)	(39.30)
Profit on sale of investments	(359.27)	(58.07)
Operating Profit before Working Capital changes	<u>4,290.57</u>	<u>5,246.68</u>
Increase in Sundry Debtors	(1,075.55)	(425.55)
Increase in Loans and Advances	(267.96)	(572.36)
Increase in Inventories	(745.14)	(263.82)
Decrease in Current liabilities	(34.78)	(1,429.97)
Cash generated from Operations	<u>2,167.14</u>	<u>2,554.98</u>
Income tax Paid	(162.53)	(100.12)
Net Cash from Operating activities	<u>2,004.61</u>	<u>2,454.86</u>
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(8,415.57)	(4,796.82)
Advance to Machinery Suppliers	(561.64)	(604.54)
Sale of Investments	977.80	166.63
Sale of Assets	86.26	84.72
Interest Received	441.88	268.09
Dividend Received	555.37	390.45
Net Cash used in Investing activities	<u>(6,915.90)</u>	<u>(4,491.47)</u>
C. Cash Flow from Financing Activities		
Proceeds from Long Term borrowings	5,666.35	3,902.47
Repayment of Long Term Loan	(2,965.00)	(1,897.68)
Proceeds from Short Term borrowings	4,320.13	1,391.93
Dividend Paid	(493.15)	(440.57)
Interest Paid	(1,513.54)	(1,192.46)
Net Cash from Financing Activities	<u>5,014.79</u>	<u>1,763.69</u>
Net Increase / (Decrease) in Cash and Cash Equivalent (A+B+C)	103.50	(272.92)
Opening Cash and Cash Equivalent (D)	226.85	499.77
Closing Cash and Cash Equivalent (E)	330.35	226.85
Net Increase / (Decrease) in Cash and Cash Equivalent (E-D)	103.50	(272.92)
As per our report annexed		
For M.S. JAGANNATHAN & N. KRISHNASWAMI, K.SRINIVASAN Partner. M.No.21510	P.R. RAMASUBRAHMANEYA RAJHA CHAIRMAN	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 A.V. DHARMAKRISHNAN
For RAMAKRISHNA RAJA AND CO., V. JAYANTHI Partner. M.No.28952 Chartered Accountants, Rajapalayam, 18 th June 2008.	SMT. R.SUDARSANAM MANAGING DIRECTOR	Directors



RAJAPALAYAM MILLS LIMITED, RAJAPALAYAM

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.

L	1	7	1	1	1	T	N	1	9	3	6	P	L	C	0	0	2	2	9	8
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Balance Sheet Date

3	1
---	---

 /

0	3
---	---

 /

2	0	0	8
---	---	---	---

 State Code

1	8
---	---

Date Month Year

II. CAPITAL RAISED DURING THE YEAR (Rs. in Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

 Right Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

 Private Placement

					N	I	L
--	--	--	--	--	---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in Thousands)

Total Liabilities

4	4	0	7	8	2	3
---	---	---	---	---	---	---

 Total Assets

4	4	0	7	8	2	3
---	---	---	---	---	---	---

Sources of Funds

Paid up Capital

			3	5	1	2	6
--	--	--	---	---	---	---	---

 Reserves & Surplus

1	0	9	9	2	2	0
---	---	---	---	---	---	---

Secured Loans

2	6	0	1	6	7	7
---	---	---	---	---	---	---

 Unsecured Loans

	4	2	9	8	6	0
--	---	---	---	---	---	---

Deferred Tax Liability

	2	4	1	9	4	0
--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

2	9	1	3	4	0	9
---	---	---	---	---	---	---

 Investments

	3	8	8	0	3	9
--	---	---	---	---	---	---

Net Current Assets

1	1	0	4	0	4	3
---	---	---	---	---	---	---

 Miscellaneous Expenditure

				2	3	3	2
--	--	--	--	---	---	---	---

Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

IV PERFORMANCE OF THE COMPANY (Rs. in Thousands)

Turnover*

2	4	4	4	7	7	9
---	---	---	---	---	---	---

 Profit/Loss Before Tax

	1	4	0	5	1	8
--	---	---	---	---	---	---

*Turnover includes Wind Mill Generation and other Income

Total Expenditure

2	3	0	4	2	6	1
---	---	---	---	---	---	---

 Profit After Tax

	1	1	0	4	1	8
--	---	---	---	---	---	---

Earnings per share in Rs.

					3	1
--	--	--	--	--	---	---

 Dividend Rate %

					1	2	0
--	--	--	--	--	---	---	---

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY

Item Code No. (ITC Code)

				5	2	0	5
--	--	--	--	---	---	---	---

Product Description

C	O	T	T	O	N	Y	A	R	N
---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

				0	6	0	2	9	9	0	9
--	--	--	--	---	---	---	---	---	---	---	---

Product Description

T	I	S	S	U	E	C	U	L	T	U	R	E	P	L	A	N	T	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

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

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

For RAMAKRISHNA RAJA AND CO.,
V. JAYANTHI
Partner. M.No.28952
Chartered Accountants,
Rajapalayam, 18th June 2008.

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
A.V. DHARMAKRISHNAN
Directors



PROXY FORM

RAJAPALAYAM MILLS LIMITED

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

Post Box No. 1, RAJAPALAIYAM – 626 117.

I/WeSon of/Wife of/Daughter of
residing at.....being a member/members of
RAJAPALAYAM MILLS LTD., do hereby appoint Sri/Smt/Miss.....Son of/Wife of/Daughter of
.....residing at..... or failing him
Sri/Smt/Miss.....Son of/
Wife of/Daughter of.....residing
atas my/our proxy to vote for me/us on my /our
behalf at the 72nd Annual General Meeting of the Company to be held on Wednesday the 6th August, 2008
at 10.00 A.M. and at any adjournment thereof.

Signed thisday of 2008.



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

Affix 1 Rupee
Revenue
Stamp and
Sign over it

Note : 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 4th August, 2008.