SRI MALINI SPINNING MILLS LIMITED

21st ANNUAL REPORT
2010 - 2011

SRI MALINI SPINNING MILLS LIMITED

ANNUAL REPORT 2010 - 2011

Board of Directors

Sri. S. Boopalan

Sri. S. Rajendran

Sri. R. Lakshmi Narayanan

Executive Director

Sri. K.S.S. Prakkaash

Auditors

L. Narayanan

Salem

Regd. Office & Factory

Trichy Main Road,

Sandhiyur,

Mallur (via),

Salem - 636 203.

NOTICE :

Notice is hereby given that then Twenty First Annual General Meeting of the Company will be held on Friday, 30th September, 2011, at 9.30 a.m. at the Registered Office of the Company at Sandhiyur, Trichy Main Road, Mallur (Via), Salem–636 203, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the Year ended 31st March 2011 and the Balance Sheet as on that date and the reports of the Directors and Auditors thereon.

2. To consider the re-appointment of Directors retiring by rotation.

Sri. R.Lakshminarayanan, the director of the company, is retiring by rotation and being eligible and willing for re-appointment offers himself for the same. Hence, the following resolution is placed before the share holders.

"Resolved that Sri. R.Lakshminarayanan, the Director of the Company, retiring by rotation, being eligible and offering himself for re-appointment, be and is hereby appointed as the Director of the Company."

3. To appoint Auditors for the current year and authorise the board to fix their remuneration.

"Resolved that, the present Auditor of the Company Mr.L.Narayanan, Chartered Accountant, Plot No.28, Sunder Gardens, Modern Theatres, Yercaud Main Road, Salem – 636 008, be and is hereby reappointed as the Auditor of the Company until the conclusion of the next Annual General Meeting."

SPECIAL BUSINESS :

4. To Consider and if thought fit to pass, with or without modification, the following resolutions as Special Resolutions :-

"Resolved that subject to the provisions of the Companies Act 1956, Securities Contracts (Regulation) Act, 1956, the rules framed thereunder, listing agreement, SEBI (Delisting of Securities) Guidelines 2003 and such other applicable laws, rules,

regulations and guidelines, and subject to such approvals, permission and sanctions, as may be necessary, the Board of Directors of the Company be and is hereby authorized to seek voluntarily delisting of its Equility shares from Coimbatore, Madras and Ahmedabad Stock Exchanges."

"Resolved further that the Equity Shares of the Company shall continue to be listed on the Stock Exchange having nation wide trading terminals viz, BSE and therefore as per the said guidelines issued by the SEBI, NO exit opportunity need to be given to the shareholders of the company."

"Resolved further that the Board of directors of the company be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deed and documents as may be considered necessary and expedient to give effect to the above said resolution."

By Order of the Board.

Place : Salem.
Date : 02.08.2011

(KSS PRAKKAASH)
Executive Director.

Item 4 Explanatory Statement as required under Sec.173(2) of the Companies Act 1956 in respect of item no 4 of the notice is annexed.

The Equity shares of the Company are being listed in Bombay, Madras, Coimbatore and Ahmedabad Stock Exchanges since the public issue. Since then the requirements of the listing agreements with the stock exchanges have been duly complied with. The listing fees to the stock exchanges have been paid including the fees for the FY 2011-2012.

SEBI Guidelines provides that if the shares of the company are listed with a Stock Exchange which has a nation wide electronic trading terminal, the listing with other stock exchanges is not mandatory. Bombay Stock Exchange Limited has a nation wide electronic trading terminal and recognized by Securities Exchange Board of India - SEBI, for the above purpose. In the light of the above the special resolutions in Item No 4 are placed before the shareholders for their kind perusal.

None of the Directors are interested in the above cited resolutions in Item 4.

Notes :

1. A member entitled to attend and vote is authorised to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. The proxy form duly stamped and executed shall be deposited at the registered office of the Company atleast 48 Hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th September 2011 to 30th September 2011 (both days inclusive).
4. Member / Proxies should bring the attendance slip sent herewith duly filled in and handover the same at the entrance of the meeting hall.
5. Consequent upon the rate of capital erosion of the company as stipulated by the Regulations of Depositories, our Company has been denied the facilities of 'dematerialisation'.
6. Therefore the shareholders are requested to send their Share transfer documents and all correspondence relating thereto, to the Registered office of the Company at Trichy Main Road, Sandhiyur, Mallur – Via, Salem – 636 203. The shareholders may kindly ask the transferees to furnish their PAN (Permanent Account Number) for the purpose of transfer, as it is the current requirement stipulated by SEBI for transferring the shares in favour of the transferee.
7. Queries on the Agenda items reach the Registered Office at least 10 days before the AGM, so that the same can be suitably replied.

By Order of the Board.

Place : Salem.
Date : 02.08.2011

(KSS PRAKKAASH)
Executive Director.

DIRECTORS' REPORT

Your directors have pleasure in presenting the Twenty First Annual Report with Audited Accounts of the Company.

FINANCIAL RESULTS

The Financial Results for the period ended 31-03-2011 are as under :

	Rs. In lacs:	
Particulars	**2010-2011**	2009-2010
Sales including other Income	**1582.78**	132.19
Profit/Loss before interest and Depreciation	**1408.69**	113.71
Financial Cost	**205.18**	264.87
Depreciation	**14.81**	25.52
Prior Period Adjustments	**---**	---
Profit / Loss before taxation	**1188.70**	(176.68)
Deferred Tax	**---**	---
Add : Loss brought forward from the Previous Year	**(2475.96)**	(2181.10)
Net Loss carried to Balance Sheet	**(1287.25)**	(2475.96)

DIVIDEND :

No. Dividend is recommended by the board since the profit is on account of settlement with banks and there is no cash in flow in that account.

REVIEW OF OPERATIONS AND FUTURE OUT LOOK :

The members of the Company are aware that the company had availed Working Capital loan from Catholic Syrian Bank and the account turned NPA. In the Year 2006 Catholic Syrian Bank sold this loan asset to Kotak Mahindra Bank. The Status of Non Performing asset continued and the assets were sold under the Secutisation Act in Oct.2010. The liability was settled for a consideration of 2.70 crores by disposal of the assets of the company and the gains arising on account of the loan closure Rs.1414.94 Lakhs is credited to the profit and loss account under the head other Income.

During the period under review, the Company has shown a profit of Rs.1188.70 Lakhs due to one time settlement of dues to M/s.Kotak Mahendra Bank Ltd. The only revenue to the company is by way of lease rentals received from M/s.Thiruvalluvaar Textiles Private Limited, Post Box No.6, 2-9, Singalandapuram Privu Road, Rasipuram-637 408, to whom the company has been leased out in November 2007.

In spite of the above changes in income structure, the management is taking all efforts to control the expenditures.

DIRECTORS RESPONSIBILITY STATEMENT :

The Board of Directors of the Company confirms :

1. That in the preparation of the Annual accounts, the applicable accounting standards have been followed and there has been no material departure.

2. That selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the loss of the Company for that period.

3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding assets of the Company and for preventing and detecting fraud and other irregularities.

4. That the Annual accounts have been prepared on a going concern basis.

AUDITORS

Our Company Knows that the present Auditor of the Company Mr. L. Narayanan, Chartered Accountant, Plot no 28, Sunder Gardens, Modern Theatres, Yercaud Main Road, Salem-636 008, was re-appointed as the Auditor of the Company in the AGM held on 30.09.2010. He is holding his office since then. His office becomes vacant with the conclusion of the 21th Annual General Meeting. As he is eligible and willing, offers himself for re-appointment during the current year.

DIRECTORS

Sri. R. Lakshminarayanan, the director of the company, retiring by rotation and being eligible and willing for re-appointment offers himself for the same.

PARTICULARS OF EMPLOYEES

During the year under review, there were no employees with in the purview of Section 217(2A) of the Companies Act, 1956. Information as required under Section 217(1) (e) is Nil.

APPOINTMENT OF WHOLE TIME COMPANY SECRETARY

The office of the whole time company secretary is vacant and the board is taking necessary steps to fill the vacancy at the earliest.

PERSONNEL

Your Directors wish to place on record their deep appreciation of the good work performed by the employees. Cordial relationship is maintained with all the employees of the company. Your Directors look forward to the same in future.

ACKNOWLEDGEMENT

Your Directors wish to thank various Government Agencies, the Banks and other Institutions for their continued co-operation and support to the Company.

For Sri Malini Spinning Mills Limited

Salem	S. RAJENDRAN	K.S.S. PRAKKAASH
02.08.2011.	Director.	Executive Director

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Sri Malini Spinning Mills Limited, a Company in the Textile Spinning Activity is committed in adopting the best possible practices of corporate governance. Corporate Governance envisages commitment of the Company towards the attainment of corporate goals at moderate cost, attaining the goal of making itself transparent and accountable with the ultimate objective of protecting the long term interest of the Shareholders and other stakeholders.

The composition of the Board of Directors and other details as at 31st March 2011 is as under:-

Name of the Director.	Executive Non-Exec. Independent	No.of Meetings attended	Attendance at last AGM held on 30.09.2010	No.of outside Direct-orship	No.of Member-ship/Chairman ship in other Board/Committee
Sri.KSS. Prakkaash	Executive Director.	9	Present	Nil	Nil
Sri.S. Boopalan	Independent Director	9	Present	Nil	Nil
Sri.R. Lakshmi Narayanan	Independent Director	9	Present	Nil	Nil
Sri.S. Rajendran	Independent Director	9	Present	Nil	Nil

The total strength of the Board as on the date of the report is four.

Board Meetings were held during the Financial year 01-04-2010 to 31-03-2011 on the following dates:-

Name of the Director	DATES OF MEETINGS					
	Ist 30.04.10	IInd 31.05.10	IIIrd 30.06.10	IVth 31.07.10	Vth 13.08.10	VIth 30.09.10
Sri.KSS.Prakkaash	Present	Present	Present	Present	Present	Present
Sri.S.Boopalan	Present	Present	Present	Present	Present	Present
Sri.R.Lakshmi Narayanan	Present	Present	Present	Present	Present	Present
Sri.G.Rajendran	Present	Present	Present	Present	Present	Present

Name of the Director	DATES OF MEETINGS		
	VIIth 21.10.10	VIIth 12.11.10	IXth 12.02.11
Sri.KSS.Prakkaash	Present	Present	Present
Sri.S.Boopalan	Present	Present	Present
Sri.R.Lakshmi Narayanan	Present	Present	Present
Sri.G.Rajendran	Present	Present	Present

AUDIT COMMITTEE :

In Terms of Section 292A of the Companies Act, 1956 and amended Clause 49 of the Listing Agreement, an Audit Committee was constituted by the Board in the meeting held on 30.07.2006 with three independent Directors viz Sri.S.Boopalan, Director of the Company, Sri.S.Rajendran, Director of the Company and Sri.R.Lakshmi Narayanan, Director of the Company, S.Boopalan being the chairman of the Committee. The Powers, duties and responsibilities were delegated to the committee as per the stipulations of the Companies Act, 1956.

During the Financial Year 01/04/2010 to 31/03/2011 the Audit Committee met as per the details given here under :

Name of the Director	DATE OF MEETINGS			
	I	II	III	IV
	31.05.2010	13.08.2010	12.11.2010	12.02.2011
Sri.S.Boopalan	Present	Present	Present	Present
Sri.S.Rajendran	Present	Present	Present	Present
Sri.R.Lakshmi Narayanan	Present	Present	Present	Present

Sri.KSS.Prakkaash, the Executive Director clarified all the Points raised by the Committee as and when he was called for by the committee.

SHAREHOLDERS' GRIEVANCE

Sri KSS Prakkaash, the Executive Director of the Company, is the Compliance Officer to redress all the genuine grievances of the Shareholders and also to bring to the notice of the Board any matter of importance for the purpose of taking policy decisions in the best interest of the shareholders.

The existing Shareholders / Investors Grievance Committee takes care of the investors' grievances.

The total number of complaints received during the Financial Year 2010-2011 are categorised hereunder :

Nature of Complaint	No. of Complaints
Non receipt of Annual Report and Accounts Annual Reports were sent sufficiently in advance of every AGM. However for share holders who haven't received, Copies were sent.	3
Non receipt of Share Certificate	—
Non receipt of Duplicate Share Certificate	—
Non receipt of Refund of Share Application Money	—
Non receipt of Dividend	—

OTHERS

All the complaints were replied within 15 days of receipt of Complaints.

SHARE TRANSFER COMMITTEE :

A Share Transfer committee consisting of Sri.KSS Prakkaash, the Executive Director of the Company and Sri.R.Lakshmi Narayanan, the Director of the Company as members has been constituted in the Board meeting held on 30.06.2005.

The Committee met 6 times during the Financial year 2010-2011 and ensured that all valid transfer deeds and transmission applications were acted upon and share certificates sent to the transferee promptly with in 30 days of receipt of the documents as required under the provisions of the Stock Exchange Listing Agreements.

REMUNERATION COMMITTEE :

The Audit Committee is the Remuneration Committee.

The Board does not have any intention at present to fix any remuneration to the other Directors except paying the sitting fees with in the limits laid down under the Companies Act'1956.

ANNUAL GENERAL MEETING :

Location and time for the Last Three AGM's

Year	Date	Time	Venue
2007-2008	29.09.2008	09.30 a.m	Sri Malini Spinning Mills Limited, Registered Office, Sandhiyur (Post), Mallur (Via), Salem – 636 203.
2008-2009	30.09.2009	09.30 a.m	Sri Malini Spinning Mills Limited, Registered Office, Sandhiyur (Post), Mallur (Via), Salem – 636 203.
2009-2010	30.09.2010	09.30 a.m	Sri Malini Spinning Mills Limited, Registered Office, Sandhiyur (Post), Mallur (Via), Salem – 636 203.

No Postal ballot resolutions were passed.

DISCLOSURE

During the year 2010-2011 the Company did not have any 'related party transactions' as in envisaged under the Corporate Governance Code, that may have conflict with the interest of the Company.

No penalties were imposed on the company during the financial year 2010-2011 by the Stock Exchanges, SEBI or any other statutory Authorities related to Capital Markets.

MEANS OF COMMUNICATIONS :

The Company is publishing Unaudited quarterly results in English and Tamil Newspapers promptly besides faxing the same to the Stock Exchanges where the Shares of the Company are at present listed, immediately after each of the Board Meetings passing resolutions adopting the unaudited results.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

1. INDUSTRY STRUCTURE AND DEVELOPMENT :

The Government decided to Extend the Textile upgradation Fund Scheme for further period and discussions are taking place to include Second hand value added machineries and include subsidy Scheme for power plants.

2. OPPORTUNITIES, THREATS, RISKS AND CONCERNS :

The Industry suffered heavily during the 1st Quarter of April to June'2011 due to falling of Cotton Prices resulting in heavy reduction in yarn prices which were ruling high during 2010. The financial crises which affected USA during 2008 is again likely to affect the U.S. economy and also sluggish market conditions in European Countries will certainly affect the Textile Industry in the Export fronts.

3. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

Your Company is having a well documented and structured Systems and procedure and well laid down responsibilities for people in functional areas. The Company is equipped with reasonable equipments to the extent possible with the available finance under its control and has the support of dedicated and highly experienced human resources. The Systems are totally computerized which helps to Monitor Control Systems and the same is appraised in the Audit Committee.

FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS :

A. RESULTS OF OPERATION

1. INCOME :

Lease Rental and Interest received on Electricity Deposit.

2. EXPENSES

Due to the stoppage of operations by self and leasing the company, the management is taking all efforts to maintain the expenditure under control.

3. PROFIT / LOSS :

The Company shows a profit of Rs.1188.70 lakhs due to one time settlement of dues to M/s. Kotak Mahindra Bank Ltd.

B. FINANCIAL CONDITION

I. SOURCE OF FUNDS :

There is no change in the share capital.

2. APPLICATION OF FUNDS: NIL.

MATERIAL DEVELOPMENTS ON HUMAN RESOURCE FRONT

One of the key resource for your company is its dedicated people, but for the fluctuating availability of the labour force at times. Your Company is always striving to create a favourable work environment with the available resources at its command, doing its best by maintaining cordial relationship with the employees.

GENERAL SHAREHOLDERS INFORMATION

The Twenty First Annual General Meeting is scheduled to be held on Friday, 30th September, 2011 at 9.30 a.m at Sri Malini Spinning Mills Limited, Sandhiyur (Post), Mallur (via), Salem–636 203, as per the notice enclosed with the Annual Report. The Register of Members shall remain closed for the purpose of the AGM from 16th September, 2011 to 30th September, 2011 (both days inclusive)

The Board could not recommend any dividend due to its inability to service its borrowals.

The shares of the Company are presently listed with Madras Stock Exchange, Coimbatore Stock Exchange, Mumbai Stock Exchange and Ahmedabad Stock Exchange and the listing fees for the year 2010-2011 were paid to them. The trading of the shares of the company in the Stock Exchanges, is not worth mentioning.

Consequent upon the change in the name of the Company from 'P.A.MILLS INDIA LTD' to 'SRI MALINI SPINNING MILLS LIMITED' the share certificates were printed in the new name of the Company. The Shareholders are requested to send their old named Share Certificates to the Registered office of the Company for due cancellation, through Registered post and get the share certificates in the new name of the Company.

The distribution pattern of the shareholdings as on 31.03.2011 is as follows:

No.of shares	No.of shareholders	No of shares	% of Total Shares
01 to 250	25622	1261400	22.22
251 to 500	285	108925	1.91
501 to 1000	83	56800	1.00
1001 to 2000	30	40975	0.72
2001 to 3000	5	12875	0.23
3001 to 4000	5	17600	0.31
4001 to 5000	22	109475	1.93
5001 to 10000	4	32150	0.57
1001 and above	6	4037375	71.11
	26062	**5677575**	**100.00**

Particulars	No of shares held	% of shares held
1. Promoters	3977900	70.06
2. Mutual Fund and UTI	28800	0.51
3. Banks, Financial Institutions and Insurance Company	—	—
4. Foreign Institutional Investors	—	—
5. Corporate Bodies (Public Ltd Cos and Private Ltd Cos)	13650	0.24
6. Indian Public	1657225	29.19
7. NRIs / OCBs	—	—
Total	**5677575**	**100.00**

INVESTORS CORNER

It is brought to the kind notice of the shareholders that the Ministry of Corporate Affairs has taken a Green Initiative as part of the Corporate Governance by allowing paperless compliances and communications not overruling the other relevant statutory Enactments. The MCA clarified that the Company would have complied with the required Regulations, if the service of document has been made through electronic mode provided the Company has obtained e-mail addresses of its members for sending the notice / documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the company.

In view of the above the shareholders are requested to provide their e-mail id to srimalini2009@gmail.com sending the duly filled in form annexed at the end of this book to the company to enable the company to avail the benefits of reduction of paperwork and cost, assured / timely / quality services to the investors, contributing to global sustainability etc.,

ADDRESS FOR CORRESPONDENCE :

Registered Office & Corporate Office : M/s.Sri Malini Spinning Mills Limited
Sandhiyur (Post), Mallur (via)
Salem-636203.

For and on Behalf of the Board

Place : Salem
Date : 02.08.2011

K.S.S. PRAKKAASH
EXECUTIVE DIRECTOR

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

I have examined the compliance of conditions of Corporate Governance by Sri Malini Spinning Mills Limited, Salem for the year ended 31.03.2011, as stipulated in clause 49 of Listing Agreement of the said Company with Stock Exchanges.

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

In my opinion and to the best of our information and according to the explanations given to me.

I certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Company.

I further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

L. Narayanan
Chartered Accountant.
Membership No. 202175

Place : Salem
Date : 02.08.2011

AUDITOR'S REPORT

To

The Members
Sri Malini Spinning Mills Limited

1. I have audited the attached Balance Sheet of Sri Malini Spinning Mills Limited as at 31st March'2011, and also the related Profit and loss account and the cash flow statement for the year ended on that date annexed hereto. These financial statements are the responsibility of the management and my responsibility is to express an opinion on these financial statements based on the audit.
2. I have conducted the audit in accordance with the auditing standards generally accepted in India. Those standards require that I 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 the management, as well as evaluating the overall financial statement presentation.
3. As required by the Companies (Auditor's Report) Order 2003, issued by the company law board in terms section 227(4A) of The Companies Act, 1956, I annex hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to the comments in the annexure referred above, I report that;

a. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of audit.

b. In my opinion proper books of accounts as required by law have been kept by the company so far as appears from the examination of those books.

c. The Balance sheet, Profit and loss account and Cash flow statement dealt with this report are in agreement with the books of accounts.

d. In my opinion the Balance sheet, Profit and loss account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of Section 211 of the Companies Act 1956.

e. On the basis of written representations received from the directors as on 31st March 2011, and taken on record by the Board of Directors, I report that none of the directors are disqualified as on 31st March 2011 from being appointed as directors in terms of clause (g) of subsection (1) of section 274 of the companies Act, 1956.

f. In my opinion and to the best of information and according to the explanations given to me the said financial statement together with the notes thereon and attached thereto give the information required by the Companies Act 1956 and give a true and fair view in conformity with the accounting principles generally accepted in India.

   I. In the case of balance sheet, of the state of affairs of the company as at 31st March'2011

   II. In the case of Profit and loss account, of the **Profit (refer notes on accounts)** of the company for the year ended on that date and

   iii. In the case of cash flow statement, of the cash flows for the year ended on that date.

L. Narayanan
Chartered Accountant.
Membership No. 202175

Place : Salem
Date : 02.08.2011

Annexure to the auditor's report of even date to the members of Sri Malini Spinning Mills Limited.

1. Fixed Assets

   a. The company had maintained maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.

   b. Major portion of these fixed assets have been physically verified by the management at reasonable intervals during the year. In my opinion the frequencies of verification of the fixed assets by the management is reasonable having regard to the size of the company and the nature of its business and no material discrepancies have been noticed on such verifications.

   c. The company had taken loan from Catholic Syrian Bank and the account turned NPA. Subsequently the loan asset was sold to Kotak Mahindra Bank by Catholic Syrian Bank along with the assets Charged (Land and Building and Plant & Machinery). The lenders namely Kotak Mahindra Bank issued a notice under SECURITISATION act subsequently and these assets were sold for a consideration of 270.00 lacs. The company has disposed off its factory building and machinery during the year under report.

2. Inventories

   The Company did not carry any inventory during the year under report.

3. Loans

   In respect of the loans taken as informed to me, the company has not taken / granted any loan secured or unsecured from / to companies, firms or other person covered in the register maintained under section 301 of the Companies Act 1956.

4. Internal Control

   In my opinion and according to the information and explanations given by the Management, the company has an adequate Internal control system commensurate with the size of the company and the nature of its business with regard to purchase, fixed assets and conversion charges received and during the course of audit, no major weakness has been noticed in the internal control system.

5. Contracts and arrangements

   There are no of transactions for purchases of goods and materials and sale of goods, materials and services rendered, that needed to be entered in the register in pursuance of section 301 of the Companies Act 1956.

6. Public deposits

   The company has not accepted any deposit form public during the year under report.

7. Internal Audit System

   In my opinion the company has an adequate internal audit system commensurate with its size and the nature of its business.

8. Cost Records

   In my opinion, prima-facie the prescribed accounts and records under section 209(1) (d) have been maintained. However we are not required to carry out a detailed examination of such records and accounts.

9. Statutory dues

As per the records of the company and the information and explanations given, the company is generally regular in Depositing with the appropriate authorities undisputed amounts of Provident fund, ESI dues, Sales Tax, Wealth tax, Service Tax, excise duty, etc. No undisputed amounts were outstanding as at 31/3/2011 for a period of more than six months from the date they became payable in respect of the above.

10. Accumulated losses

The accumulated loses at the end of the financial year are more than 50% of the net worth. The Losses are mainly due to the Financial Charges payable which has been provided in the books of accounts for in respect of liability to Banks.

11. Liability to Banks & Financial Institution

No Interest has been paid to the Bankers during the year under report in respect of their Loans.

12. Loans on pledging of shares etc.

On the basis of the information and explanations given the management the company has not granted any loan and advances on the basis of security by way of pledge of shares, debentures and other securities.

13 Applicability of provisions special statute of chit fund etc

The provision of the any special statue applicable to chit fund does not apply to this company.

14. Dealing in Shares & Securities

As explained by the management, the Company does not deal in shares, securities, debentures, and other Investments and therefore the question of maintenance of proper records the same does not arise.

15. Guarantees

The Company has not given any guarantee for loans taken by others.

16. Long Term Loans

The Company has not taken any term loan during the year under report.

17. Funds Utilization

The Company has not used funds raised on short-term basis used for long-term investment and vice versa.

18. Preferential Allotment of shares

The Company has not allotted any preferential allotment of shares during the year under report.

19. Debentures

The Company has not issued any debentures during the year under report.

20. Public issue

The Company has not raised any money from public during the year under report.

21. Frauds

As explained by the management and on the basis of verification of records, no instances of fraud has been Noticed or reported during the year.

L. Narayanan
Chartered Accountant.
Membership No. 202175

Place : Salem
Date : 02.08.2011

SMSM

SRI MALINI SPINNING MILLS LIMITED, SALEM

Regd. Off. : Trichy Main Road, Sandhiyur, Mallur (via), SALEM-636 203.

BALANCE SHEET

	Schedule No.	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SOURCES OF FUNDS			
1. SHAREHOLDERS FUND			
Share Capital	1	**63187650**	63187650
Reserves and Surplus	2	**25000**	25000
2. LOAN FUNDS			
Secured Loans	3	**175498856**	147336361
Unsecured Loans	4	**45669678**	45669678
3. DEFERRED TAX LIABILITY		**0**	4693477
Total		**284381184**	260912166
APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
Gross Block		**0**	171267522
Less : Depreciation		**0**	144483421
Net Block		**0**	26784101
Good Will		**0**	5835428
Total		**0**	32619529
2. CURRENT ASSETS LOANS AND ADVANCES			
Cash and Bank Balances	6	**30552**	48549
Loans and Advances	7	**185518180**	33108783
Total		**185548732**	33157332
Current Liabilities and Provisions	8	**29893120**	61997675
NET CURRENT ASSETS		**155655612**	(28840343)
3. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	9	**0**	9536872
4. PROFIT AND LOSS ACCOUNT		**128725572**	247596107
TOTAL		**284381184**	260912166

S. RAJENDRAN
Director

K.S.S. PRAKKAASH
Executive Director

As per my report of even date.,
L. NARAYANAN
Chartered Accountant
Member ship No : 202175

Place : Salem.
Date : 02.08.2011

SMSM

SRI MALINI SPINNING MILLS LIMITED, SALEM

Regd. Off. : Trichy Main Road, Sandhiyur, Mallur (via), SALEM-636 203.

PROFIT AND LOSS ACCOUNT

	Schedule No.	31.3.2011 Rs.	31.3.2010 Rs.
INCOME			
Sales		**0**	0
Other Income	10	**158278574**	13218561
Total		**158278574**	13218561
EXPENDITURE			
Other Expenses	11	**2034422**	1910239
Financial Charges	12	**20520079**	26488248
Total		**22554501**	28398487
Profit before depreciation & Taxation		**135724073**	(15179926)
Depreciation		**1481238**	2552258
Profit / (Loss) for the Year		**134242835**	(17732184)
Prior Period & Extraordinary Items		**15372300**	-1555275
Profit / (Loss) after prior Period Adjustments		**118870535**	(16176909)
Deferred Tax		**0**	157840
Balance brought forward from Previous Year		**-247596107**	-231577038
Balance transferred to Balance Sheet		**(128725572)**	(247596107)

S. RAJENDRAN
Director

K.S.S. PRAKKAASH
Executive Director

As per my report of even date.,
L. NARAYANAN
Chartered Accountant
Member ship No : 202175

Place : Salem.
Date : 02.08.2011

SMSM

SRI MALINI SPINNING MILLS LIMITED, SALEM

Regd. Off. : Trichy Main Road, Sandhiyur, Mallur (via), SALEM-636 203.

SCHEDULES FORMING PART OF ACCOUNTS

Schedules forming part of Accounts	As at 31.3.2011 Rs.	As at 31.3.2010 Rs.
1. SHARE CAPITAL		
Authorised		
10,00,000 - 10% Cumulative Reedeemable Preference Shares of Rs.10/- each.	10000000	10000000
90,00,000 Equity Shares of Rs.10/- each	90000000	90000000
Total	**100000000**	100000000
Issued		
7,75,000 - 10% Cumulative Reedenable Preference Shares of Rs.10/- each.	7750000	7750000
56,77,575 Equity Shares of Rs.10/- each	56775750	56775750
Total	**64525750**	64525750
Subscribed, called and paid-up		
7,75,000 - 10% Cumulative Redenable Preference Shares of Rs.10/- each.	7750000	7750000
Issued subscribed and paid up 56,77,575 Equity Shares of Rs.10/- each	56775750	56775750
Less : Calls in arrears	1338100	1338100
Total	**63187650**	63187650
SCHEDULE - 2		
RESERVES AND SURPLUS		
Capital Reserve	25000	25000
Total	**25000**	25000
SCHEDULE - 3		
SECURED LOANS		
From Banks & NBFC's	175498854	147336359
Total	**175498854**	147336359
SCHEDULE - 4		
UNSECURED LOANS		
From Erstwhile Directors	26083597	26083597
Others	19586081	19586081
Total	**45669678**	45669678

SCHEDULE - 5
FIXED ASSETS

DEPRECIATION STATEMENT AS PER COMPANIES ACT

DESCRIPTION	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	AS ON 01-04-2010 Rs.	ADDITIONS Rs.	DELETIONS Rs.	**AS ON 31-03-2011 Rs.**	AS ON 01-04-2010 Rs.	DEPN RATE	FOR THE YEAR Rs.	Withdrawn Rs.	**AS ON 31-03-2011 Rs.**	**AS ON 31-03-2011 Rs.**	AS ON 31-03-2010 Rs.
Land	1744672	---	1744672	---	---	---	---	---	---	---	1744672
Building	41883163	---	41883162	---	21502424	3.34%	816024	22318448	---	---	20380739
Plant & Machinery	121917258	---	121917258	---	119989065	10.34%	390264	120379329	---	---	1928193
Electrical Fittings	697791	---	697791	---	359831	7.07%	28778	388609	---	---	337960
Computers	80100	---	80100	---	80099	16.21%	---	80099	---	---	1
Office Equipments	381772	---	381772	---	306581	6.33%	14097	320678	---	---	75191
Furniture & Fittings	325010	---	325010	---	325009	6.33%	---	325010	---	---	1
Vehicles	4187826	---	4187826	---	1920412	9.50%	232075	2152487	---	---	2267414
Live Stock	49930	---	49930	---	---	---	---	---	---	---	49930
Total	**171267552**	**---**	**171267551**	**---**	**144483421**		**1481238**	**145964660**	**---**	**---**	**26784101**

	As at 31.3.2011 Rs.	As at 31.3.2010 Rs.
SCHEDULE - 6		
CASH & BANK BALANCES		
Cash on Hand	**0**	0
Cash at Bank :		
in Current Account	**30552**	48549
Total	**30552**	48549
SCHEDULE - 7		
LOANS AND ADVANCES		
(advances recoverable in cash or in kind or for the value to be received)		
Deposits	**7029743**	7922159
Advances	**178488437**	25186624
Total	**185518180**	33108783
SCHEDULE - 8		
CURRENT LIABILITIES AND PROVISIONS		
Sundry Creditors	**29893120**	61997675
Total	**29893120**	61997675
SCHEDULE - 9		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary expenses	**0**	29213
Public Issue Expenses	**0**	9507659
Total	**0**	9536872

	For the year ended 31.3.2011 Rs.	For the year ended 31.3.2010 Rs.
SCHEDULE - 10		
OTHER INCOME		
Deferred Tax written off	**4693478**	0
Gain on account of bank settlement	**141494087**	0
Interest Receipts	**11131009**	12258561
Lease Rental	**960000**	960000
Total	**158278574**	13218561
SCHEDULE - 11		
OTHER EXPENSES		
Advertisement	**59881**	33191
AGM Expenses	**100629**	85591
Auditor's Remuneration	**40000**	35000
Fringe Benefit tax	**0**	10698
Gratuity	**33317**	0
Insurance	**157253**	130129
Lease Rental Paid	**100000**	0
Legal Expenses	**10000**	0
License Fee	**39761**	0
Live Stock Maintenance	**114997**	0
Miscellaneous expenses	**86725**	349316
Postage and telephone	**606**	11966
Printing & Stationery	**666**	0
Professional Charges	**172218**	0
Rent, Rates & Taxes	**67500**	99100
Repairs & Maintenance - Building	**27792**	0
Repairs & Maintenance - Machinery	**3173**	42303
Repairs & Maintenance - Vehicles	**0**	15125
Salaries, wages, Bonus, staff welfare etc	**715789**	719325
Sitting fees	**243000**	324000
Subscription	**5860**	0
Telephone Expenses	**14804**	0
Travelling & conveyance	**40451**	54495
Total	**2034422**	1910239
SCHEDULE - 12		
FINANCIAL CHARGES		
Bank Charges	**2221**	1261
Financial Charges	**20517858**	26486987
Total	**20520079**	26488248

SCHEDULE - 17

NOTES ON ACCOUNTS (Forming Part of Accounts)

Significant Accounting Policies :

The accounts are prepared on a historical cost and materially comply with the mandatory accounting standards issued by the Institute of Charted Accountants of India. The significant accounting polices followed by the Company are as follows:

I Fixed Assets and Depreciation :-

Fixed Assets are stated at their original cost of acquisition including the direct expenses attributable to the installation. Depreciation is charged on straight line method in accordance with the rates specified under Schedule XIV of the Companies Act, 1956. Depreciation on addition/ deletion to assets during the period has been provided on pro- rata basis.

ii) Valuation of Stores :-

The company did not carry any inventory or stores item during the year under report.

iii) Revenue Recognition :-

The Income and Expenditure are accounted on accrual basis.

iv) Retirement Benefits :-

Contribution towards Provident Fund is made to the appropriate authorities and is charged to Profit and Loss Account as they become due.

v) Borrowing Cost :-

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets.

vi) Segment Reporting :-

As per management's perception the Company has only one business segment and hence disclosures and required by AS-17 Segment Reporting is not required.

vii) Foreign Currency Transactions :- Nil

viii) Deferred Revenue Expenditure :-

Non- recurring expenditure yielding benefit beyond the accounting year is amortised over the period during which the benefit, according to the management is expected to endure.

ix) Investments :- Nil

x) Related Parties Transactions during the year under report is NIL

xi) Deferred Tax :-

a) In accordance with Accounting Standard 22 (Accounting of Taxes on Income) issued by the Institute of Chartered Accountants of India, Deferred Tax Liability attributable to timing difference relating to Depreciation has been considered in the accounts.

b) The Company has unabsorbed depreciation and carried forward losses available for set-off under Income Act, 1961. However in view of present uncertainty regarding generation of sufficient future taxable income, net deferred tax asset at the year-end including related credit for the year have not been recognized in the accounts on prudent basis.

c) Consequent to the sale of entire assets of the company under the securitization act, Board of directors written back the provisions made for deferred Tax. Deferred taxes of Rs.46,93,478 is credited to the profit and loss account under the head other income.

xiii) Valuation of Closing Stock of Raw Materials and Finished Goods:-

The company did not carry any inventory or stores item during the year under report.

xiv) Research and Development :- Nil

xv) Public issue Expenditure and Good will

The company has written off public issue expenditure Rs.9507659, Good will Rs.5835428, Preliminary expenses Rs.29213 in the profit and loss account under the head prior period and extra ordinary items.

xvi) Gains on account of one time settlement with the Bankers to the extent of Rs.141494087 is credited to profit and loss account under the head Other income.

2. As per the scheme approved by the High Court of Judicature at Chennai, the shares of the Company held by P.A. Spinning Mills (P) Limited consequent to capital reduction of 2,18,550 equity shares of Rs.10 each stands extinguished on amalgamation of P.A. Spinning Mills (P) Limited. Hence, the amount of Rs. 21,85,500 is reduced from the share capital and also from the goodwill amount created on amalgamation of P.A. Spinning Mills (P) Limited with the Company.

	31.3.2011	31.3.2010
3. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for	Nil	Nil

4. No interest on unsecured loans from Erstwhile Directors and Others is provided for the year ended 31.3.2011.

5. Balances in the Balance sheet are as extracted from the general ledger and subject to confirmation.

6. Secured Loans :

Secured Loan in the Balance Sheet represent the Loan taken from Sundaram Finance Limited, Chennai.

7. The Company has Leased Out its Factory to Another Company in which the Directors are not interested and the Lease rentals to the extent of Rs.9.6 lacs are Credited to Profit and Loss Accounts.

8. Since there is no taxable income under the provisions of Income Tax Act, 1961, no provision for Income Taxation has been made.

10. Expenditure in Foreign Currency on Account of Foreign Travel.	**Nil**	Nil
11. Earnings in Foreign Exchange on account of Export of goods on FOB Value	**Nil**	Nil

12. The amount due to Small Scale and Ancillary Industries as at the close of the financial year has not been identified and hence the amont outstanding, if any, is not ascertainable.

13. Auditors Remuneration includes the following :-

a) Statutory Audit	:	**Rs. 40,000/-**
B) Others	:	**Nil**
c) Out of pocket expenses	:	**Nil**

14. Managerial Remuneration :-

	20010-2011	2009-2010
Salary & Perquisites	**Rs. 7,00,176**	Rs. 5,69,432

15. Figures are rounded off to the nearest rupee.

16. Previous year figures have been re-grouped wherever necessary.

S. RAJENDRAN
Director

K.S.S. PRAKKAASH
Executive Director

As per my report of even date.,

L. NARAYANAN
Chartered Accountant
Membership No : 202175

Place : Salem.
Date : 02.08.2011

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SRI MALINI SPINNING MILLS LIMITED, SALEM

Regd. Off. : Trichy Main Road, Sandhiyur, Mallur (via), SALEM-636 203.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

1. Registration Details :

Registration No. 1 8 1 8 3 7 0 State Code 1 8

Balance Sheet Date 3 1 0 3 2 0 1 1

2. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue	Bonus Issue	Private Placement
N I L	N I L	N I L	N I L

3. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

	Total Liabilities	Total Assets
	2 8 4 3 8 1	2 8 4 3 8 1
Source of Funds	Paid up Capital	Reserves & Surplus
	6 3 1 8 8	2 5
	Secured Loans	Unsecured Loans
	1 7 5 4 9 9	4 5 6 7 0
	Deferred Tax Liability	
	N I L	
Application of Funds	Net Fixed Assets	Investments
	N I L	N I L
	Net Current Assets	Misc. Expenditure
	1 5 5 6 5 5	N I L
	Accumulated Loss	Goodwill
	1 2 8 7 2 5	N I L

4. Performance of the Company (Amount in Rs. Thousands)

Total Income	Total Expenditure
1 5 8 2 7 8	2 2 5 5 4

+ -	Profit / (Loss) Before Tax	+ -	Profit / (Loss) After Tax
✓	1 3 5 7 2 4		1 1 8 8 7 0

Earnings per share	Dividend Rate %
N A	N I L

5. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code (ITC Code) : 5 2 0 5

Product Description : C O T T O N Y A R N

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SRI MALINI SPINNING MILLS LIMITED, SALEM

Regd. Off. : Trichy Main Road, Sandhiyur, Mallur (via), SALEM-636 203.

CASH FLOW STATEMENT

		2010-11	2009-10
A.	**CASH FLOW STATEMENT OPERATING ACTIVITIES :**		
	Net Profit as per profit and loss account	118870535	(17732184)
	Adjustment for :		
	Depreciation	1481238	2552258
	Deferred tax written back	(4693478)	0
	Extra ordinary items	15372300	1555275
	Operating Profit before Working capital changes	**131030595**	**(13624651)**
	Adjustments for :		
	Trade and other Receivables	0	0
	Inventories	0	0
	Trade Payables	(32104558)	61871172
	Loans and Advances	(152409396)	(11632716)
	Cash Generated from Operations	**(184513954)**	**50238456**
	Net Cash From Operating Activities - A	**(53483359)**	**36613805**
B.	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Sale of Assets (net)	25302866	0
	Adjustments for Depreciation withdrawls	0	0
	Net Cash used in Investing Activities - B	**25302866**	**0**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Long term borrowings	28162495	-36582635
	Interest paid		
	Net Cash from Financing activities - C	**28162495**	**(36582635)**
	Net Increase / Decrease in Cash and Cash Equivalents	**(17997)**	**31170**
	Cash and Cash equivalents as at 01.04.2010	**48549**	**17379**
	Cash and Cash equivalents as at 31.03.2011	**30552**	**48549**

S. RAJENDRAN
Director

K.S.S. PRAKKAASH
Executive Director

As per my report of even date.,
L. NARAYANAN
Chartered Accountant
Member ship No : 202175

Place : Salem.
Date : 02.08.2011

AUDITOR'S CERTIFICATE

I have examined the Cash Flow Statement of Sri Malini Spinning Mills Limited for the year ended 31st March 2011. The Statement has been prepared by the company in accordance with the requirements of the listing agreement with the Stock exchange and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by our report dated 2nd August' 2011 to the members of the company.

As per my Report of Even date
L. NARAYANAN
Membership No. 202175

Place : Salem
Date : 02.08.2011

ACCEPTANCE FOR SENDING COMMUNICATION IN ELECTRONIC MODE

From : Date .....

To:
M/s. Sri Malini Spinning Mills Limited
Trichy Main Road, Sandhiyur (P.O),
Mallur - via, Salem-636 203.

Dear Sir(s),
Ref : COMMUNICATIONS IN ELECTRONIC FORM

Name of First Holder (In Block Letter)	
Folio No.	
No. of Shares	
E-mail id	
Phone No.	
PAN	
Latest Address for Communication	

I agree / do not agree, to receive the Annual Report and other communications from Sri Malini Spinning Mills Limited in my above cited e-mail id.

I hereby declare that the particulars given above are correct and complete.

(Signature of the First / Sole shareholder)

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SRI MALINI SPINNING MILLS LIMITED, SALEM

Regd. Office : Trichy Main Road, Sandhiyur, Mallur (Via), Salem-636 203.

ATTENDANCE SLIP

Folio No. Shares S.No.

A G M 2011

I hereby record my presence at the Twenty First Annual General Meeting held on Friday 30th September 2011.

Venue : Sri Malini Spinning Mills Limited, Trichy Main Road, Sandhiyur, Mallur (Via), Salem - 636 203.

Time : 9.30 a.m.

Please ✓ in the box ☐ MEMBER ☐ PROXY

Member's Signature

Name of the Proxy in **BLOCK LETTERS**

Proxy's Signature

Notes : 1. Share holders / Proxy holders must bring the Attendance Slip to the meeting and hand over the same at the entrance duly signed.

2. Shareholders are requested to advise their change in address as well as request for consolidation of folios, if any, to the Registered Office of the Company, quoting their Folio Nos.

SRI MALINI SPINNING MILLS LIMITED, SALEM

Regd. Office : Trichy Main Road, Sandhiyur, Mallur (Via), Salem-636 203.

PROXY FORM

I/We.....Folio No.....
of ..... in the district of .....
being a Member(s) of Sri Malini Spinning Mills Limited hereby appoint .....
.....in the district of
..... or failing him.....
..... of .....in the district of .....
as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held on Friday, the 30th September 2011.

Venue :Sri Malini Spinning Mills Limited, Trichy Main Road, Sandhiyur, Mallur (Via), Salem-636 203.

Signed the ..... day of ..... 2011.

SIGNATURE OF PROXY(IES) 1. _____

2. _____

Affix revenue stamp

Notes : 1. The proxy to be vaild should be deposited at the Registered Office of the Company, Trichy Main Road, Sandhiyur, Mallur (Via), Salem - 636 203. not later than 48 hours before the meeting. The Proxy need not be a member of the Company.

2. The Proxy should be executed on 1 Rupee revenue stamp.
3. Please Mark the envelop "SMSM PROXY".
4. Proxy cannot speak at the meeting or vote on a show of hands.

BOOK-POST

To

SMSM

If undelivered, please return to

SRI MALINI SPINNING MILLS LIMITED

Trichy Main Road, Sandhiyur (Post),
Mallur (Via), SALEM - 636 203.

SHRI ABHIRAAMI OFFSET, SALEM-9. Ph : 2352547