

72nd
Annual Report
2011-2012

The Ramaraju Surgical Cotton Mills Limited
Rajapalaiyam



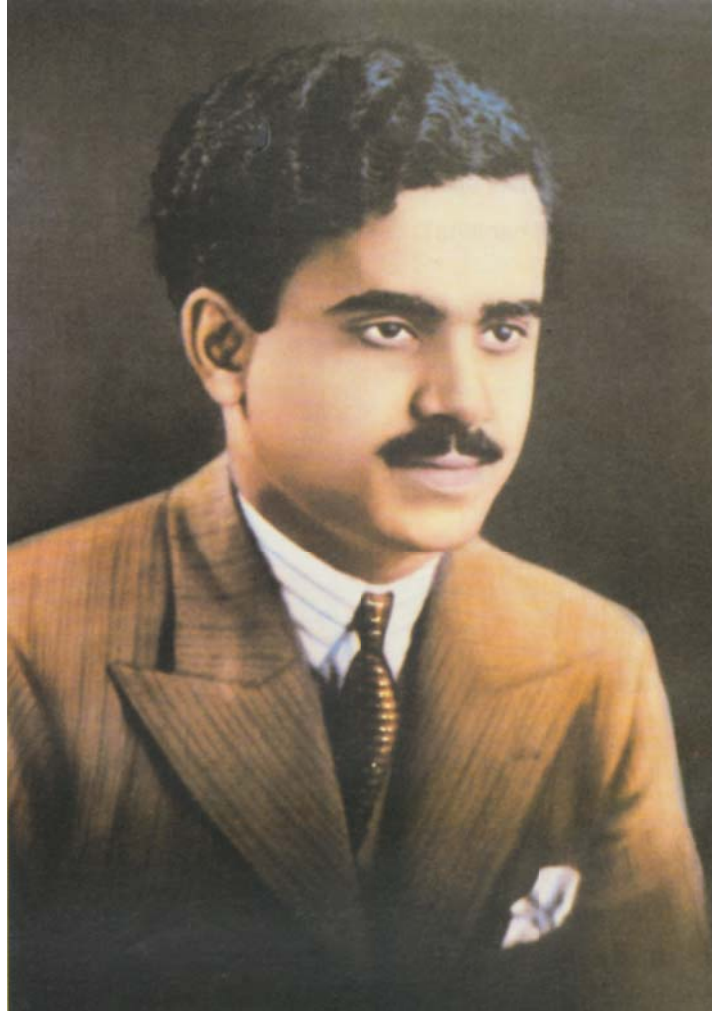
Our Chairman Shri. P.R. Ramasubrahmaneya Rajha delivering the presidential address on our Mills 30th Annual Sports Day Function



Our Director Shri N.R.K. Ramkumar Raja during his visit to United States for Procurement of Pima Cotton.



SHRI P.A.C. RAMASAMY RAJA



Founder
Shri N.K. RAMARAJU

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

Board of Directors

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

Smt. R. NALINA RAMALAKSHMI, B.Sc., M.S.C.S.,
Managing Director

Shri S.U. MOHAMMED MASOOD
(Nominee of Govt. of Tamilnadu)

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

Smt. R. SUDARSANAM

Shri N.R.K. RAMKUMAR RAJA, B.Tech., M.E.,

Shri N.K. SHRIKANTAN RAJA, B.Com.,

Shri P.J. ALAGA RAJA, B.A.B.L.,

Shri S. KANTHIMATHINATHAN, M.Sc., M.B.A.,

Shri S.N. RAMA RAJU, B.E.,

Bankers

Canara Bank

IDBI Bank Ltd

Indian Bank

Karur Vysya Bank Ltd

Punjab National Bank

State Bank of India

Tamilnad Mercantile Bank Ltd

Registered Office

The Ramaraju Surgical Cotton Mills Premises,
119, P.A.C. Ramasamy Raja Salai,
RAJAPALAIYAM - 626 117.
Tamilnadu.

Website

www.ramarajusurgical.com

Factories

Surgical Division

1. Rajapalaiyam
2. Perumalpatti

Spinning Division

Sudarsanam Spinning Mills

1. Rajapalaiyam
2. Silvassa
3. Subramaniapuram
4. Thirumalagiri Village, A.P.

Auditors

M/s. M.S. Jagannathan & N. Krishnaswami,
Chartered Accountants,
Unit 5, Ground Floor, Abirami Apartments,
14, V.O.C. Road, Contonment,
Trichy - 620 001. Tamil Nadu.

Contents

Notice to the Members	2
Directors' Report	6
Corporate Governance	14
Shareholder Information	20
Auditors' Report	31
Balance Sheet	36
Statement of Profit and Loss	37
Cash Flow Statement	38
Notes to Financial Statements	40
Significant Accounting Policies	49

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTICE TO THE MEMBERS

Notice is hereby given that the 72nd Annual General Meeting of the Company will be held at 9.30 A.M. on Monday, the 6th August, 2012, at P.A.C. Ramasamy Raja Centenary Community Hall, Sudarsan Gardens, P.A.C. Ramasamy Raja Salai, Rajapalaiyam - 626 108, Tamil Nadu to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Statement of Profit and Loss for the year ended 31st March, 2012 and the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2.
 - a) To appoint a Director in the place of Shri P.R. Ramasubrahmaneya Rajha who retires by rotation and is eligible for re-appointment.
 - b) To appoint a Director in the place of Smt. R. Sudarsanam who retires by rotation and is eligible for re-appointment.
 - c) To appoint a Director in the place of Shri P.J. Alaga Raja who retires by rotation and is eligible for re-appointment.
3. 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, Tiruchirapalli be and are hereby 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) exclusive of out-of-pocket expenses."

By Order of the Board,
For THE RAMARAJU SURGICAL COTTON MILLS LTD.,

RAJAPALAIYAM,
28-05-2012

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTICE

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 01.08.2012 to 06.08.2012 (both days inclusive).
4. Under the provisions of Section 205 C of the Companies Act, 1956, dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection Fund (IEP 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:

Financial Year ended	Date of declaration of Dividend	Last Date for claiming unpaid Dividend	Due Date for transfer to IEP Fund
31-03-2005	12-08-2005	18-09-2012	17-10-2012
31-03-2006	28-07-2006	03-09-2013	02-10-2013
31-03-2007	25-07-2007	31-08-2014	30-09-2014
31-03-2008	06-08-2008	12-09-2015	11-10-2015
31-03-2010	04-08-2010	10-09-2017	09-10-2017
31-03-2011	20-07-2011	26-08-2018	25-09-2018

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTICE

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

1. SHRI P.R. RAMASUBRAHMANEYA RAJHA

Shri P.R. Ramasubrahmaneya Rajha, aged 77 years, has Bachelor Degree in Science.

He has been on the Board of The Ramaraju Surgical Cotton Mills Ltd. since 19.03.1956.

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

- a. Share Transfer Committee
- b. The Investors Grievance Committee of the Company.

He holds 69,740 Equity Shares in the Company.

He is the son of Shri P.A.C. Ramasamy Raja, Founder of Ramco Group of the Company and Chairman of the Company.

He is also Chairman in the following Companies:-

1. Madras Cements Limited
2. Rajapalayam Mills Limited
3. Ramco Industries Limited
4. Ramco Systems Limited
5. Thanjavur Spinning Mill Limited
6. Sri Vishnu Shankar Mill Limited
7. Sandhya Spinning Mill Limited
8. Madras Chipboard Limited
9. Sudharsanam Investments Limited
10. Sri Harini Textiles Limited
11. Rajapalayam Spinners Limited
12. Ramco Management Private Limited

He is also a Director in the following Companies:-

1. Ramco Systems Corporation, USA.
2. Sri Ramco Lanka (Private) Limited - Sri Lanka
3. Sri Ramco Roofings Lanka Private Limited - Sri Lanka
4. Sri Sandhya Farms (India) Private Limited
5. Nalina Agricultural Farms Private Limited
6. Nirmala Shankar Farms & Estates Private Limited
7. Sri Saradha Deepa Farms Private Limited
8. RCDC Securities and Investments Private Limited
9. Sri Nithya Lakshmi Farms Private Limited
10. Ram Sandhya Farms Private Limited

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTICE

11. Shri Harini Media Private Limited
12. Deccan Renewable Wind Electrics Limited
13. Ramamandiram Agricultural Estate Private Limited

2. SMT. R. SUDARSANAM

Smt. R. Sudarsanam, aged 70 years has been on the Board of The Ramaraju Surgical Cotton Mills Ltd. since 01-04-1970. She holds 4,680 equity shares in the Company.

She is Wife of Shri P.R. Ramasubrahmaneya Rajha, Chairman of the Company.

She is a Member in the Share Transfer Committee of the Company.

She is also a Director in the following Companies:-

1. Rajapalayam Mills Limited (Managing Director)
2. Sandhya Spinning Mill Limited
3. Sudarsana Farms Private Limited
4. Rajapalayam Farms Private Limited
5. Sri Sandhya Farms (India) Private Limited
6. Nalina Agricultural Farms Private Limited
7. Sri Saradha Deepa Farms Private Limited
8. Nirmala Shankar Farms & Estates Private Limited
9. Sri Nithya Lakshmi Farms Private Limited
10. Ram Sandhya Farms Private Limited
11. Ramco Private Limited
12. Rajapalayam Spinners Limited
13. Ramamandiram Agricultural Estate Private Limited
14. RCDC Securities and Investments Private Limited
15. Ramco Management Private Limited

3. SHRI P.J. ALAGA RAJA

Shri P.J. Alaga Raja, aged 66 years, has Bachelor Degree in Arts and Bachelor Degree of Law.

He has been on the Board of The Ramaraju Surgical Cotton Mills Ltd. Since 14-05-1986.

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

- a. Share Transfer Committee
- b. Remuneration Committee
- c. Audit Committee

He holds 5,880 Equity Shares in the Company.

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, 2012.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2012, after charging all expenses but before deducting interest and depreciation have resulted in operating profit of Rs.2,363.18 Lakhs.

After deducting Rs.2,452.25 Lakhs towards interest cost and providing Rs.1,423.53 Lakhs towards Depreciation, the Net loss for the year is Rs. (-) 1,512.60 Lakhs. Considering the Deferred Tax Asset of Rs.494.98 Lakhs and the surplus of Rs.142.69 Lakhs brought forward from the previous year, the sum of Rs.874.93 Lakhs has been adjusted against the General Reserve.

DIVIDEND

In view of loss incurred by the Company in the current year, your Directors are unable to recommend any Dividend.

BONUS SHARES

In view of the Birth Centenary of Founder Shri N.K. Ramaraju your directors are glad to inform that Bonus Shares have been allotted on 20.07.2011 to the Shareholders of Equity Shares in the ratio of 1:1 by capitalisation of Reserve of Rs.98.66 Lakhs after the due approval of the Members at the Extra Ordinary General Meeting held on 27.06.2011.

TAXATION

In view of the net loss incurred, the Company is not liable to pay Minimum Alternate Tax (MAT). The Company is also not liable to pay tax under the regular method due to the higher income tax depreciation. An amount of Rs.494.98 Lakhs has been considered as Deferred Tax Asset which is in accordance with the Accounting Standards.

SPINNING DIVISION

TRADE CONDITIONS

As reported in the Directors' Report in the previous year, Textile Industry especially Spinning Mills across the country are facing unprecedented crisis on account of inconsistent policies adopted by the Government of India with regard to export of cotton and cotton yarn. The cotton prices have gone up too steeply during the season 2010-11 due to unrealistic Government's decision to export huge quantity of cotton during peak cotton season. The Mills were forced to buy good quality cotton at abnormally higher prices during that season which was consumed during the financial year 2011-12. There was no parity between cotton cost and price of yarn sold. The Mills were forced to sell the yarn at very low price, though the yarn was produced with the stock of high-cost cotton procured during the season 2010-11.

DIRECTORS' REPORT

The ban on cotton yarn exports for more than two months in the last quarter of the financial year 2010-11 and the declining domestic demand has resulted in piling up of huge stock of cotton yarn in the Mills. When export of cotton yarn was allowed in April 2011, the accumulated stock caused a crash of cotton yarn prices in the global and domestic markets. The mounting pressure of inventory with Indian Mills and their eagerness to get rid of their inventory before the arrival of new cotton, virtually pushed the global prices down by more than 30 per cent within a month and the domestic cotton prices fell below the international levels resulting in the present crisis. The crisis in Europe had affected the exports from India and the export orders from European countries have started shrinking during the year under review.

The power cut in Tamilnadu has worsened during the year and severe power cut measures were announced and the power availability was only 25% from March 2012 and is still continuing. The mismatch between increased demand for electricity and shortage in the supply has affected the capacity utilization of Mills in Tamilnadu. Timely decision taken by your Directors to install Windmills in previous years and purchase of power from Third Party have helped the Company to tide over the power crisis.

In order to contain the inflation in India, The Reserve Bank of India has tightened the monetary policy by increasing the lending and borrowing rates. Because of these measures, all the Banks have hiked the rate of interest by 2% to 3% for all our term loans and working capital loans.

The cumulative effect of the above factors have affected the performance of the Company substantially.

EXPORTS

On the export front during the year, we have made direct export of Cotton Yarn and Surgical Dressings for a value of Rs.25.83 Crores and Merchant Export of Rs.10.18 Crores as against Rs.19.31 Crores and Rs.9.59 Crores respectively of the previous year.

MODERNISATION

As a part of continuous intensive modernization programme, the company has invested about Rs.2 Crores for investment in state-of-the-art textile machinery & equipments like Savio Automatic Conewinder Machine, Uster Model Tensorapid and Multimixer Machine etc.

PROSPECTS FOR THE CURRENT YEAR

The cotton prices during cotton season 2011-12 are very volatile. The cotton cost still has not come down as expected. The Central Government's frequent interventions in the form of imposition and removal of quantitative restrictions on export of raw cotton as well as cotton yarn without taking a comprehensive view of demand and supply requirements of various segments of textile industry has given rise to a complex situation.

The yarn prices are stagnant due to recessionary trend in both domestic and global markets. The power cut imposed in Tamilnadu to the extent of 75% is severely affecting the operations of the Company. The Government of Tamilnadu has also announced the increase in power tariff by more than 30%.

DIRECTORS' REPORT

The increase in wages, fuel prices & interest cost and the increase in the power cuts in recent period definitely pose a challenge. While the cost of major inputs are increasing steeply, the yarn price has not increased. Your Directors are therefore unable to predict the profitability of the Company in the current year. However, the Company is maintaining high standards of Quality Yarn, cost effective production and stringent waste control measures. These measures strengthened the Company to face the challenges in the current scenario.

WIND MILL

The Wind Mill Division with an installed capacity of 8.30 MW comprising of 9 wind electric generators are working satisfactorily. The Division has generated 155 Lakhs Kwh as compared to 127 Lakhs Kwh of the previous year. The full benefit of windmills purchased during September, 2010 with the capacity of 2.40 MW has accrued during the year. The income during the year from the Wind Mill Division was Rs.5.83 Crores as against Rs.5.26 Crores of previous year.

SURGICAL DIVISION

The operation of the division has been satisfactory with good contribution to the profit of the Company due to effective utilisation of machineries. Even though Raw Material cost and other input cost had gone up, the Company had effectively managed the situation by increasing the productivity and other cost reduction measures. The Company expects to perform better in the current year by increasing the capacity utilisation. Also, the Company will have the benefit of increased production from its new products, which will enable the Company to meet the increased market demand for surgical products. The Company continues its endeavour for the sale of Absorbent Cotton Wool. By concentrating on operational efficiencies and cost reduction measures in all areas of production and distribution, the Company will strive to protect and improve its profitability.

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 scarcity of skilled labour and heavy absenteeism in labour attendance are causing loss of production. We are striving our best to retain them by implementing attractive incentive schemes to labours to achieve better attendance.

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.

DIRECTORS' REPORT

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 decisions in time.

DIRECTORS

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

- 1) Shri P.R.Ramasubrahmaneya Rajha
- 2) Smt. R.Sudarsanam
- 3) Shri P.J.Alaga Raja

PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2012 were Rs.2.56 Crores including the deposits renewed in accordance with Section 58A of the Companies Act, 1956. There was no deposits unclaimed / unpaid as on 31.03.2012.

SHARES

The Company's shares are listed in Madras Stock Exchange Ltd. The Company has paid listing fee to the Stock Exchange for the financial year 2012-2013.

AUDITORS

M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants, Tiruchirapalli, the 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 Cost Accounts of the Spinning Division for the year ended 31.3.2012, on a remuneration of Rs.50,000/- exclusive of out-of-pocket expenses. As per Central Government's direction, cost audit will be done every year.

The Cost Audit Report for the financial year 2010-11 due to be filed with Ministry of Corporate Affairs by 27th September 2011, had been filed on 10th September 2011. The Cost Audit Report for the financial year 2011-12 is due to be filed within 180 days from the closure of the financial year and will be filed within the stipulated period.

DIRECTORS' REPORT

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

A Report on Corporate Governance followed by the Company together with a Certificate from the Statutory Auditor is set out in Annexure to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- i) In the preparation of Annual Accounts for the year ended 31st March, 2012, the applicable accounting standards had been followed;
- ii) The selected accounting policies were applied consistently and judgements and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for that period;
- 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.

Secretarial Compliance Certificate issued by a practicing Company Secretary U/s. 383(A) of the Companies Act, 1956 is given Annexure to this report.

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 THE RAMARAJU SURGICAL COTTON MILLS LTD.,

Rajapalaiyam,
28-05-2012

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE I TO DIRECTORS' REPORT

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

A. Conservation of Energy

- | | |
|--|--|
| (a) Energy conservation measure taken | a. TNEB imposed power cut as well as peak hour restriction and load shedding is continued. However, the Ring Frame utilisation is maintained by regulating captive power generation.
b. Height of the Tube light fitting are reduced to increase the intensity of light in Spinning.
c. Compressed air leakage is periodically monitored to conserve the energy. |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption | — |
| (c) Impact the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | — |
| (d) Total energy consumption per 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 and Surgical Dressings to Bahrain, Italy, Turkey, Abu Dhabi and Qatar. |
| (ii) Initiatives taken to increase exports | We are also exploring the possibility of exporting Cotton Yarn and Surgical Dressings to new marketed in Western Countries. |
| (iii) Development of new export markets for products and services | |
| (iv) Export Plans | |
| (g) (i) Total foreign exchange used | Rs.1,308.73 Lakhs |
| (ii) Total foreign exchange earned | Rs.2,583.33 Lakhs |

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

**ANNEXURE I TO DIRECTORS' REPORT
FORM A**

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption:

		2011-12	2010-11
1. Electricity:			
a) Purchased from Electricity Board			
Units	Lakhs KWH	377.57	373.81
Total amount	Rs. In Lakhs	1,686.37	1,507.64
Rate/Unit	Rs.	4.47	4.03
b) Own Generation			
Through Diesel / HFO Generator	Lakhs KWH	35.92	51.73
Unit per litre of Diesel Oil	KWH	2.86	3.61
Cost per Unit	Rs.	10.97	8.96
c) Purchase from Third party			
Units	Lakhs KWH	43.00	89.24
Total Cost	Rs. In Lakhs	239.90	402.74
Rate per unit	Rs.	5.58	4.51
2. Furnace Oil:			
Quantity	Lakhs ltrs	2.36	7.38
Total Cost	Rs. In Lakhs	98.04	218.77
Average rate	Rs.	41.50	29.64
3. Diesel Oil:			
Quantity	Lakhs ltrs	10.12	6.75
Total Cost	Rs. In Lakhs	393.39	235.00
Average rate	Rs.	38.77	34.81
4. Firewood:			
Quantity	Tonnes	3,363.00	3177.00
Total Cost	Rs. In Lakhs	99.44	84.94
Average rate	Rs.	2.96	2.67

B. Consumption per unit of production:

Products	Unit	2011-12	2010-11
Production			
100% Cotton Yarn	Kgs.	66,61,511	80,17,713
Absorbent Cotton Wool	Kgs.	9,10,756	8,64,468
Gauze and Bandages	Kgs.	1,69,104	1,76,478
Plaster of Paris Powder	Kgs.	3,30,840	2,88,180
Consumption per unit			
Electricity	Units per Kg.	5.66	5.51
Fire Wood	Kg/Kgm.	2.38	2.39

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
2. Benefits derived as a result of the above R & D
3. Future plan of action
4. Expenditure on R & D
 - a) Capital
 - b) Recurring
 - c) Total
 - d) Total R & D expenditure as a percentage of total turnover

Nil

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.
 - (a) Technology imported
 - (b) Year of import
 - (c) Has technology been fully absorbed?
 - (d) 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, The Ramaraju Surgical Cotton 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, customers and employees. It strives to achieve these objectives through high standards in dealings and following business ethics in all its activities.

The Company believes in continuous upgradation of technology to improve the quality of its production and productivity to achieve newer and better products for total customer satisfaction.

The Company lays great emphasis on team building and motivation. A contended 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 believes in investing in their development and growth as foundation for strong and qualitative growth of the organisation.

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

The Company also believes that as the organisation 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 such as Administration, Banking, Finance, Engineering, etc. The Board has 10 Directors out of which 9 Directors are Non-Executive. As required by the Code of Corporate Governance, 50% of the Board of Directors should consists of Independent Directors. Our Board is having 30% of the Independent Directors. For this purpose, the Director nominated by Government of Tamil Nadu is deemed to be an Independent Director.

With reference to the remark regarding this in the Auditors Certificate, we wish to state that steps have been initiated to increase the composition of independent Directors to 50%. 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 28-05-2011, 11-08-2011, 09-11-2011 and 10-02-2012.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE II TO DIRECTORS' REPORT

Details of attendance of each Director at the Board Meetings 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. Nalina Ramalakshmi	Managing Director	–	–
3.	Shri R. Narayanan *	Govt. Nominee Director	1	25
4.	Shri S.U. Mohamed Masood *	Govt. Nominee Director	3	75
5.	Shri P.R. Venketrama Raja	Promoter Director	1	25
6.	Smt. R. Sudarsanam	Promoter Director	4	100
7.	Shri N.R.K. Ramkumar Raja	Promoter Director	–	–
8.	Shri N.K. Shrikantan Raja	Non-Executive Director	4	100
9.	Shri P.J. Alaga Raja	Independent Director	2	50
10.	Shri S. Kanthimathinathan	Professional Director	4	100
11.	Shri N.K. Rama Raju	Independent Director	4	100

* Shri R. Narayanan, Govt. Nominee Director ceased to be a Director with effect from 10.8.2011 and Shri S.U. Mohamed Masood has been nominated in his place.

The previous Annual General Meeting of the Company was held on 20th July, 2011 at Rajapalaiyam. The following Directors attended the Annual General Meeting:

Sl. No.	Name of the Director
1.	Shri P.R. Ramasubrahmaneya Rajha, Chairman
2.	Shri N.K. Shrikantan Raja
3.	Shri P.J. Alaga Raja
4.	Shri S.N. Rama Raju

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.

ANNEXURE II TO DIRECTORS' REPORT

- 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. 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 Senior 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.
- 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.ramarajusurgical.com

3. COMMITTEES OF THE BOARD OF DIRECTORS

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

(A) AUDIT COMMITTEE

The terms of reference of the Audit Committee include:

- i) To review the report of Internal Audit Department;
- ii) To review the Auditors' Report on the financial statements;

ANNEXURE II TO DIRECTORS' REPORT

- iii) To review the strength and weakness of the internal controls and to provide recommendations relating thereto;
- iv) To generally assist the Board to discharge their functions more effectively.

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

The Audit Committee consists of the following Directors:

Sl. No.	Name of the Director	No. of Meetings attended
1.	Shri S.N. Rama Raju, Chairman of the Committee	3
2.	Shri N.K. Shrikantan Raja	3
3.	Shri P.J. Alaga Raja	3

No. of Meetings held during the year : 3

Date of the Meetings : 11-08-2011, 09-11-2011 & 10-02-2012

The Statutory Auditors, Senior Manager, Head of Internal Audit Department 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.

(b) REMUNERATION COMMITTEE

Sl.No.	Name of the Director
1.	Shri S.N. Rama Raju, Chairman of the Committee
2.	Shri N.K. Shrikantan Raja
3.	Shri P.J. Alaga Raja

No. of Meetings held during the year : Nil

(c) SHARE TRANSFER COMMITTEE

Sl.No.	Name of the Director
1.	Shri P.R. Ramasubrahmaneya Rajha, Chairman
2.	Smt. R. Sudarsanam
3.	Shri N.K. Shrikantan Raja
4.	Shri P.J. Alaga Raja

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

The above Committees meet as and when necessity arises.

ANNEXURE II TO DIRECTORS' REPORT

(d) INVESTORS GRIEVANCE COMMITTEE

SI.No.	Name of the Director
1.	Shri P.R. Ramasubrahmaneya Rajha, Chairman
2.	Shri P.R. Venketrama Raja
3.	Shri N.K. Shrikantan Raja

No. of Meetings held during the year : Nil

No complaint has been received during the year 2011-12 and no complaints are pending as on 31-03-2012.

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.

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 Non - Executive Directors do not draw any remuneration from the Company except Sitting Fee which were paid @ Rs.5,000/- for each meeting of the Board and Rs.500/- for each meeting of the Share Transfer 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 31-03-2012.

SI.No	Name of the Director	No of Shares
1.	Shri P.R. Ramasubrahmaneya Rajha	69,740
2.	Shri P.R. Venketrama Raja	2,700
3.	Smt. R. Sudarsanam	4,680
4.	Shri N.R.K. Ramkumar Raja	70,480
5.	Shri N.K. Shrikantan Raja	5,960
6.	Shri P.J. Alaga Raja	5,880
7.	Shri S.N. Rama Raju	4,640
8.	Shri S.U. Mohamed Masood	Nil
9.	Shri S. Kanthimathinathan	Nil

ANNEXURE II TO DIRECTORS' REPORT

7. MANAGEMENT

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

8. SHAREHOLDERS

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

AUDITORS' CERTIFICATE

This is to certify that we, the Auditors' of M/s. The Ramaraju Surgical Cotton 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 Exchange and report that all the conditions contained therein have been complied with by the Company, *except with respect to requirement of independent Directors forming 50% of the total number of Directors.*

For M.S.JAGANNATHAN & N.KRISHNASWAMI
Chartered Accountants
Firm Registration No.: 001208S

P. SANTHANAM
Partner
Membership No.:18697

Rajapalaiyam,
28-05-2012.

ANNEXURE II TO DIRECTORS' REPORT

SHAREHOLDER INFORMATION

Registered Office

THE RAMARAJU SURGICAL COTTON MILLS LIMITED
Ramaraju Surgical Cotton Mills Premises,
Post Box No.2,
P.A.C. Ramasamy Raja Salai,
Rajapalaiyam - 626 117, Tamilnadu

Details of Factory Location

Surgical Division

Rajapalayam, Tamilnadu

- 1) The Ramaraju Surgical Cotton Mills Limited,
Post Box No.2,
P.A.C. Ramasamy Raja Salai,
Rajapalaiyam - 626 117, Tamilnadu.
- 2) Perumalpatti Village - 627 753.

Textile Division

Rajapalayam, Tamilnadu

- 1) Sudarsanam Spinning Mills,
P.A.C. Ramasamy Raja Salai,
Rajapalaiyam - 626 117.
Tamilnadu.
- 2) Sudarsanam Spinning Mills,
Subramaniamapuram,
Srivilliputhur Taluk
Tamilnadu.

Silvassa, Gujarat

- 3) Sudarsanam Spinning Mills,
Kherdi Village,
Silvassa,
U.T. of Dadra & Nagar Haveli

Thirumalagiri Village, Andhra Pradesh

- 4) Sudarsanam Spinning Mills,
Thirumalagiri Village,
Jaggayyapet Mandal,
Krishna District - 521 178.
Andhra Pradesh

Person to be contacted for Shareholder enquires

P.R. RAMASUBRAMANIAN
Senior Manager (Compliance Officer),
The Ramaraju Surgical Cotton Mills Limited,
Post Box No.2,
P.A.C. Ramasamy Raja Salai,
Rajapalaiyam - 626 117.
Tamilnadu
Phone : 04563 - 235904
Fax : 04563 - 235714
e.mail : rscm@ramcotex.com

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

Listing on Stock Exchange

The Company's shares have been listed in Madras Stock Exchange Limited (MSE) for which Listing Fee for the year 2012-13 has been paid.

Stock Code

Name of the Stock Exchange	Code
Madras Stock Exchange	RAMARAJU

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE II TO DIRECTORS' REPORT

GENERAL MEETINGS

The last 3 Annual General Meetings were held as under:

Year ended	Date	Time	Venue
31-03-2009	06-08-2009	9.30 A.M	P.A.C.R. Centenary Community Hall, P.A.C.Ramasamy Raja Salai, Rajapalayam - 626 108. Tamil Nadu.
31-03-2010	04-08-2010	9.30 A.M	– do –
31-03-2011	20-07-2011	9.30 A.M	– do –

Ensuing Annual General Meeting

Date	Time	Venue
06-08-2012	9.30 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 2011 to March 2012)

Board Meeting for consideration of Accounts	28-05-2012
Posting of Annual Report	On or before 13-07-2012
Book Closure dates	01-08-2012 to 06-08-2012 (both days inclusive)
Last date for receipt of Proxy forms	04-08-2012
Date of the 72 nd AGM	06-08-2012

MEANS OF COMMUNICATION

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

All the financial results are provided to the Stock Exchange.

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 lodgement, if the documents are complete in all respects.

ANNEXURE II TO DIRECTORS' REPORT

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, 2012, 77.33% 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. INE328E01027.

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, bank details, 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.

REDRESSAL OF GRIEVANCES

There are no pending Share transfers as on 31-03-2012. 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 e-mail to [**rscminvestorgrievance@gmail.com**](mailto:rscminvestorgrievance@gmail.com).

ANNEXURE II TO DIRECTORS' REPORT

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 Exchange or SEBI or any Statutory Authority on any matter related to capital markets during the last three years.

SOCIAL COMMITMENTS

The Company's total expenditure for various Charitable causes, including for renovation of temples and for social developments amounted to Rs.0.47 Lakhs.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, the Board Members and the Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for the year ended 31st March, 2012.

For THE RAMARAJU SURGICAL COTTON MILLS LTD.,

Rajapalaiyam,
28-05-2012

R. NALINA RAMALAKSHMI
MANAGING DIRECTOR

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE II TO DIRECTORS' REPORT

Pattern of Shareholding as on 31-03-2012

Description	Total Shareholders	%	Total Shares	%
A. PROMOTERS HOLDING				
1. Promoters	10	0.74	830000	42.06
Sub-total	10	0.74	830000	42.06
B. NON - PROMOTERS HOLDING				
1. Banks, FI's Ins.Cos, Govt.Institutions	1	0.07	100	0.01
2. NRIs/ OCBs & Non-domestic Companies	2	0.15	1000	0.05
3. Private Corporate Bodies	9	0.67	10400	0.53
4. Public	1330	98.37	1131780	57.35
Sub-total	1342	99.26	1143280	58.10
Total	1352	100.00	1973280	100.00

Distribution of Shareholding as on 31-03-2012

No. of Shares held	Total Shareholders	%	Total Shares	%
Upto - 500	1027	75.96	155276	7.87
501 to 1000	133	9.84	102692	5.20
1001 to 2000	71	5.25	103900	5.27
2001 to 3000	28	2.07	70920	3.59
3001 to 4000	18	1.33	67280	3.41
4001 to 5000	19	1.41	86500	4.39
5001 to 10000	33	2.44	232132	11.76
10001 & above	23	1.70	1154580	58.51
Total	1352	100.00	1973280	100.00

Category of Shareholding as on 31-03-2012

Category	Total Shareholders	%	Total Shares	%
Dematerialised Form:				
CDSL	111	8.21	102564	5.20
NSDL	530	39.20	1423344	72.13
Physical Form	711	52.59	447372	22.67
Total	1352	100.00	1973280	100.00

ANNEXURE II TO DIRECTORS' REPORT

COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH, 2012.

CIN L17111TN1939PLC002302

Nominal Capital : Rs.3,00,00,000.

To

The Members,
THE RAMARAJU SURGICAL COTTON MILLS LTD.,
P.A.C. Ramasamy Raja Salai,
RAJAPALAIYAM- 626 117.

Sir,

I have examined the registers, records, books and papers of THE RAMARAJU SURGICAL COTTON MILLS LTD. [the company] as required to be maintained under the Companies Act, 1956, [the Act] and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2012 [financial year]. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Central Government within the time prescribed under the Act and the rules made thereunder, except as stated in Annexure 'B'. However the Company is not required to file forms and returns with the Regional Director, Company Law Board or other authorities.
3. The company, being a public limited Company, has paid up capital of Rs.1,97,32,800.
4. The Board of Directors duly met four times respectively 28-05-2011, 11-08-2011, 09-11-2011 and 10-02-2012 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 15-07-2011 to 20-07-2011 (both days inclusive) and necessary compliance of section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 20-07-2011 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. One Extra Ordinary General Meeting was held on 27-06-2011 during the financial year after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
8. The Company has not advanced any loans to its directors or persons or firms referred to under section 295 of the Act during the period under review.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE II TO DIRECTORS' REPORT

9. The Company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificate.
13. The Company has:
 - i) Delivered all the certificates on allotment of securities and lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
 - ii) Deposited the amount of dividend declared on 20-07-2011 in a separate bank account on 20-07-2011 which is within 5 days from the date of declaration of such dividend.
 - iii) Paid / posted warrants for dividend to all members within a period of 30 (thirty) days from the date of declaration and that all unclaimed / unpaid dividend has been transferred / unpaid dividend has been transferred to unpaid dividend account of the Company with Axis Bank Ltd., Rajapalayam on 26-08-2011.
 - iv) The Company has transferred the amounts in unpaid dividend account amounting to Rs.52,118/- relating to the year ended 31-03-2004 which have remained unclaimed or unpaid for a period of 7 years to Investor Education and Protection Fund on 24-09-2011. However the Company has no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have been remained unclaimed or unpaid for a period of seven years to be transferred to Investor Education and Protection Fund.
 - v) Duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and appointment of Nominee Director has been duly made. There was no appointment of Alternate /Additional Directors and Director to fill casual vacancy during the financial year.
15. The re-appointment of Managing Director with effect from 12-08-2010 has been made with the approval of the Central Government during the financial year ended 31-03-2011 which is valid up to 11-08-2015.
16. The company has not appointed any sole selling agents during the financial year.
17. The Company has applied for necessary approvals of the Central Government as prescribed under the various provisions of the Act as detailed below:-
 - a) Approval for appointment of Cost Auditor u/s. 233(B). Applied on 28-06-2011 and 06-09-2011. However the Company was not required to obtain any approvals of the Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other Firms/Companies to the Board of Directors pursuant to the Provisions of the Act and the rules made there under.
19. The Company has issued 9,86,640 Equity shares by way of Bonus issue during the financial year and complied with the provisions of the Act.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE II TO DIRECTORS' REPORT

20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any preference shares/debentures and hence the question of redemption of preference shares/debentures does not arise during the financial year under review.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has complied with the provisions of section 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 in respect of deposits accepted by the Company during the year and the Company has filed the copy of Statement in lieu of Advertisement/necessary particulars as required with the Registrar of Companies, Chennai, Tamilnadu on 22-07-2011. The Company has also filed return of deposits with the Registrar of Companies on 25-06-2011.
24. The amount borrowed by the Company from directors, members, public, financial institutions, banks and other during the financial year ending 31st March, 2012 is/are within the borrowing limits of the company and that necessary resolutions as per section 293(1)(d) of the Act have been passed in duly convened Annual General Meeting held on 06-08-2008 for Rs.300 Crores (apart from temporary loans obtained from the company's bankers in the ordinary course of business over and above the paid up capital and free reserves)
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose during the period under review.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The company has not altered its Articles of Association during the financial year.
31. There were no prosecution initiated against the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. Since Employees Provident Fund Act, 1952 is Applicable sec. 418 is not Applicable.

Rajapalaiyam,
21-05-2012.

M.R.L. NARASIMHA
Practicing Company Secretary
C.P. No.799

ANNEXURE II TO DIRECTORS' REPORT

ANNEXURE 'A'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH, 2012.

THE RAMARAJU SURGICAL COTTON MILLS LTD.,

CIN L17111TN1939PLC002302

Nominal Capital : Rs.3,00,00,000.

Registers as maintained by the Company:

- 1) Board Meeting Minutes u/s. 193.
- 2) Annual General Meeting Minutes u/s. 193.
- 3) Directors attendance cum Sitting Fees Register.
- 4) Share Transfer Committee Sitting Fees Register.
- 5) Register of Contracts in which Directors are Interested u/s. 301 and 301(3).
- 6) Register of Directors u/s. 303.
- 7) Register of Members u/s. 150.
- 8) Register of Share Transfer.
- 9) Register of charges and copies of instruments evidencing the charge u/s. 136.
- 10) Share Transfer Committee Minutes.
- 11) Register of Investments.
- 12) Register of Proxies.
- 13) Register of Deposits under rule 7 of Companies (Acceptance of Deposit)Rule 1975.
- 14) Register of Directors Shareholding u/s. 307.
- 15) Remuneration Committee Minutes.
- 16) Shareholders Attendance Register.

Rajapalaiyam
21.05.2012

M.R.L. NARASIMHA
Practicing Company Secretary
C.P. No.799

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

ANNEXURE 'B'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH, 2012.

THE RAMARAJU SURGICAL COTTON MILLS LTD.,

CIN L17111TN1939PLC002302

Nominal Capital : Rs.3,00,00,000.

Forms and Returns filed by the Company with the Registrar of Companies during the Financial Year Ending 31st March, 2012.

S. No.	Form No. Return	Filed U/s	For	Date of Filing. SRN.	Whether filed within the prescribed Time	If delay in Filing whether Requisite Additional fees paid
1	8	135	Modification of charges Rs. 24 Cr. IDBI Bank Ltd.	24.06.2011 B14870745	Yes	Not Applicable
2	62	Rule 10 of the Companies (Acceptance of Deposit) Rules, 1975	Return of Deposit as on 31.03.2011	25.06.2011 B 14934285	Yes	Not Applicable
3	2	75 (1)	Return of Allotment	22.07.2011 S 05554159	Yes	Not Applicable
4	62	Rule 4A of Companies (Acceptance of deposit) Rules 1975	Statement in lieu of Advertisement	22.07.2011 B 16712234	Yes	Not Applicable
5	66	383 A (1)	Secretarial Compliance certificate for the year ended 31.03.2011	22.07.2011 P 68629609	Yes	Not Applicable
6	32	303 (2)	Appointment of Shri Ushman Mohideen Mohamed Masood as Nominee Director of Govt. of Tamilnadu and Cessation of Shri R. Narayanan as Director – Nomination withdrawn by Govt. of Tamilnadu.	20.08.2011 B 18626929	Yes	Not Applicable
7	17	138	Satisfaction of charges Rs. 25 Crores Tamilnad Mercantile Bank Ltd.	24.08.2011 B 18822270	Yes	Not Applicable

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

S. No.	Form No. Return	Filed U/s	For	Date of Filing. SRN.	Whether filed within the prescribed Time	If delay in Filing whether Requisite Additional fees paid
8	8	125	Creation of charges Rs. 35 Cr. Tamilnad Mercantile Bank Ltd.	30.08.2011 B 19273234	Yes	Not Applicable
9	20 B	159	Annual Return made upto 20.07.2011	12.09.2011 P 70262092	Yes	Not Applicable
10	1 INV	Rule 3 of investor Education and Protection Fund (Awareness and Protection of Investors) Rules 2001	Statement of amounts credited to Investors Education and Protection fund for the year ended 31.03.2004	01.10.2011 B 21934682	Yes	Not Applicable
11	8	125	Creation of charges Rs. 12.80 Cr. Indian Bank	20.10.2011 B 23247349	Yes	Not Applicable
12	8	125	Creation of charges Rs. 20 Cr. Indian Bank	20.10.2011 B 23246879	Yes	Not Applicable
13	23 ACXBRL 23 ACA- XBRL	220	Profit & Loss Account & Balance Sheet as at 31.03.2011	30.11.2011 P 81857385	Yes	Not Applicable
14	8	125	Creation of charges Rs. 20 Cr. Tamilnad Mercantile Bank Ltd.	15.12.2011 B 27283241	No	Yes

Central Government

1	23 C	233 (B)	For appointment of Cost Auditor for the year ended 31.03.2012 for Electricity	28.06.2011 S 05424072	Yes	Not Applicable
2	23 C	233 (B)	For appointment of Cost Auditor for the year ended 31.03.2012 for Textiles	06.09.2011 S 05828488	Yes	Not Applicable
3	1	233 (B) 600 (3) (b)	Filing of cost audit report for the year ended 31.03.2011	13.09.2011 B 20191821 10.09.2011 B 20068953 B 20069019	Yes	Not Applicable

Rajapalaiyam
21.05.2012

M.R.L. NARASIMHA
Practicing Company Secretary
C.P. No.799

AUDITORS' REPORT TO SHARE HOLDERS

1. We have audited the attached Balance Sheet of The Ramaraju Surgical Cotton Mills Limited as at 31st March 2012 and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Government of India in terms of section 227 (4A) of the Companies Act, 1956 of India (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 and the Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956;
 - (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31,2012 from being appointed as a director in terms of Section 274 (1) (g) of the Act;

AUDITORS' REPORT TO SHARE HOLDERS

- (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, 2012;
 - (b) in the case of the Statement of Profit and Loss, of the loss 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
Firm Registration No.: 001208S

P. SANTHANAM
Partner
Membership No.:18697

Rajapalaiyam
28.05.2012

ANNEXURE TO THE AUDITORS' REPORT

Annexure Referred to in paragraph 3 of our report of even date to the Shareholders of THE RAMARAJU SURGICAL COTTON 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 of Rs.10 Lakhs to one party covered in the Register maintained under section 301 of the Act, 1956. The maximum amount outstanding at any time during the year and the year end balance of such loan aggregate to Rs.10 Lakhs 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 of Rs.2,134 Lakhs including opening balance from 2 parties 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.1,539 Lakhs and Rs.403 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.
- (g) The Company is regular in payment of the principal and interest wherever applicable.

ANNEXURE TO THE AUDITORS' REPORT

- (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 to 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 and exceeding the value of Rs.5 Lakhs in respect of any party during the year 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. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (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) Undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, service tax, cess and other material statutory dues applicable have generally been regularly deposited with the appropriate authorities.
- (x) The Company has no accumulated losses at the end of the financial year; but the Company has incurred cash loss during the 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 institutions or bank during the year.

ANNEXURE TO THE AUDITORS' REPORT

- (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 terms 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 the Company has utilised Rs.518 Lakhs from short term sources towards long term obligations.
- (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
Firm Registration No.: 001208S

P. SANTHANAM
Partner
Membership No.:18697

Rajapalaiyam,
28.05.2012

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

BALANCE SHEET AS AT 31ST MARCH 2012

	Note No.	As at 31-03-2012		(Rs. in Lakhs) As at 31-03-2011	
I EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
Share Capital	1	197.33		98.66	
Reserves and Surplus	2	<u>1,690.36</u>	1,887.69	<u>2,806.64</u>	2,905.30
(2) Non-current Liabilities					
Long Term Borrowings	3	14,175.04		16,090.13	
Deferred Tax Liabilities (Net)	4	961.74		1,456.72	
Long Term Provisions	5	<u>175.82</u>	15,312.60	<u>180.23</u>	17,727.08
(3) Current Liabilities					
Short Term Borrowings	6	5,297.12		7,570.48	
Trade Payables		306.40		189.19	
Other Current Liabilities	7	3,344.86		3,481.42	
Short Term Provisions	8	<u>795.44</u>	9,743.82	<u>854.38</u>	12,095.47
TOTAL			<u>26,944.11</u>		<u>32,727.85</u>
II ASSETS					
(1) Non Current Assets					
Fixed Assets					
Tangible Assets	9	20,140.29		21,048.16	
Intangible Assets	9	42.81		65.13	
Capital Work-in-Progress		<u>62.55</u>		<u>24.01</u>	
			20,245.65		21,137.30
Non Current Investments	10		220.71		221.00
Long Term Loans and Advances	11		212.88		201.78
(2) Current Assets					
Inventories	12	2,675.07		6,483.98	
Trade Receivables	13	2,113.34		2,686.79	
Cash and Cash Equivalents	14	187.83		195.05	
Short Term Loan and Advances	15	680.82		933.58	
Other Current Assets	16	<u>607.81</u>	6,264.87	<u>868.37</u>	11,167.77
TOTAL			<u>26,944.11</u>		<u>32,727.85</u>
Significant Accounting Policies	24				
Other Notes on Financial Statements	25				

The notes form an integral part of these financial statements

As per our report annexed

For M.S. JAGANNATHAN & N.KRISHNASWAMI
Chartered Accountants
Firm Registration No. 001208S

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

SMT. R. SUDARSANAM
N.K. SHRIKANTAN RAJA

P. SANTHANAM
Partner
Membership No. 18697

SMT. R. NALINA RAMALAKSHMI
MANAGING DIRECTOR

P.J. ALAGA RAJA
S. KANTHIMATHINATHAN
S.N. RAMA RAJU

Rajapalaiyam,
28th May, 2012.

DIRECTORS

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

(Rs. in Lakhs)

	Note No.	For the year ended 31-03-2012	For the year ended 31-03-2011
I Revenue from Operations	17	20,369.55	21,016.45
Less: Excise Duty		175.34	98.06
		<u>20,194.21</u>	<u>20,918.39</u>
II Other Income	18	263.47	92.06
III Total Revenue (I+II)		<u>20,457.68</u>	<u>21,010.45</u>
IV EXPENSES			
Cost of Materials Consumed	19	11,040.45	9,964.36
Changes in Inventories of Finished Goods and Work-in-Progress	20	1,212.40	(1,155.36)
Employee Benefit Expense	21	1,521.86	1,433.22
Finance Costs	22	2,452.25	2,071.49
Depreciation		1,423.53	1,300.94
Other Expenses	23	4,319.79	4,820.72
Total Expenses		<u>21,970.28</u>	<u>18,435.37</u>
V Profit / (Loss) Before Exceptional and Extraordinary items and Tax (III-IV)		(1,512.60)	2,575.08
VI Exceptional & Extraordinary Items		—	—
VII Profit / (Loss) Before Tax (V-VI)		(1,512.60)	2,575.08
VIII Tax Expenses			
Current Tax - MAT		—	511.00
Deferred Tax		(494.98)	804.62
MAT Credit Entitlement		—	—
IX Profit / (Loss) for the Year (VII-VIII)		<u>(1,017.62)</u>	<u>1,259.46</u>
X Earnings per Equity Share of Rs. 10/- each Basic & Diluted (In Rupees)		(52)	128
Significant Accounting Policies	24		
Other Notes on Financial Statements	25		
The notes form an integral part of these financial statements			

As per our report annexed

For M.S. JAGANNATHAN & N.KRISHNASWAMI
Chartered Accountants
Firm Registration No. 001208S

P.R. RAMASUBRAHMANEYA RAJHA
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N.K. SHRIKANTAN RAJA

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Membership No. 18697

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S.N. RAMA RAJU

Rajapalaiyam,
28th May, 2012.

DIRECTORS

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in Lakhs)

	2011-12	2010-11
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before tax and prior period and Extraordinary Items	(1,512.60)	2,575.08
Adjustments for :		
Depreciation	1,423.53	1,300.94
Interest Paid	2,452.25	2,011.28
Interest Received	(20.20)	(24.95)
Dividend Received	(142.73)	(28.68)
Profit / (Loss) on Sale of Assets	(37.40)	0.90
Operating Profit before Working Capital Changes	2,162.85	5,834.57
Adjustments for :		
Trade Receivables	573.45	(895.30)
Loans and Advances	575.05	(345.03)
Inventories	3,808.91	(2,311.67)
Trade Payables & Current Liabilities	(6.99)	280.68
Cash generated from Operations	7,113.27	2,563.25
Income Tax Paid	(62.53)	(427.39)
Net Cash from Operating Activities	A	7,050.74
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(560.66)	(2,092.02)
Sale of Assets	66.47	71.62
Interest Received	20.20	24.95
Dividend Received	142.73	28.68
Net Cash used in Investing Activities	B	(331.26)

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in Lakhs)

		2011-12	2010-11
C. Cash Flow from Financing Activities			
Repayment of Long Term Borrowings		(4,874.49)	1,254.33
Repayment of Long Term Loan		2,959.40	(2,169.93)
Increase / (Decrease) in Working Capital Borrowings		(2,273.36)	2,465.20
Payment of Dividend and Tax thereon		(86.00)	(17.26)
Interest Paid		(2,452.25)	(2,011.28)
Net cash used in Financing Activities	C	(6,726.70)	(478.94)
Net Decrease in Cash and Cash Equivalents	(A+B+C)	(7.22)	(309.85)
Opening balance of Cash and Cash Equivalents <i>(Refer to Note No. 14)</i>	D	195.05	504.90
Closing balance of Cash and Cash Equivalents <i>(Refer to Note No. 14)</i>	E	187.83	195.05
Net Decrease in Cash and Cash Equivalents	(E-D)	(7.22)	(309.85)

As per our report annexed
For M.S. JAGANNATHAN & N.KRISHNASWAMI
Chartered Accountants
Firm Registration No. 001208S

P. SANTHANAM
Partner
Membership No. 18697

Rajapalaiyam,
28th May, 2012.

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

SMT. R. NALINA RAMALAKSHMI
MANAGING DIRECTOR

SMT. R. SUDARSANAM
N.K. SHRIKANTAN RAJA
P.J. ALAGA RAJA
S. KANTHIMATHINATHAN
S.N. RAMA RAJU
DIRECTORS

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in Lakhs)			
	As at 31-03-2012	As at 31-03-2011		
NOTE NO. 1				
SHARE CAPITAL				
Authorised				
30,00,000 Equity Shares of Rs.10/- each	300.00	300.00		
Issued, Subscribed and fully paid-up				
19,73,280 Equity Shares of Rs.10/- each	197.33	98.66		
(PY 9,86,640 Equity Shares of Rs.10/- each)	197.33	98.66		
	197.33	98.66		
a. Issued, Subscribed and fully paid-up Shares includes 9,86,640 Shares of Rs. 10/- each were allotted as fully paid Bonus Shares by Capitalisation of Reserves.				
b. Reconciliation of the number of shares outstanding				
Number of shares at the beginning	9,86,640	9,86,640		
Issued during the Year - Bonus Issue	9,86,640	-		
Number of Shares at the end	19,73,280	9,86,640		
c. Rights attached to Equity Shares				
There are no special rights attached to equity shares other than those specified under provisions of various Acts.				
d. Details of Shareholders holding more than 5 percent in the Company.				
	As at 31 st March 2012		As at 31 st March 2011	
Particulars	No. of Shares	% of holding	No. of Shares	% of holding
Smt. R. Nalina Ramalakshmi	6,72,700	34.09	2,93,950	29.79
e. Aggregate number of Equity Shares allotted as fully paid up by way of bonus shares during the last 5 years : 9,86,640.				
NOTE NO. 2				
RESERVES AND SURPLUS				
Capital Reserve		17.63		17.63
General Reserve				
Opening Balance	2,646.32		2,646.32	
Less : Amounts utilized towards issue of fully paid Bonus Shares	98.66		-	
Add : Transfer from Surplus Accounts	(874.93)		-	
	1,672.73		2,646.32	
Surplus in Statement of Profit & Loss Account				
Opening Balance	142.69		69.23	
Add : Profit / (Loss) for the year	(1,017.62)		1,259.46	
Less : Appropriations				
Dividend	-		(74.00)	
Tax on Dividend	-		(12.00)	
Transfer to reserves	874.93		- (1,100.00)	142.69
	1,690.36		2,806.64	

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in Lakhs)	
	As at	As at
	31-03-2012	31-03-2011
NOTE NO. 3		
LONG TERM BORROWINGS		
Secured		
Term Loan from Banks	13,675.33	14,572.30
Unsecured		
Deposits	199.71	167.83
Loan from related parties	300.00	1,350.00
	<u>14,175.04</u>	<u>16,090.13</u>

- a) Term Loan from Banks are secured by *pari-passu* charge on the fixed assets of the Company and a second charge on the current assets of the Company.
- b) The Term Loans from Banks are repayable in quarterly installments. The year wise repayment of Term Loans are as follows:

Year	Amount	Amount
2012-13	–	2,904.32
2013-14	3,136.68	2,629.32
2014-15	3,129.32	2,629.32
2015-16	2,459.00	1,959.00
2016-17	2,309.16	1,809.17
2017-18	1,363.63	1,363.63
2018-19	969.51	969.51
2019-20	189.93	189.93
2020-21	118.10	118.10
	<u>13,675.33</u>	<u>14,572.30</u>

NOTE NO. 4

DEFERRED TAX LIABILITY (NET)

Deferred Tax Liability

Tax effect on difference between book depreciation and depreciation under the Income Tax Act, 1961	3,467.42	3,195.00
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Deferred Tax Asset

Tax effect on unabsorbed depreciation under Income Tax Act, 1961	(2,505.68)	(1,738.28)
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Net Deferred Tax Liability	<u>961.74</u>	<u>1,456.72</u>
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Deferred Tax Asset calculated on the unabsorbed depreciation is based on the recent assessment orders & estimated depreciation Loss calculated as per the provision of the Income Tax Act, 1961 and Cash Loss for the current financial year.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	As at 31-03-2012	(Rs. in Lakhs) As at 31-03-2011
NOTE NO. 5		
LONG TERM PROVISIONS		
Provision for Employee Benefits	33.36	36.78
Ramaraju Memorial Fund	142.46	143.45
	<u>175.82</u>	<u>180.23</u>
NOTE NO. 6		
SHORT TERM BORROWINGS		
Secured		
Loan Repayable on Demand from Banks *	2,137.09	1,771.26
Unsecured		
Loan Repayable on Demand from Banks	3,000.00	5,500.00
Deposits	56.66	123.46
Loan from Other Parties	0.37	0.37
Loan from Related Parties	103.00	175.39
	<u>5,297.12</u>	<u>7,570.48</u>
* Loan Repayable on Demand from Banks are secured by <i>pari-passu</i> charge on the current assets of the Company and a second charge on the fixed assets of the Company.		
NOTE NO. 7		
OTHER CURRENT LIABILITIES		
Current maturities of Long Term Debts	2,904.32	2,959.40
Interest accrued but not due on Borrowings	51.13	31.62
Unpaid Dividends	7.23	4.55
Liabilities for Other Finance	382.18	485.85
	<u>3,344.86</u>	<u>3,481.42</u>
NOTE NO. 8		
SHORT TERM PROVISIONS		
Provision for Employee Benefits	235.17	218.41
Provision for Taxation	560.27	549.97
Dividend	-	74.00
Tax on Dividend	-	12.00
	<u>795.44</u>	<u>854.38</u>

**THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS**

NOTE : 9

Tangible Assets

(Rs. in Lakhs)

Description	Gross block		Depreciation		Net block					
	Cost as at 01-04-2011	Additions	Sales	Cost as at 31-03-2012	Up to 01-04-2011	For the year	Withdrawn	Up to 31-03-2012	As at 31-03-2012	As at 31-03-2011
Land	560.88	(0.54)	-	560.34	-	-	-	-	560.34	560.88
Buildings	3,868.72	59.70	-	3,928.42	664.36	128.11	-	792.47	3,135.95	3,204.36
Plant and machinery	21,672.43	436.42	141.20	21,967.65	5,989.64	1,138.17	112.62	7,015.19	14,952.46	15,682.79
Electrical machinery	1,908.31	19.39	0.56	1,927.14	443.58	74.20	0.08	517.70	1,409.44	1,464.73
Furniture,										
Office Equipments	258.42	6.85	-	265.27	166.77	49.89	-	216.66	48.61	91.65
Vehicles	107.86	0.30	0.37	107.79	64.16	10.55	0.36	74.35	33.44	43.70
Loose Tools	0.09	-	-	0.09	0.04	-	-	0.04	0.05	0.05
Total - Tangible Assets	28,376.71	522.12	142.13	28,756.70	7,328.55	1,400.92	113.06	8,616.41	20,140.29	21,048.16
Total - Tangible Assets for Previous Year	26,447.57	2,076.98	147.84	28,376.71	6,129.79	1,274.07	75.31	7,328.55	21,048.16	20,317.78
Intangible Assets										
Computer Software	137.52	-	-	137.52	72.39	22.32	-	94.71	42.81	65.13
Intangible Assets for Previous Year	137.52	-	-	137.52	45.81	26.58	-	72.39	65.13	91.71

**THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS**

		(Rs. in Lakhs)		
		As at	As at	
		31-03-2012	31-03-2011	
NOTE NO. 10				
A. INVESTMENT PROPERTY				
Building		8.72	8.72	
Gross Block				
Less: Accumulated depreciation as at the beginning of the year		(0.75)	(0.46)	
Depreciation for the year		(0.29)	(0.29)	
Total Investment property	(A)	7.68	7.97	
NON-CURRENT INVESTMENTS				
B. INVESTMENT IN EQUITY INSTRUMENTS, NON - TRADE				
Name of the Company	No. of Shares	Total face Value Rs.	Cost	Cost
1) Quoted				
Associate Companies				
M/s. Madras Cements Ltd	36,24,000	36.24	19.86	19.86
M/s. Ramco Industries Ltd	1,35,880	1.36	0.53	0.53
M/s. Rajapalayam Mills Ltd	3,00,200	30.02	28.81	28.81
M/s. Ramco Systems Ltd	12,739	1.27	12.15	12.15
Sub-Total			61.35	61.35
2) Unquoted				
Associate Companies				
M/s. Sri Vishnu Shankar Mill Ltd	11,200	1.12	1.68	1.68
M/s. Ontime Transport Co.Ltd	10,000	1.00	1.00	1.00
M/s. Sri Harini Textiles Ltd	14,90,000	14.90	149.00	149.00
Sub-Total			151.68	151.68
Total Quoted & Unquoted investments (B)			213.03	213.03
Aggregate Value of Total Investment (A + B)			220.71	221.00
Aggregate Value of:				
Quoted Investments - Cost			61.35	61.35
- Market Value			6,275.76	4,391.22
Unquoted Investments - Cost			151.68	151.68

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	As at 31-03-2012	(Rs. in Lakhs) As at 31-03-2011
NOTE NO. 11		
LONG TERM LOANS AND ADVANCES		
Unsecured and Considered good		
Loans and advances to related parties*	10.00	10.00
Security deposits	202.88	191.78
	<u>212.88</u>	<u>201.78</u>
* Details of Loans and advances to related parties are given in Note No. 25.		
NOTE NO. 12		
INVENTORIES		
Finished goods	1,094.40	2,129.81
Rawmaterials - Cotton & Cotton Waste	1,187.43	3,743.50
Stores and Spares	139.90	180.35
Process Stock	253.34	430.32
	<u>2,675.07</u>	<u>6,483.98</u>
Details of Process Stock		
Yarn	233.77	412.29
Surgical Dressings	19.57	18.03
	<u>253.34</u>	<u>430.32</u>
Mode of valuation of inventories are disclosed in Significant Accounting Policies in Note No. 24.		
NOTE NO. 13		
TRADE RECEIVABLES		
Unsecured and Considered good		
Outstanding for a period exceeding six months	88.90	-
Other Trade Receivables	2,024.44	2,686.79
	<u>2,113.34</u>	<u>2,686.79</u>
NOTE NO. 14		
CASH AND BANK BALANCES		
Cash on hand	1.71	3.30
Balance with bank		
In Current Account	107.77	98.13
In Deposit Account for margin money	71.12	89.07
In Unclaimed Dividend warrant account	7.23	4.55
	<u>187.83</u>	<u>195.05</u>

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	As at 31-03-2012	(Rs. in Lakhs) As at 31-03-2011
NOTE NO. 15		
SHORT TERM LOANS AND ADVANCES		
Unsecured and Considered good		
Advance to Suppliers	87.74	413.33
Advance Tax, TDS and Refund Due	593.08	520.25
	<u>680.82</u>	<u>933.58</u>
NOTE NO. 16		
OTHER CURRENT ASSETS		
Accrued Income	118.76	57.45
Prepaid Expenses	44.22	55.99
Other Current Assets	444.83	754.93
	<u>607.81</u>	<u>868.37</u>
NOTE NO. 17		
REVENUE FROM OPERATION		
Sale of Products		
Yarn	15,672.68	17,337.58
Surgical Dressings	3,505.57	2,623.45
Waste Cotton	454.59	505.47
	<u>19,632.84</u>	20,466.50
Other operating revenues		
Value of power generated from wind mills	583.35	526.17
Export Incentive	99.38	1.86
Job Work Charges Received	53.98	21.92
	<u>20,369.55</u>	<u>21,016.45</u>
NOTE NO. 18		
OTHER INCOME		
Interest Received	20.20	24.95
Rent Received	1.05	1.15
Dividend Income	142.73	28.68
Carbon Credit Sale	9.36	-
Industrial Promotion Assistance	28.18	-
Miscellaneous Income	6.54	20.60
Profit / (Loss) on sale of assets	37.40	(0.90)
Exchange Gain on Foreign Currency Transactions	18.01	17.58
	<u>263.47</u>	<u>92.06</u>

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in Lakhs)	
	For the year ended 31-03-2012	For the year ended 31-03-2011
NOTE NO. 19		
COST OF MATERIALS CONSUMED		
Rawmaterials consumed		
Cotton & Cotton Waste	<u>11,040.45</u>	<u>9,964.36</u>
	<u>11,040.45</u>	<u>9,964.36</u>
NOTE NO. 20		
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
Opening stock		
Finished Goods	2,129.81	1,104.24
Work-in-Progress	<u>430.32</u>	<u>300.53</u>
	2,560.13	1,404.77
Less:		
Closing Stock		
Finished Goods	1,094.40	2,129.81
Work-in-Progress	<u>253.33</u>	<u>430.32</u>
	<u>1,347.73</u>	<u>2,560.13</u>
	<u>1,212.40</u>	<u>(1,155.36)</u>
NOTE NO. 21		
EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus	1,261.82	1,214.47
Contribution to Provident and Other Funds	193.59	151.58
Staff and Labour Welfare Expenses	<u>66.45</u>	<u>67.17</u>
	<u>1,521.86</u>	<u>1,433.22</u>
NOTE NO. 22		
FINANCE COST		
Interest Expenses	2,157.76	1,885.79
Other Borrowing Costs	192.93	125.49
Exchange Fluctuation (Net) applicable to Finance Costs	<u>101.56</u>	<u>60.21</u>
	<u>2,452.25</u>	<u>2,071.49</u>

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in Lakhs)			
	For the year ended 31-03-2012		For the year ended 31-03-2011	
NOTE NO. 23				
OTHER EXPENSES				
MANUFACTURING EXPENSES				
Power and Fuel	2,412.36		2,504.82	
Packing Materials	440.25		447.83	
Job Work Charges Paid	53.56		134.33	
Repairs to Buildings	36.12		60.14	
Repairs to Plant and Machinery	285.23		321.04	
Repairs - General	232.14	3,459.66	245.87	3,714.03
ESTABLISHMENT EXPENSES				
Managing Director Remuneration	27.88		135.61	
Rates and Taxes	40.28		39.63	
Postage and Telephone	13.24		13.46	
Printing and Stationery	7.06		8.35	
Travelling Expenses	24.17		30.99	
Vehicle Maintenance	40.44		35.80	
Insurance	41.89		31.37	
Directors Sitting Fees	1.42		1.50	
Rent	6.83		6.07	
Audit and Legal Expenses	17.52		14.13	
Miscellaneous Expenses	67.65		175.18	
Corporate Social Responsibility	0.47	288.85	77.45	569.54
SELLING AND DISTRIBUTION EXPENSES				
Sales Commission	382.69		377.93	
Export Expenses	20.23		14.00	
Other Selling Expenses	168.36		145.22	
		571.28		537.15
		<u>4,319.79</u>		<u>4,820.72</u>

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTES FORMING PART OF FINANCIAL STATEMENTS

NOTE NO. 24

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation and presentation 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 notified under the Companies (Accounting Standards) Rules, 2006 and the 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. Use of Estimates

The preparation of financial statements in accordance with the generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates in the future periods.

3. Tangible Fixed Assets

- i. Tangible Fixed Assets are stated at cost of acquisition (net of CENVAT / VAT wherever applicable) less accumulated depreciation / amortisation and impairment losses if any, except freehold land which is carried at cost less impairment losses if any. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the asset beyond its previously assessed standard of performance. All other expenses on fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.
- ii. Depreciation has been provided on straight-line basis / Written down value method at the rates specified under Rules/Schedule XIV to the Companies Act, 1956, prevailing at the time of acquisition of the Asset.
- iii. Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of such assets are recognised in the statement of profit and loss.

4. Intangible Assets

The cost of computer software that are installed are accounted at cost for acquisition of such software and are carried at cost less accumulated amortisation and impairment, if any. Internally

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

generated software is not capitalized and the expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

5. Investments

All investments being long term & non-trade are stated at cost.

6. Investment Property

- i. An investment in land or buildings, which is not intended to be occupied substantially for use by, or in the operations of, the company, is classified as investment property. Investment properties are stated at cost, net of accumulated depreciation and accumulated impairment loss if any.
- ii. Depreciation on building component of investment property is calculated on straight-line basis using the rate prescribed under Schedule XIV to the Companies Act, 1956.
- iii. Gains or losses arising from disposal of investment properties are measured as the difference between the net disposal proceeds and the carrying amount of such investment properties are recognised in the statement of profit and loss.

7. Inventories

- i. Raw-materials, stores, spares, packing materials etc., are valued at cost including the cost incurred in bringing the inventories to their present location and condition.
- ii. Process Stock is valued at cost including the cost of conversion. The cost of conversion includes direct costs.
- iii. Finished goods of Surgical units are valued at cost including Excise Duty or net realisable value whichever is lower and Finished goods of Spinning Mills are valued at cost or net realisable value whichever is lower. Cost includes cost of conversion and other costs incurred in bringing the inventory to their present location and condition.

8. Revenue recognition

- i. Revenue is recognised to the extent that is probable that the economic benefits will flow to the company and the revenue can be reliably measured.
- ii. Sale of products is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sale value excludes Excise duty, Education Cess, Secondary and Higher education cess, VAT and CST.
- iii. Dividend income is recognised when the company's right to receive dividend is established by the reporting date.
- iv. Income from Wind Mills:
Units generated from windmills are adjusted against the consumption of power at our Mills. The monetary value of the units so adjusted, calculated at the prevailing EB rates net of wheeling charges has been included in power and fuel. The value of unadjusted units as on Balance Sheet date has been included in Advances Recoverable in cash or in kind under the note Loans and Advances.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTES FORMING PART OF FINANCIAL STATEMENTS

9. Employee Benefits

- i. Short-term employee benefits viz., Salaries and Wages, are recognised as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.
- ii. Defined Contribution plan viz., Contributions to Provident fund and Superannuation fund are recognised as an expense in the profit and loss account for the year in which the employees have rendered services. The Company contributes to Provident fund administered by the Government on a monthly basis at 12% of employee's basic salary. The Company also contributed for superannuation a sum equivalent to 15% of the employee's eligible annual basic salary subject to a maximum of Rs.1 Lakh per employee to funds administered by trustees and managed by LIC of India annually. There are no other obligations other than the above defined contribution plans.

iii. Defined Benefit Plan:

Gratuity:

The Company has its own approved Gratuity Fund. It is in the form of lump sum payments to vested employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 Day's basic salary payable for each completed year of service. Vesting occurs upon completion of five years of continuous service. The Company makes annual contributions to funds administered by trustees and managed by LIC of India, based on the actuarial valuation by an independent external actuary as at the Balance Sheet date using the projected unit credit method.

Leave Encashment:

The Company has a policy of allowing encashments of unavailed leave for its employees. The obligation for the leave encashment is recognised based on an independent external actuarial valuation at the Balance Sheet date. The expense is recognised the present value of the amount payable determined based on actuarial valuation using projected unit credit method.

10. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Un-provided contingent liabilities are disclosed in the Accounts by way of Notes. Contingent Assets are not recognised.

11. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction of qualifying assets are capitalised as part of the cost of those assets as per Accounting Standard-16 (Borrowing costs). All other borrowing costs are charged to revenue.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

12. Government Subsidy/Grants

- i. Interest subsidy under Technology Upgradation Fund Scheme (TUF) is credited to the interest and finance charges.
- ii. Power Subsidy under Industrial Investment Promotion Policy of Andhra Pradesh is credited to the Power & Fuel Cost
- iii. Other subsidies under Industrial Investment Promotion Policy of Andhra Pradesh are credited to Industrial Promotion Assistance under note Other Income.

13. Foreign Currency Transactions

- a. Transactions in Foreign Currency are accounted at the exchange rates prevailing at the time of transaction.
- b. Covered liabilities in foreign currencies are accounted at the rate at which they have been covered. Uncovered liabilities in Foreign Currency are accounted at the rates as on the Balance Sheet date.
- c. The difference between the forward rate and the exchange rate at the inception of a forward exchange contract is recognised as income or expense over the life of contract.
- d. Exchange difference in respect of uncovered foreign currency liabilities are recognised in the profit and loss account.

14. Earning Per Share

Net profit / (Loss) after tax is divided by the number of equity shares as stipulated in Accounting Standard - 20 (Earnings Per Share)

15. Income Tax

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

16. Segment Reporting

The Company has identified three reportable segments viz., Textiles, Surgical Dressings and Power generation from Windmills as primary business segments considering the nature of the products, the differing risks and returns as per Accounting Standard-17 (Segment Reporting). The valuation of inter segment transfers are based on prevailing market prices.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTES FORMING PART OF FINANCIAL STATEMENTS

	As at 31-03-2012	(Rs. in Lakhs) As at 31-03-2011
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NOTE NO. 25

OTHER DISCLOSURES

1. Contingent Liabilities
- i. Liability on letter of credit opened
- | | | |
|---------------|---------------|--------|
| Capital Goods | – | 107.88 |
| Others | 181.65 | 314.05 |
- ii. Estimate amount of contract remaining to be executed on Capital account not provided
- | | | |
|--|---|---|
| | – | – |
|--|---|---|
- iii. Liability on guarantees given by the bankers
- | | | |
|--|---------------|--------|
| | 123.71 | 129.29 |
|--|---------------|--------|
2. Income tax assessments have been completed up to the accounting year ended on 31st March, 2009 i.e. Assessment Year 2009-10.

3. Sales Tax Assessment upto year ended 31st March, 2010 has been completed.

4. Details of loans from Director under "Loan from Related Parties" are:

Name	Closing Balance as on 31.03.2012	Interest
Smt. R. Nalina Ramalakshmi, Managing Director	103.00	16.91

5. Contribution to Gratuity Fund includes an amount of Rs.18.17 Lakhs recognised in the current period related to past service transitional liability in accordance with Accounting Standard - 15 (Employee Benefits).

6. Auditors' remuneration (excluding Service Tax) and expenses:

	2011-12	2010-11
A. Statutory Auditors		
a. As Auditors	0.90	0.90
b. In other Capacities		
(i) For Tax Audit	0.30	0.30
(ii) Expenses for Audit	0.16	0.12
B. Cost Auditor:		
(i) As Auditors	0.50	0.35

7. The Company shares are listed in Madras Stock Exchange Limited for which listing fee for the year 2012-13 has been paid.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in Lakhs)	
	2011-12	2010-11
8. There are no dues to micro and small enterprises as at 31.03.2012 (PY: Nil). This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.		
9. As per Accounting Standard 15 (Revised 2005) "Employee Benefits", the disclosures of employee benefits as defined in the Accounting Standard are given below:		
Defined Contribution Plan:		
Employer's Contribution to Provident Fund	30.16	27.68
Employer's Contribution to Superannuation Fund	3.29	4.51
 Details of the post retirement gratuity plan (Funded) are as follows:		
Reconciliation of opening and closing balances of defined benefit plan:		
Defined Benefit Obligation as on 01-04-2011	205.95	184.06
Current Service Cost	20.52	17.21
Interest Cost	15.41	13.89
Actuarial (gain) / loss	56.19	6.40
Past service cost - (vested benefits)	-	5.16
Benefits paid	(-) 26.54	(-) 20.77
Defined Benefit obligation as on 31-03-2012	271.54	205.95
 Reconciliation of opening and closing balances of fair value of plan assets:		
Fair value of plan assets as on 01-04-2011	147.77	62.98
Expected return on plan assets	13.29	8.19
Actuarial gain / (loss)	8.70	(-) 2.39
Employer Contribution	63.25	99.76
Benefits paid	(-) 26.54	(-) 20.77
Fair value of plan assets as on 31-03-2012	206.47	147.77
 Actual Return of plan assets:		
Expected return of plan assets	13.29	8.20
Actuarial gain / (loss) on plan assets	8.70	(-) 2.39
Actual return on plan assets	21.99	5.81

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in Lakhs)	
	2011-12	2010-11
Reconciliation of opening and closing balance of fair value of Plant assets:		
Fair value of plan assets	271.54	205.95
Present value of the obligation	206.47	147.77
Difference	65.07	58.17
Unrecognized transitional liability	NIL	18.17
Unrecognized past service cost non vested benefits	NIL	NIL
Amount recognized in Balance Sheet	65.07	40.00
Expense recognized during the year:		
Current Service Cost	20.52	17.21
Interest Cost	15.41	13.89
Expected return on plan assets	(-) 13.29	(-) 8.20
Actuarial (gain) / loss	47.50	8.78
Transitional liability recognized in the year	18.17	18.17
Past service cost-non-vested benefits	NIL	NIL
Past service cost-vested benefits	NIL	5.16
Net Cost	88.31	49.85
Investment Details as on 31-03-2012:		
GOI Securities	0.87%	2.55%
State Government Securities	NIL	0.78%
High Quality Corporate Bonds	NIL	NIL
Funds with LIC	96.25%	95.90%
Bank Balance	2.88%	0.72%
Others	NIL	0.05%
Total	100%	100%
Actuarial assumptions:		
LIC 1994-96 Ultimate Table applied for Service Mortality rate	Yes	Yes
Discount rate p.a	8.50%	8.00%
Expected rate of return on plan assets p.a	9.00%	8.00%
Rate of escalation in salary p.a	5.00%	5.00%

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

	(Rs. in Lakhs)	
	2011-12	2010-11
Details of Leave encashment plan (Unfunded) are as follows:		
Reconciliation of opening and closing balances of defined benefit plan:		
Defined Benefit Obligation as on 01-04-2011	36.78	40.68
Current Service Cost	8.32	7.91
Interest Cost	2.85	2.65
Actuarial (gain) / loss	(-) 1.48	0.76
Benefits paid	(-) 2.30	(-) 15.22
Defined Benefit obligation as on 31-03-2012	44.17	36.78
Reconciliation of opening and closing balances of fair value of plan assets:		
Fair value of plan assets as on 01-04-2011	NIL	NIL
Expected return on plan assets	NIL	NIL
Actuarial gain / (loss)	NIL	NIL
Employer Contribution	2.30	15.22
Benefits paid	(-) 2.30	(-) 15.22
Fair value of plan assets as on 31-03-2012	NIL	NIL
Actual Return of plan assets:		
Expected return of plan assets	NIL	NIL
Actuarial gain / (loss) on plan assets	NIL	NIL
Actual return on plan assets	NIL	NIL
Reconciliation of fair value of assets and obligations:		
Fair value of plan assets	NIL	NIL
Present value of obligation	44.17	36.78
Difference	44.17	36.78
Unrecognized transitional liability	NIL	NIL
Unrecognized past service cost non vested benefits	NIL	NIL
Amount recognized in Balance Sheet	44.17	36.78
Expense recognized during the year:		
Current Service Cost	8.32	7.91
Interest Cost	2.85	2.65
Expected return on plan assets	NIL	NIL
Actuarial (gain) / loss	(-) 1.47	0.76
Transitional liability recognized in the year	NIL	NIL
Past service cost-non-vested benefits	NIL	NIL
Past service cost-vested benefits	NIL	NIL
Net Cost	9.69	11.32

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

(Rs. in Lakhs)
2011-12 2010-11

Investment Details as on 31-03-2012:

GOI Securities	NIL	NIL
State Government Securities	NIL	NIL
High Quality Corporate Bonds	NIL	NIL
Funds with LIC	NIL	NIL
Bank balance	NIL	NIL
Others	NIL	NIL

Actuarial assumptions:

LIC 1994-96 Ultimate Table applied for Service Mortality rate	Yes	Yes
Discount rate p.a	8.50%	8.00%
Expected rate of return on plan assets p.a	N.A.	N.A.
Rate of escalation in salary p.a	5.00%	5.00%
Total	NIL	NIL

10. Earnings per Share

Particulars	2011-12	2010-11
Net profit / (Loss) after tax (A)	(1,017.62)	1,259.46
No. of Shares (B)	19.73	9.87
Basic & Diluted earnings per share of Rs. 10/- each (A/B) in Rupees	(52)	128

11. The Company has utilised short term funds amount Rs.5.18 Crores towards long term purposes. The Company in order to cash, emerging business opportunities resulted in Short term Borrowings and the Company intends renewing/rolling over these loans.

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

12. Segment Information for the year ended 31st March, 2012

Particulars	Textiles		Surgical		Windmill Power		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
REVENUE								
External Sales (Net)	16,198	17,843	3,413	2,549	-	-	19,611	20,392
Inter Segment Sale	-	-	-	-	583	526	583	526
Total Sales	16,198	17,843	3,413	2,549	583	526	20,194	20,918
Other Income	257	74	6	18	-	-	263	92
Total Revenue	16,455	17,917	3,419	2,567	583	526	20,457	21,010
RESULT								
Segment Result	(390)	3,908	847	392	320	293	777	4,593
Unallocated Income							143	29
Unallocated Expenses							919	4,622
Operating Profit							2,452	2,071
Interest Expenses							20	25
Interest Income							-	511
Provision for Taxation							(495)	805
Current Tax							-	-
Deferred Tax							(1,018)	1,259
MAT Credit entitlement							-	-
Profit from ordinary activities							(1,018)	1,259
Exceptional Items							-	-
Net Profit							(1,018)	1,259
OTHER INFORMATION								
Segment Assets	23,304	28,860	725	705	2,695	2,942	26,724	32,507
Unallocated Assets	-	-	-	-	-	-	221	221
Total Assets	23,304	28,860	725	705	2,695	2,942	26,944	32,728
Segment Liabilities	22,619	27,070	575	507	1,862	2,245	25,056	29,823
Unallocated Liabilities							-	-
Total Liabilities	22,619	27,070	575	507	1,862	2,245	25,056	29,823
Capital Expenditure	442	721	80	88	-	1268	522	2077
Unallocated							-	-
Capital Expenditure	1,195	1,116	32	29	197	156	1424	1301
Depreciation							-	-
Unallocated							-	-
Depreciation Expenditure							-	-
Non-Cash expenses							-	-
other than Depreciation							-	-

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.

NOTES FORMING PART OF FINANCIAL STATEMENTS

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:

a. Key Management personnel and relatives.

Shri P.R. Ramasubrahmaneya Rajha, Chairman

Smt. R. Nalina Ramalakshmi, Managing Director

Shri P.R. Venketrama Raja, Director

Smt. R. Sudarsanam, Director

Shri N.R.K. Ramkumar Raja, Director

The company transactions with the above persons are furnished in Note No. 3 above.

Enterprises over which the above persons exercise significant influence and with which the company had transactions during the year.

M/s. Madras Cements Ltd.	M/s. Sri Vishnu Shankar Mill Ltd.
M/s. Ramco Industries Ltd.	M/s. Sandhya Spinning Mill Ltd.
M/s. Ramco Systems Ltd.	M/s. Sri Harini Textiles Ltd.
M/s. Rajapalayam Mills Ltd.	M/s. Rajapalayam Spinners Ltd.
M/s. Thanjavur Spinning Mill Ltd.	

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

(i) Inter Corporate Deposits given

(Rs. in Lakhs)

Name of the Related Party	Maximum Outstanding		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Thanjavur Spinning Mill Ltd	NIL	300.00	NIL	NIL
M/s. Sri Harini Textiles Ltd	10.00	10.00	10.00	10.00

Interest on ICD

Name of the Related Party	Interest		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Thanjavur Spinning Mill Ltd	NIL	2.81	NIL	NIL
M/s. Sri Harini Textiles Ltd	1.10	0.92	NIL	NIL

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

(ii) Inter Corporate Deposits accepted

(Rs. in Lakhs)

Name of the Related Party	Maximum Outstanding		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Rajapalayam Mills Ltd	1,350.00	2,450.00	300.00	1,350.00

Interest on ICD

Name of the Related Party	Interest		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Rajapalayam Mills Ltd	120.09	130.79	NIL	NIL

(iii) Good Supplied / Services rendered

Name of the Related Party	Value		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Rajapalayam Mills Ltd	231.63	342.08	NIL	NIL
M/s. Sri Vishnu Shankar Mill Ltd	2.28	55.72	NIL	NIL
M/s. Sandhya Spinning Mill Ltd	6.87	197.19	NIL	NIL
M/s. Thanjavur Spinning Mill Ltd	NIL	81.38	NIL	NIL
M/s. Ramco Industries Ltd	224.58	5.50	NIL	NIL
M/s. Madras Cements Ltd	3.24	0.02	NIL	NIL
M/s. Sri Harini Textiles Ltd	20.71	2.17	NIL	NIL
M/s. Rajapalayam Spinners Ltd	63.78	2.81	NIL	NIL

(iv) Purchase of Wind Electric Generators

Name of the Related Party	Value		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Madras Cements Ltd	NIL	1,305.53	NIL	NIL

(v) Cost of Goods & Services purchased / availed

Name of the Related Party	Value		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Rajapalayam Mills Ltd	47.00	226.11	NIL	NIL
M/s. Sri Vishnu Shankar Mill Ltd	93.19	137.84	NIL	NIL
M/s. Sandhya Spinning Mill Ltd	12.27	106.61	NIL	NIL
M/s. Thanjavur Spinning Mill Ltd	79.99	39.01	NIL	NIL
M/s. Ramco Industries Ltd	114.37	167.47	NIL	NIL
M/s. Madras Cements Ltd	96.73	137.13	NIL	NIL
M/s. Ramco Systems Ltd	8.23	7.43	NIL	NIL
M/s. Sri Harini Textiles Ltd	13.35	NIL	NIL	NIL
M/s. Rajapalayam Spinners Ltd	63.63	NIL	NIL	NIL

THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS

(Rs. in Lakhs)

(vi) Amount paid by virtue of Joint Ownership of Shares of APGPCL

Name of the Related Party	Value		Outstanding as on	
	2011-12	2010-11	31-03-2012	31-03-2011
M/s. Madras Cements Ltd	2.73	3.64	NIL	NIL

14. Other Additional information pursuant to the Revised Schedule VI of the Companies Act,1956.

(a) Value of Imports calculated on CIF Value

	2011-12 Value	2010-11 Value
Raw Materials	1,160.56	693.06
Components and Spares	47.08	93.09
Capital Goods	101.19	83.99

(b) Expenditure in Foreign Exchange during the year

	2011-12	2010-11
Interest	29.90	25.27
Export Sales Commission	68.64	57.13
Foreign Travel	2.54	1.59
Others	1,207.65	786.15
Total	1,308.73	870.14

(c) Value of Raw Materials, Stores & Spare parts consumed

	Amount	%	Amount	%
i) Raw Materials:				
Cotton, Cotton Waste, Grey Pieces, Gypsum & Gauze Cloth				
Imported	825.25	8	850.89	8
Indigenous	10,215.20	92	9,113.47	92

**THE RAMARAJU SURGICAL COTTON MILLS LTD., RAJAPALAIYAM.
NOTES FORMING PART OF FINANCIAL STATEMENTS**

		(Rs. in Lakhs)			
		2011-12		2010-11	
		Amount	%	Amount	%
ii)	Stores and Components:				
	Imported	51.08	5	89.60	8
	Indigenous	942.66	95	985.28	92

(d) Earnings in Foreign exchange (FOB) Value

Export of Yarn and Surgical Dressings	2,583.33	1,931.13
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15. The Financial Statements for the year ended 31st March, 2011 had been prepared as per the then applicable, pre - revised Schedule VI of the Companies Act, 1956. Consequent to the notification under the Companies Act, 1956, the Financial Statement for the year ended 31st March, 2012 are prepared under revised Schedule VI. Accordingly the Previous year's figures have been reclassified to confirm to the year's classification.

16. Figures have been rounded off to Lakhs with two decimals.

(Signature to Note No.1 to 25)

As per our report annexed

For M.S. JAGANNATHAN & N.KRISHNASWAMI
Chartered Accountants
Firm Registration No. 001208S

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

SMT. R. SUDARSANAM
N.K. SHRIKANTAN RAJA

P. SANTHANAM
Partner
Membership No. 18697

SMT. R. NALINA RAMALAKSHMI
MANAGING DIRECTOR

P.J. ALAGA RAJA
S. KANTHIMATHINATHAN
S.N. RAMA RAJU

Rajapalaiyam,
28th May, 2012.

DIRECTORS

PROXY FORM

THE RAMARAJU SURGICAL COTTON MILLS LIMITED

Regd. Office: RSCM Premises, 119 P.A.C. Ramasamy Raja Salai,
RAJAPALAIYAM - 626 117. TAMIL NADU

I/We.....Son of /Wife of/Daughter of..... residing
at.....being a member/members of
THE RAMARAJU SURGICAL COTTON MILLS LIMITED 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
at.....as my/our proxy to vote for me/us on my/our
behalf at 72nd Annual General Meeting of the Company to be held on Monday the
6th August, 2012 at 9.30 A.M. and at any adjournment thereof.

Signed this day of2012

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 Rajapalaiyam before 9.30 A.M. on Saturday the 4th August, 2012.

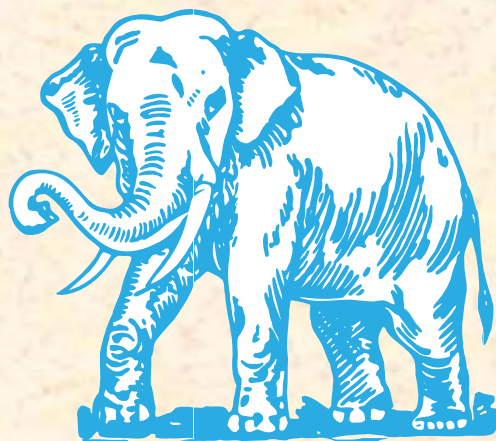


New Chinese Bale Plucker Machine installed at our Sudarsanam Spinning Mills, Rajapalayam



Our Officials with our Kerala Stockists 2011-12 meet held at Ernakulam

SUDARSANAM SPINNING MILLS



TRADE MARK IRAVATHAM