

RAJAPALAYAM MILLS LTD

Regd. Office : Rajapalayam Mills Premises, P.A.C. Ramasamy Raja Salai,
Post Box No. 1, Rajapalaiyam, Tamil Nadu, Pin : 626 117.



Chairman

Shri P.R. Ramasubrahmaneya Rajha

No. PS/

Date: 14-10-2011.

Telephone : 91 4563 235666 (5 lines)

Telegrams : "BLISS"

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rajacot@sancharnet.in

The Secretary – Investor Services / Listing
M/s. Madras Stock Exchange Ltd.,
Exchange Building,
Post Box No.183,
#11, Second Line Beach,
CHENNAI-600 001.

Dear Sirs,

Sub: Intimation of Extra-ordinary General Meeting

We wish to inform you that an Extra-ordinary General Meeting will be held at P.A.C.R. Centenary Community Hall, Sudarsan Garden, P.A.C.Ramasamy Raja Salai, Rajapalayam – 626 108, Tamil Nadu on Wednesday, the 9th November, 2011 to consider the following business:

1. To invest in the Equity Shares of Rajapalayam Spinners Private Ltd
2. To allot Equity Shares on Preferential basis.

Six copies of Notice is enclosed herewith for your records.

Kindly acknowledge receipt of this letter.

Thanking you,

Yours faithfully,

For Rajapalayam Mills Ltd

S.Kanthimathinathan

President - (Compliance Officer)

Cc: Bombay Stock Exchange Ltd,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
MUMBAI – 400 001



RAJAPALAYAM MILLS LIMITED

Regd. Office: Rajapalayam Mills Premises,
Post Box No.1, P.A.C.Ramasamy Raja Salai,
Rajapalayam-626 117.

NOTICE CONVENING THE EXTRA-ORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Members of the Company will be held at 3.30 P.M on Wednesday, the 9th November, 2011 at P.A.C.R. Centenary Community Hall, P.A.C. Ramasamy Raja Salai, Rajapalayam - 626 108 to transact the following **Special Businesses**:

1. To invest in the Equity Shares of Rajapalayam Spinners Private Limited.

To consider and if thought fit, to pass with or without modification, the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED that pursuant to the provisions of Section 372A and other applicable provisions, if any of the Companies Act, 1956, and subject to the approvals, consents, permissions and / or sanctions, as may be necessary of the Banks, Financial Institutions, and any other appropriate authority, the Board of Directors of the Company be and is hereby authorized to invest upto Rs.5,25,60,000 for acquiring 60 Lakh Equity Shares of Rs.10/- each of Rajapalayam Spinners Private Limited from the Shareholders of Rajapalayam Spinners Private Limited, at the rate of Rs.8.76 per share"

2. To allot Equity Shares on Preferential Basis.

To consider and if thought fit, to pass with or without modification, the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED that in accordance with the provisions of Sec.81, Sec.81(1A) and other applicable provisions, if any of the Companies Act, 1956 and subject to the approvals, consents, permissions and/or sanctions as may be necessary, of the Govt. of India (GOI), Reserve Bank of India (RBI), The Securities and Exchange Board of India (SEBI), Financial Institutions, Banks and any other appropriate authority, Institution or Body and subject to such conditions and/or modifications as may be prescribed by any or all of them in granting such approvals, consents, permissions and/or sanctions, consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted by the Board of Directors or any Committee which the Board of Directors may hereafter constitute to exercise one or more of its powers including the powers conferred by this resolution) to issue, offer and allot 3,51,000 Equity Shares of Rs. 10/- each to Shri P.R. Ramasubrahmaneya Rajha, Chairman on preferential basis at a premium calculated on the basis of the guidelines of the SEBI and/or appropriate authorities.

RESOLVED FURTHER that the Board be and is hereby authorized to accept any modifications in the proposal as may be required by the authorities involved but subject to such conditions, SEBI, the financial institutions and/or such other appropriate authorities may impose at the time of their approval, if and to the extent necessary, and as agreed to by the Board.

RESOLVED FURTHER that the Shares to be issued as above are subject to the Memorandum and the Articles of Association of the Company and shall rank in all respects pari passu with the existing Equity Shares of the Company, provided however that such new Equity Shares shall not be entitled to participate in any dividend declared / to be declared for any year or period prior to the issue of the Shares; but shall be entitled to full Dividend for the financial year in which they are allotted.

RESOLVED FURTHER that the shares are subject to a lock-in period of three years from the date of their allotment as specified in the SEBI guidelines currently in force.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may as its discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper."

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

CHENNAI
10-10-2011

DR. K.T. KRISHNAN
DIRECTOR.

NOTES:

- (i) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos.1 & 2 of the Notice is annexed hereto;
- (ii) 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;
- (iii) 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.

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

Item No.1

Rajapalayam Mills Limited (RML) is the flagship company of the textile companies of Ramco Group. Rajapalayam Spinners Private Limited (RSPL), promoted by Shri P.R. Ramasubrahmaneya Rajha is an another group company of Ramco Group, having Spinning Capacity of 15,264 spindles with compact spinning system. The company has availed Term Loan of Rs. 17 Crores for setting up of the Spinning Mill, out of which Rs. 9.50 Crores is covered under Technology Up-gradation Fund (TUF) Scheme, eligible for an interest subsidy @ 4% p.a. The Company is also having Wind Mills with the capacity of 2.40MW for its Captive consumption. RSPL commenced the commercial production during the year 2008 and it has established market for cotton yarn especially in coarser yarn counts. The acquisition of RSPL's shares by RML will strategically improve the customer relationship and optimum utilization of capacity for both the Companies.

The Balance Sheet of Rajapalayam Spinners Private Limited as on 31-3-2011 is furnished below

Particulars	Amount Rs. in Lakhs	
SOURCES OF FUNDS		
1. Shareholder's Funds		
Share Capital		600.00
2. Loan Funds		
Secured Loans	4,040.60	
Unsecured Loans	99.03	
		5,034.63
		5,634.63
APPLICATION OF FUNDS		
1. Fixed Assets		
Gross Block	3,948.34	
Less : Depreciation	321.66	
Net Block	3,626.68	
Capital Work in Progress	11.25	
		3,637.93
2. Current Assets, Loans & Advances		
Inventories	1,383.47	
Sundry Debtors	211.92	
Cash & Bank Balances	105.47	
Loans & Advances	117.56	
	1,818.42	
Less :		
3. Current Liabilities & Provisions		
Current Liabilities	87.75	
Provisions	6.08	
	93.83	
Net Current Assets		1,724.59
4. Miscellaneous Expenditure		2.56
5. Balance in Profit & Loss Account		184.55
6. Deferred Tax Assets		85.00
		5,634.63

The assets of RSPL has been valued by an independent Chartered Engineers and its present market value has been arrived at Rs.45.65 Crores, which is considered to be very attractive as compared to the cost of establishing a new spinning mill along with wind mills with similar capacity apart from avoiding the lead time to set-up a spinning mill, which will normally take more than 2 years. Taking into account the net value of the assets (market value) and book value of the assets, value per share of RSPL is worked out as Rs.8.76 per share as per the workings enclosed in Annexure-I. The above value of Rs.8.76 per share has been certified as fair value by a Chartered Accountant.

The Shares of RSPL is presently held by :

Name of the Shareholder	No. of Shares of Rs. 10/- each
Shri. P.R. Ramasubrahmaneya Rajha	59,80,000
Smt. R. Sudarsanam	10,000
Shri. P.R. Venketrama Raja	10,000
Total	60,00,000

RML has approached the above Shareholders of RSPL to acquire the shares from them and they have agreed to sell the shares at the value of Rs.8.76 per share to RML.

The proposed investment along with investments / loans / guarantee already made / given by our Company will be in excess of the limit specified under Section 372A of the Companies Act, 1956. In order to make investments beyond the limit, the Company requires approval of the Members by way of Special Resolution.

On completion of the investment process, RSPL will become a wholly owned subsidiary of RML.

The Board of Directors recommend the resolution to the Shareholders.

Disclosure of interest:

Shri. P.R. Ramasubrahmaneya Rajha, Chairman, Smt. R. Sudarsanam, Managing Director and Shri. P.R. Venketrama Raja, Director of Rajapalayam Mills Ltd., are the Shareholders & Directors of M/s. Rajapalayam Spinners Private Limited.

Item No.2

The present paid-up capital of the Company is Rs.7,02,51,600/- comprising of 70,25,160 Equity shares of Rs.10/- each, out of which 62,13,850 Equity shares are allotted as fully

paid-up by way of Bonus shares by capitalization of Reserves. The Company's net worth stand at Rs.148.22 Crores and the borrowings stand at Rs.409.63 Crores as on 31-3-2011.

It is considered advantageous to issue additional shares to improve the Debt Equity Ratio which will go to reduce the interest burden of the Company in the coming years.

Shri P.R. Ramasubrahmaneya Rajha, Chairman belonging to the promoter group is willing to subscribe such additional shares at a premium as per SEBI guidelines. Issue of Shares to promoters' group will be a prudent step facilitating more efficient control of the Company by the Management with its excellent track record.

The money raised by such issue will be utilized for restructuring of borrowings with a view to reduce the interest outgo besides the Company's proposal to acquire the Shares of RSPL.

It is therefore proposed to offer 3,51,000 Equity Shares of Rs.10/- each to Shri P.R. Ramasubrahmaneya Rajha, Chairman belonging to the promoter group on Preferential basis at a premium calculated as per SEBI guidelines.

The price at which the issue is to be made, as per SEBI guidelines, shall be the highest of

- a. Average of the weekly high and low of the closing price of the shares quoted in Stock Exchange during the 26 weeks preceding the relevant date, or
- b. Average of the daily high and low of the price during 2 weeks preceding the relevant date

the relevant date being the date 30 days prior to the date of the General Meeting approving the preferential issue.

The price per share as per the above formula, taking 9th October, 2011 as the relevant date is Rs.233/-.

The Statutory Auditor of the Company has certified that the preferential issue is being made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The certificate will be placed before the EGM.

The proposed allotment of Shares shall be locked-in for a period of 3 years from the date of allotment in accordance with the above Regulations.

Due to the preferential allotment, there will not be any change in the Board of Directors nor will there be change in the Management control over the Company. The shareholding

pattern and the voting rights will change according to the number of shares that will be allotted.

Shareholding Pattern :

Particulars	Present Structure (Before Allotment)		Proposed Structure (After Allotment)	
	No. of Shares	%	No. of Shares	%
A. Promoters Holding				
1. P.R. Ramasubrahmaneya Rajha	6,37,792	9.08	9,88,792	13.41
2 Others	28,31,100	40.30	28,31,100	38.38
Sub-Total (A)	34,68,892	49.38	38,19,892	51.79
B. Non-Promoters Holding				
1. Banks and Financial Institutions	2,060	0.03	2,060	0.02
2. Private Corporate Bodies	2,29,310	3.26	2,29,310	3.11
3. Public	33,24,898	47.33	33,24,898	45.08
Sub-Total (B)	35,56,268	50.62	35,56,268	48.21
TOTAL (A + B)	70,25,160	100.00	73,76,160	100.00

The above issue of shares permissible under the SEBI guidelines, will require approval from the Members by way of Special Resolution.

The proposed issue of shares on preferential basis will be allotted within a period of 15 days from the date of passing the above said Special Resolution.

Disclosure of interest:

Shri. P.R. Ramasubrahmaneya Rajha, Chairman may be deemed to be concerned or interested in the Resolution to the extent of the Shares that are to be allotted to him.

Smt. R. Sudarsanam, Managing Director and Shri. P.R Venketrama Raja, Director are deemed to be interested in the allotment of Shares to Shri. P.R. Ramasubrahmaneya Rajha, Chairman, as Smt. R. Sudarsanam and Shri. P.R. Venketrama Raja are related to Shri. P.R. Ramasubrahmaneya Rajha, within the meaning of Section 6 of the Companies Act, 1956.

The Board of Directors recommend the resolution to the Shareholders.

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

CHENNAI
10-10-2011

DR. K.T. KRISHNAN
DIRECTOR.

VALUATION OF SHARES OF RAJAPALAYAM SPINNERS PRIVATE LIMITED

I. Market Value per share :

A1. Market value of Fixed Assets

(Rs. in Crores)

Particulars	WDV as on 31-03-2011	Market Price		Average Market Price
		Valuer I	Valuer II	
Land	0.18	2.28	2.28	2.28
Building	9.48	12.37	12.10	12.24
General Machinery including Capital WIP	11.32	15.41	15.01	15.21
Electrical Machinery	3.02	3.88	3.70	3.79
Vehicles, Furniture & Office Equipments	0.16	0.13	0.13	0.13
Wind Mill Land	0.07	0.07	0.07	0.07
Wind Electric Generators	12.15	11.93	11.93	11.93
Total	36.38	46.07	45.22	45.65

A2. Net Asset Value

Particulars	Amount (Rs. in Crores)	
Market Value of Fixed Assets	45.65	
Market Value of Net Current Assets	7.46	
Total Asset (A)		53.11
Term Loan	25.97	
Working Capital Loan	10.03	
Unsecured Loan	9.86	
Total Liability (B)		45.86
Net Asset Value		7.25

A3. Market Value per Share

Particulars	
Net Asset Value as per above Calculation	Rs. 7.25 Crores
No. of Shares	60 Lakhs shares
Market Value per Share	Rs. 12.08

II. Book Value per Share :

Particulars	Value Rs. in Crores	
Share Capital		6.00
Less :		
Balance in Profit and Loss Account	(1.85)	
Deferred tax asset	(0.85)	
Misc. Expenditure not written off	(0.03)	(2.73)
Tangible Net worth		3.27
No. of Shares		60 Lakhs shares
Book Value per Share		Rs. 5.45

Fair Value per Share :

Particulars	Amount in Rs.
Market Value per share	12.08
Book Value per share	5.45
Average Value per Share (Fair Value)	8.76



RAJAPALAYAM MILLS LIMITED

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Rajapalayam-626 117.

PROXY FORM

I / We Son of/Wife of/Daughter of
residing at being a member / members of /
RAJAPALAYAM MILLS LTD., do hereby appoint Sri/Smt./Miss
Son of/Wife of/Daughter of residing at
.....or failing him Sri/Smt/Miss
Son of/Wife of/Daughter of residing at
..... as my / our proxy to vote
for me/us on my / our behalf at the Extra-ordinary General Meeting of the Company to be held
on Wednesday, the 9th November, 2011 at 3.30 P.M. and at any adjournment thereof.

Signed this day of 2011.

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

Affix 1 Rupees
Revenue
Stamp and
Sign over it

Note : Any member entitled to attend and vote at the meeting is entitled to attend and either vote in person or by Proxy and that the Proxy need not be a member of the Company. This form thus completed should be deposited at the Registered Office of the Company at Rajapalayam before 3.30 P.M. on Monday, the 7th November, 2011.

