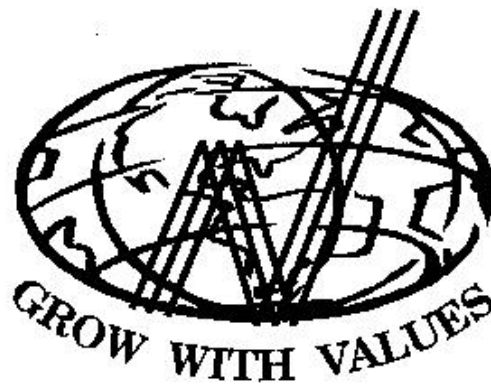


SRI NACHAMMAI COTTON MILLS LIMITED



30th ANNUAL REPORT 2009 - 2010

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For Sri Nachammai Cotton Mills Ltd.,

Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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BOARD OF DIRECTORS

Chairman cum Managing Director	Shri. P. Palaniappan, B.E., M.S.(U.S.A.),
Joint Managing Director	Smt. P. Umayal, B.Sc.,
Whole Time Director	Shri. A. Annamalai,
Directors	Smt. RM. Umayal, Shri. Amrathlal A. Gandhi, B.Sc., Shri. A. Alagappan, B.B.A., Shri. C.S. Thirumalai, M.A., PGDMA., ACMA., AICWA., MIE., Shri. Perumal Madhavagopal, L.T.M., Shri. PL. Subbiah, B.E., Shri. S. Ravichandran, B.E., M.B.A.,

AUDITORS

Messrs.M.S.Jagannathan & Visvanathan
Chartered Accountants, Coimbatore - 641 002.

INTERNAL AUDITOR

Shri. PL.Arumugam, M.Com., FCA.,
Chartered Accountant, Salem - 636 004.

BANKERS

Indian Overseas Bank,
Salem Main Branch, Salem - 636 001.

REGISTRAR AND SHARE TRANSFER AGENTS

Cameo Corporate Services Limited,
'Subramanian Building',
No.1, Club House Road, Chennai - 600 002.

COMPLIANCE OFFICER

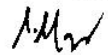
Mrs. R. Thamil Selvi

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Contact Details	
Registered Office	30, Sugavaneswara Road, Balaji Nagar, Salem - 636 004.
Mills at	Near Railway Station, Chettinad - 630 102. Sivaganga District.
Phone Numbers	0427-2331879, 2330847, 2330466.
Fax	0427 - 2331951
E-mail	sncm@rediffmail.com
Website	www.sncmindia.com

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

Registered Office: 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **Thirtieth Annual General Meeting of Sri Nachammai Cotton Mills Limited** will be held on **Thursday the 9th day of December, 2010 at 5.00 P.M. at Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016** to transact the following business. All the Shareholders are requested to attend the same.

AGENDA

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at **30th June, 2010** the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Sri. Perumal Madhavagopal who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri. A. Alagappan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint an Auditor for the Company to hold office from the close of this Annual General Meeting till the close of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as an "Ordinary Resolution".
RESOLVED that consent/approval be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Sri. P.PALANIAPPAN, as Chairman cum Managing Director for a period of one year from 19.12.2010 on the following remuneration perquisites and other terms and conditions:
 - I **Salary**
Rs. 1,25,000/- p.m. (Rupees One Lakh and Twenty Five Thousand Only).
 - II **Commission**
Commission computed on the basis of 5% of the net profit of the Company as reduced by their aggregate remuneration by way of salary and perquisites (exclusive of perquisites not to be included in the computation of ceiling on remuneration in Paragraph 2 of Part II of Schedule XIII).
 - III **Perquisites**
 1. The Chairman cum Managing Director shall be eligible to the following perquisites, which are not to be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956.
 - i) Contribution of Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
 - ii) Encashment of leave at the end of tenure.
 2. **Housing**
The Chairman cum Managing Director shall be entitled to house rent allowance subject to the ceilings. Sixty percent of the salary, over and above ten percent payable by the Chairman cum Managing director.
 3. **Gas, Electricity, Water and Furnishings**
The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Act, 1961. This shall, however, be subject to a ceiling of 10% of the salary of the Chairman cum Managing Director.
 4. **Medical Reimbursement**
Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.
 5. **Leave Travel Concession**
For self and family once in a year incurred in accordance with the rules of the Company.
 6. **Club Fees**
Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.
 7. **Personal Accident Insurance**
Premium not to exceed Rs. 10,000/- per annum.
 8. **Car**
Car with driver for use on Company's business and telephone at residence. Personal long distance calls and use of car for private purpose shall be billed by the Company.

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



NOTICE OF ANNUAL GENERAL MEETING (Contd...)

9. Other Terms and Conditions

- i) The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii) In the event of absence or inadequacy of profits in any financial year during the tenure of Chairman cum Managing Director, he shall be paid the salary and perquisites as specified above, subject to the ceiling under Paragraph 1(A) of Section II Part II of Schedule XIII to the Companies Act, 1956 as modified from time to time and subject further to the perquisites for the purpose of ceiling being reckoned exclusive of the specified perquisites in Paragraph II of Section II aforesaid.

6. To consider and if thought fit, to pass the following resolution as an "Ordinary Resolution".

RESOLVED that consent/approval be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re- appointment of Smt. P. Umayal, as Joint Managing Director for a period of one year from 19.12.2010 on the following remuneration, perquisites and other terms and conditions:

I Salary

Rs.1,25,000/- p.m. (Rupees One Lakh and Twenty Five Thousand Only).

II Commission

Commission computed on the basis of 5% of the net profit of the Company as reduced by their aggregate remuneration by way of salary and perquisites (exclusive of perquisites not to be included in the computation of ceiling on remuneration in Paragraph 2 of Part II of Schedule XIII).

III. Perquisites

1. The Joint Managing Director shall be eligible to the following perquisites, which are not to be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956.

- i) Contribution of Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
- ii) Encashment of leave at the end of tenure.

2. Housing

The Joint Managing Director shall be entitled to house rent allowance subject to the ceilings. Sixty percent of the salary, over and above ten percent payable by the Joint Managing director.

3. Gas, Electricity, Water and Furnishings

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Act, 1961. This shall, however, be subject to a ceiling of 10% of the salary of the Joint Managing Director.

4. Medical Reimbursement

Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.

5. Leave Travel Concession

For self and family once in a year incurred in accordance with the rules of the Company.

6. Club Fees

Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.

7. Personal Accident Insurance

Premium not to exceed Rs.10,000/- per annum.

8. Car

Car with driver for use on Company's business and telephone at residence. Personal long distance calls and use of car for private purpose shall be billed by the Company.

9. Other Terms and Conditions

- i) The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii) In the event of absence or inadequacy of profits in any financial year during the tenure of Joint Managing Director, she shall be paid the salary and perquisites as specified above, subject to the ceiling under Paragraph 1(A) of Section II Part II of Schedule XIII to the Companies Act, 1956 as modified from time to time and subject further to the perquisites for the purpose of ceiling being reckoned exclusive of the specified perquisites in Paragraph II of Section II aforesaid.

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For Sri Nachammai Cotton Mills Ltd.,

Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

7. To consider and if thought fit, to pass the following resolution as "Special Business".
- RESOLVED that consent/approval be and is hereby accorded under Sections 198,269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for appointment of Sri. A. Annamalai as Whole time Director for a period of one year from 01.09.2010 on the following terms and conditions.
- I Salary**
Rs.25,000/- p.m. (Rupees Twenty Five Thousand Only).
- II Other Terms and Conditions**
- i) The salary shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii) In the event of Loss or inadequacy of profits in any financial year during the tenure of the Whole time Director, he shall be paid the salary as specified above, subject to the ceiling under Paragraph 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 as modified from time to time.
- None of the Directors except Sri A. Annamalai may be deemed to be concerned or interested in the above appointment.
8. To consider and if thought fit to pass the following resolution as an "Ordinary Resolution".
- RESOLVED that Sri. S.Ravichandran who was co-opted as an Additional Director of the Company by the Board of Directors who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.
9. To consider and if thought fit to pass the following resolution as an "Ordinary Resolution".
- RESOLVED that Sri. PL. Subbiah who was co-opted as an Additional Director of the Company by the Board of Directors who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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. Information as required under Clause 49 of the Listing Agreement in respect of re-appointment of Directors are provided in the Annexure to the notice.
3. The instrument appointing Proxy should however be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 01.12.2010 to 09.12.2010 (both days inclusive).
5. Members holding share in Physical form are requested to intimate immediately any changes in their address to the Company's Share Transfer Agent, M/s. Cameo Corporate Services Limited, 'Subramanian Building' No. 1, Club House Road, Chennai - 600 002 and members holding shares in dematerialized form may inform the same to their respective Depository Participant.

EXPLANATORY STATEMENT

AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item Nos. 5 & 6

Sri P.Palaniappan was appointed as Chairman cum Managing Director and Smt. P.Umayal was appointed as Joint Managing Director for a period of one year with effect from 19.12.2009 by the Board of Directors at its Meeting held on 24.08.2009 and their period of reappointment expires on 18.12.2010.


As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 27.08.2010 has reappointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of one year from 19.12.2010 on the same remuneration and perquisites and other terms and conditions as set out in the resolution.

Sri P.Palaniappan has rich experience in the varied fields of technical, financial, marketing and cotton purchase management. Smt. P. Umayal has rich experience in cotton selection, procurement and purchase and overall administration of the Company. Their experience will be highly beneficial to the Company.

The proposed re-appointment, remuneration and perquisites are within the limits prescribed in the Schedule XIII of the Companies Act, 1956 and require the approval of the Shareholders as per the provisions of the Companies Act, 1956. Accordingly, the resolution set out in Item nos. 5 & 6 as recommended by the Remuneration Committee and the Board of Directors for approval of this General Meeting.

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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Sri P. Palaniappan and Smt. P.Umayal may be deemed to be concerned or interested in the above re-appointment as it relates to their re-appointment and remuneration and Smt. RM. Umaiyal is interested being related to Sri P.Palaniappan and Smt. P.Umayal.

Item No.7

Sri A. Annamalai was a Director of the Company since 27.08.10. As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 27.08.2010 has appointed him as Whole Time Director for a period of one year from 01.09.2010 on the same terms and conditions as set out in the resolution.

Sri A. Annamalai has rich experience in the field of financial. His experience will benefit the company immensely.

None of the Directors except Sri A. Annamalai may be deemed to be concerned or interested in the above appointment.

No. 8. & 9

Sri S. Ravichandran and Sri .PL. Subbiah was co-opted as an Additional Directors of the Company from 27.08.2010 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, they hold office as Directors only up to the date of ensuing Annual General Meeting. As required by Section 257 of the Act, a notice together with requisite deposit have been received from a member signifying his intention to propose their appointment as a Directors. The Board considers it desirable to appoint them as Directors of the Company. None of the Directors except Sri. S. Ravichandran and Sri. PL. Subbiah are deemed to be interested in the above resolution.

Salem,
27th August, 2010.

By order of the Board,
P. Palaniappan,
Chairman cum Managing Director.

Details of the Directors seeking appointment at the Annual General meeting (Pursuant to clause 49 of the Listing Agreement) Details of Directors seeking Appointment at the Annual General Meeting


Name	: Sri. Perumal Madhavagopal	Name	: Sri. A. Alagappan
Age	: 66 Years	Age	: 54 years
Date of Appointment	: 28.01.2001	Date of Appointment	: 27.09.1996
Qualification	: LTM	Qualification	: B.B.A
Experience	: 40 Years	Experience	: 29 years
No. of Shares	: 100	No. of Shares	: 100
Other Directorships	: Supreme Yarn Spinners Limited Sree Rajendra Mills Limited	Other Directorships	: Nil
Member of the Committee	: Audit committee, Remuneration Committee and Shareholders Grievances	Member of the Committee	: Audit committee and Remuneration Committee

Appointment of Directors

Name	: Sri.PL.Subbiah	Name	: Sri S. Ravichandran
Age	: 40 Years	Age	: 64 years
Date of Appointment	: 27.08.2010	Date of Appointment	: 27.08.2010
Qualification	: B.E.,	Qualification	: B.E., M.B.A
Experience	: 18 Years	Experience	: 31 years
No. of Shares	: Nil	No. of Shares	: 8234
Other Directorships	: Talema Electronic (India) Pvt. Ltd	Other Directorships	: Raja Yarns Pvt. Ltd
Member of the Committee	: Nil	Member of the Committee	: Nil

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.

**SRI NACHAMMAI COTTON MILLS LIMITED**

Registered Office: 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors are hereby presenting this 30th Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2010.

FINANCIAL RESULTS FOR THE YEAR

The financial results for the year under review are furnished below:

	30.06.2010	30.06.2009
	Rs.	Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	13,04,06,733	2,09,51,772
Less: Interest	4,65,89,107	4,33,68,567
Depreciation	2,16,74,134	1,98,31,057
	6,82,63,241	6,31,99,624
PROFIT/(LOSS) BEFORE TAX	6,21,43,492	(4,22,47,852)
Less: Deferred Tax (Liability) / Asset	(1,05,15,176)	1,55,06,507
Fringe Benefit Tax for prior year	—	(54,219)
PROFIT/(LOSS) AFTER TAX	5,16,28,316	(2,67,95,564)
Increase/(Provision for Diminution) in Value of investments	3,13,500	(2,64,248)
Less/(Add) Loss Brought forward	(5,81,68,245)	(39,108,433)
Less: Transfer from General Reserve	—	8,000,000
Balance of Loss Carried Forward	(62,26,429)	(5,81,68,245)

Dividend: Due to inadequacy of Profit, the Company is unable to recommend any Dividend for this year 2009-10 and the situation is expected to improve in the current year.

REVIEW OF OPERATIONS

The Company turned around during the current year with Net profit before tax being Rs. 621.43 lakhs as compared to Net loss before tax being Rs. 422.48 lakhs during the year 2008-09. The profit during the year was on account of the following factors.

- There was a sustained demand for cotton yarn during the last year at higher price levels world wide.
- Increase in capacity utilisation due to reduction of power cut.
- Timely coverage of good cotton at lower prices.
- Additional spindleage in our A unit from 27840 to 33600 spindles.

During the current year, the company is expected to improve its performance by enhanced production with a reduction in power cut from 30 % to 20%, energy conservation measures, improved yarn prices and positive signs of revival of the current world economy, coupled with the full utilization of additional spindleage.

FIXED DEPOSITS : As on 30.06.2010, three deposits amounting to Rs.33,000/- remaining unclaimed on the due dates and since paid.

DIRECTORS

The Directors Sri. Perumal Madhavagopal and Sri A. Alagappan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The details as required under Clause 49 of the Listing Agreement is attached.

Sri. A. Annamalai was appointed as Whole Time Director with effect from 01.09.2010.

Sri. S. Ravichandran and Sri. PL. Subbiah were appointed as Additional Directors with effect from 27.08.2010.


The Particulars of the Directors proposed to be appointed or re-appointed are given in the Report on Corporate Governance of this Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

As per amended section 217(2AA) of the Companies Act, 1956, the Board of Directors states that in the preparation of Annual Accounts for the year ended 30.06.2010

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



REPORT OF BOARD OF DIRECTORS (Contd...)

1. That the applicable accounting standards have been followed and there are no material departures.
2. That the Directors have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended **30.06.2010** and of the Profit of the Company for that year.
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the Annual Accounts for the year ended **30.06.2010** on a going concern basis.

CORPORATE GOVERNANCE

Reports on Management Discussion and Analysis and Corporate Governance along with a certificate from the auditors of the Company regarding compliance in accordance with Clause 49 of the Listing Agreements with Stock Exchanges are annexed as part of the Annual Report.

LISTING : The Equity Shares of the Company are listed in Mumbai and Coimbatore Stock Exchanges and the Company has duly paid the Annual listing fees for the year **2010-2011**, except to Coimbatore Stock Exchange to which the Company has applied for de-listing on 22.08.2005.

M/s. Cameo Corporate Services Limited, Chennai is the Registrar for providing depository services through National Securities Depository Limited (**NSDL**) and Central Depository Services (India) Limited (**CDSL**) for holding Shares in Electronic mode (De-mat) by our Shareholders and also Registrar for Share Transfer Services for physical segment.

AUDITORS : M/s. M.S.Jagannathan & Visvanathan, Auditors retire at the ensuing Annual General Meeting and they are eligible for reappointment.

PARTICULARS OF EMPLOYEES : In accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, there are no employees who are in receipt of remuneration of Rs. 24 lakhs or more per annum and Rs.2 lakhs or more per month.

STATEMENT SHOWING DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 a Statement showing details of conservation of Energy, Technology absorption, Exports and Foreign Exchange earning and outgo is annexed to this report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their deep sense of appreciation for the tremendous support from the Bankers M/s. Indian Overseas Bank, the shareholders, depositors, all our suppliers and customers. The Board also wishes to place on record their appreciation for the contribution made by the employees at all levels.

Salem,
27th August, 2010.

For and on behalf of the Board of Directors
P. PALANIAPPAN
Chairman cum Managing Director

ADDENDUM TO DIRECTORS REPORT

In respect of Auditors qualification with regard to non Confirmation from Parties, it is stated that steps are being taken to get the Confirmation in the future.

Regarding Non-Provisions of bad and doubtful debts amounting to Rs. 34,39,782/- the same was not provided since there are some chances for recovery and for the same, steps are being taken. (Refer Note no. 11)

Salem,
27th August, 2010.

For and on behalf of the Board of Directors
P.PALANIAPPAN
Chairman cum Managing Director

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For Sri Nachammai Cotton Mills Ltd.,

M.V.
Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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ANNEXURE TO DIRECTOR'S REPORT

Particulars Pursuant to Section 217(1)(c) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- a. Conservation of energy receives top most priority due to energy quota restrictions and also high costs. The Company continuously monitors the energy usage in all its Units on a weekly basis and in depth studies are carried out.

Energy Conservation Measures adopted by our Company during the year are as follows:

- i) Installation of Power Capacitors.
 - ii) Installation of energy saving fans.
 - iii) Thermography studies.
 - iv) Installation of energy efficient Motors.
- b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy will be an ongoing process.
- c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

FORM A

Form for disclosure of particulars with respect to Conservation of Energy.

	<u>Current Year</u> Year ended 30.06.2010	<u>Previous Year</u> Year ended 30.06.2009
POWER AND FUEL CONSUMPTION:		
1. Electricity		
(a) Purchased		
Units	2,01,39,077	1,77,82,346
Total Amount (Rs.)	9,46,37,132	8,07,68,767
Rate Per unit (Rs.)	4.70	4.54
(b) Own Generation		
(i) Through Diesel Generator Units	52,34,437	12,73,331
Units per litre of Diesel	3.56	3.39
Cost/Unit (Rs.)	9.26	8.85
(ii) Through Steam Turbine/ Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other/Internal Generation	Nil	Nil
CONSUMPTION PER UNIT OF PRODUCTION:		
Yarn produced (kgs)	87,69,412	70,14,668
Electricity Consumed (Units)	2,53,73,514	1,90,55,677
Electricity Consumed Per Kg. of Yarn (Units)	2.89	2.72

B. PARTICULARS OF TECHNOLOGY ABSORPTION

The Company has no R & D Division. The Company is a member of South India Textile Research Association and gets the benefits of their research.

C. PARTICULARS ON FOREIGN EXCHANGE EARNINGS AND OUTGO

EARNINGS:	Direct Exports	Rs.	Nil
OUTGO :	Import of Raw Material	Rs.	12,54,51,801
	Import of Spares	Rs.	20,82,849
	Import of Capital Goods	Rs.	4,14,16,127
		Rs.	<u>16,89,50,777</u>

For and on behalf of the Board of Directors
P. PALANIAPPAN
Chairman cum Managing Director

Salem,
27th August, 2010.

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director,



SRI NACHAMMAI COTTON MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENTS:

Textile industry is the largest employer of workforce after agriculture. It plays a crucial role in the Indian Economy. Its importance to the Indian Economy is recognized for its significant contribution to industrial production and export earnings. The Indian Spinning Sector is largely organized and continues to be a predominant supplier of cotton yarn in the world. The cotton yarn manufactured by the Indian Spinning mills is said to be among the best in the world.

The Indian spinning sector witnessed a significant turnaround in the last financial year inspite of increase in cotton prices, non-availability of labour and poor power supply. The turnaround was mainly due to sustained demand for cotton yarn at all prices during the last three quarters worldwide.

Cotton prices have significantly risen over the past 9 months. The markets are anticipating that there will be a shortage of cotton by the end of the 2009-10 season for mills who have not covered. Your Company has adequately covered cotton for the current season.

TNEB has increased the power tariff for industrial consumers by 50 paise per unit. This will increase the cost of production of yarn.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS:

With the global economy showing signs of recovery, the demand for cotton yarn is expected to be robust in the forthcoming year. With good monsoon rains and increase in acreage allocated for cotton farming, the prospects of a good cotton crop in India in the ensuing season are bright. Anticipated increase in cotton production in cotton producing countries offers hope for some moderation in cotton prices.

The removal of export benefits for cotton yarn by the Indian Government will reduce the ability of the Indian spinning mills to realize better prices for their yarn. Allowing of cotton exports beyond a certain limit, will lead to significant increase in cotton prices. Power shortage and non-availability of labour are major concerns, which will lead to escalation in cost of production.

C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE:

At present, the segmental reporting is not applicable to the Company as the Company has only single reportable business i.e. "Textiles".

D. OUTLOOK:

The improvement in economic conditions in India, increasing domestic consumption and the revival in exports to the major developed economies offers encouragement for a good year ahead. To capitalize on the prevailing situation, your Company has taken steps to upgrade its machineries further and increase its operational efficiencies in all aspects.

E. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition. All transactions are authorized, recorded and reported correctly. The internal control is supplemented by an extensive program of internal checks. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

F. FINANCIAL AND OPERATIONAL PERFORMANCE:

Please refer Board Report on Financial and operational performance review.

G. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT:

The Company has been conducting skills training and motivational programmes for both management staff and workers. The purpose is to increase the competency level in the organisation. The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people.

H. CAUTIONARY STATEMENT:

Certain statements made in the Management Analysis and Report relating to companies outlook, expectations, etc. may constitute forward looking statements within the meaning of the applicable laws and regulations. Actual results may vary from outlook, expectations, etc whether express or implied. Several factors could make a significant difference to the Company's operations which may include climate conditions, economic conditions affecting demand and supply, Government regulations, natural calamity, etc. over which the company does not have any control.

For Sri Nachammai Cotton Mills Ltd.

Certified True Copy

Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

REPORT ON CORPORATE GOVERNANCE

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company's Philosophy on Code of Corporate Governance:

The Company believes in transparency, accountability and code of ethics, which are the core principles of Corporate Governance. The Company will always endeavour to improve on these aspects.

2. Board of Directors:

The Board of Directors is committed to ethical and lawful conduct of the business. They provide leadership and strategic guidance on the affairs of the Company.

The Company follows the practice of fixing the Board Meetings well in advance to ensure Maximum attendance of all Directors. Board is provided with information apart key activities of the business and other matters concerning the Company including Statutory Compliance, Risk Management etc.

3. Composition:

In conformity with the provisions of the Companies Act, 1956 and the Listing Agreement the Board of Directors of the Company is constituted with appropriate mix of Executive and Non Executive Directors as well as combination of Independent and Non Independent Directors.

4. Board Meeting and Attendances:

During the accounting year 2009-2010, 4 Board Meetings were held on 24th August, 2009, 29th October, 2009, 28th January, 2010 and 29th April, 2010.

Details of composition of Board, category, attendance of Directors at Board Meetings and last Annual General Meeting, number of other directorships and other committee memberships are given below:

Sl. No.	Name of the Director	Category of Directorship	Number of Board Meetings attended	Attendance at last AGM	No. of other Directorships as on 30 th June, 2010*	No. of other Committee		No. of shares Held
						Member-ships	Chairman-ships	
1.	Shri. P. Palaniappan (Chairman cum Managing Director)	ED	4	Yes	1	-	-	783241
2.	Smt. P. Umayal (Joint Managing Director)	ED	4	Yes	2	-	-	1036343
3.	Smt. RM. Umaiyal	NED(P)	4	Yes	1	-	-	1000
4.	Shri. A. Annamalai** (Whole Time Director)	NED(I)	4	Yes	1	-	-	3718
5.	Shri. Amrathlal A. Gandhi	NED(I)	4	Yes	-	-	-	500
6.	Shri. A. Alagappan	NED(I)	2	No	-	-	-	100
7.	Shri. C. S. Thirumalai	NED(I)	4	No	-	-	-	-
8.	Shri. Perumal Madhavagopal	NED(I)	4	Yes	2	-	-	100
9.	Shri. S. Ravichandran***	NED(I)	-	-	1	-	-	8234
10.	Shri. PL. Subbiah***	NED(I)	-	-	1	-	-	-

ED - Executive Director - Promoter

NED(P) - Non Executive Director - Promoter

NED(I) - Non Executive Director - Independent

* Including Directorship in Private Limited Companies

** Shri. A. Annamalai was appointed as Whole Time Director with effect from 01.09.2010

*** Shri. S. Ravichandran and Shri. PL. Subbiah were appointed as an Additional Directors with effect from 27.08.2010

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,

MMW
Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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REPORT ON CORPORATE GOVERNANCE (Contd...)

5. Audit Committee:

The Audit Committee comprised 3 Directors, all of them are Independent Non Executive Directors.

During the Accounting year 2009-2010, 4 meetings of the Committee were held on 24th August, 2009, 29th October, 2009, 28th January, 2010 and 29th April, 2010.

Details of composition of the Committee and attendance of the members at the meetings are given below:

Sl. No.	Name	Designation	Category	No. of Meetings attended
1.	Shri. C. S. Thirumalai	Chairman	NED(I)	4
2.	Shri. A. Alagappan	Vice-Chairman	NED(I)	2
3.	Shri. Amrathlal A. Gandhi	Member	NED(I)	4

The Chairman cum Managing Director is a permanent invitee to the Meetings. Head of Accounts, Internal Auditors and the Statutory Auditors are also invited to attend the Meeting.

The powers and terms of reference of the Committee are as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges.

6. Remuneration Committee:

The Board of Directors have constituted a Remuneration Committee on 27th August, 2007. The terms of reference of the Committee are as specified in Schedule XIII of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

Details of composition of the Committee is given below:

Sl. No.	Name	Designation	Category
1.	Shri. C. S. Thirumalai	Chairman	NED(I)
2.	Shri. A. Alagappan	Vice-Chairman	NED(I)
3.	Shri. Amrathlal A. Gandhi	Member	NED(I)
4.	Shri. A. Annamalai *	Member	NED(I)
5.	Shri. Perumal Madhavagopal **	Member	NED(I)

* Shri. A. Annamalai was appointed as Whole Time Director with effect from 01.09.2010.

** Shri. Perumal Madhavagopal was inducted as Member of the committee w.e.f. 27.08.2010

Executive Directors' remuneration details for the financial year 2009-2010 are given below:

Name of the Director	Salary (Rs.)	Commission (Rs.)	Perquisites and Others (Rs.)	Total	Contract Period (No. of years)
Shri. P. Palaniappan Chairman cum Managing Director	15,00,000	-	21,390	15,21,390	1
Smt. P. Umayal Joint Managing Director	15,00,000	-	18,162	15,18,162	1

Smt. P. Umayal entitled to Company's contribution to Provident Fund as per the rules of the Company.

Notice period for the Executive Directors is as applicable to the senior employees of the Company. No severance fee is payable to the Directors on termination of employment. The Company does not have a scheme for stock options for the Directors or employees.

The Sitting Fees paid for the year ended 30th June, 2010 to the Non Executive Directors for attending the Board / Committee meeting are as follows:

Sl. No.	Name of the Director	Sitting Fees paid Rs.
1.	Smt. RM. Umayal	7000.00
2.	Shri. Amrathlal A. Gandhi	16000.00
3.	Shri. A. Alagappan	6000.00
4.	Shri. C. S. Thirumalai	12000.00
5.	Shri. A. Annamalai	12000.00
6.	Shri. Perumal Madhavagopal	7000.00

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,

A.M.V.
Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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REPORT ON CORPORATE GOVERNANCE (Contd...)

7. Share Transfer Committee:

The Committee has the power to approve transfers and transmission of shares and also issue duplicate share certificate in lieu of those, which are reported to be lost or destroyed.

During the year, 9 Share Transfer Committee meetings were held. Details of composition of the Committee are given below:

Sl. No.	Name	Designation	Category	No. of Meetings attended
1.	Shri. P. Palaniappan	Chairman	ED	9
2.	Smt. P. Umayal	Vice Chairman	ED	9
3.	Shri. A. Annamalai*	Member	NED(I)	9
4.	Shri.Perumal Madhavagopal **	Member	NED(I)	-

* Shri. A. Annamalai was appointed as Whole Time Director with effect from 01.09.2010.

** Shri. Perumal Madhava Gopal was inducted as Member of the committee w.e.f. 27.08.2010

The Secretarial Department of the Company, under the supervision of Smt. R.Thamil Selvi, who is nominated as the "Compliance Officer" as required by SEBI / Listing Agreement and Cameo Corporate Services Limited, Registrar & Share Transfer Agents attend to all Shareholders / Investors Grievances received directly or through SEBI, Stock Exchanges, Department of Company Affairs and Registrar of Companies.

8. Shareholders Grievances Committee:

The Committee has the power to look into redressal of shareholders /investors complaints such as non-receipt of shares sent for transfer, non-receipt of dividends / Annual Reports etc. The Board has designated Smt. R. Thamil Selvi as 'Compliance Officer' (w.e.f. 28.01.2010).

During the year 4 Shareholders Grievances Committee meetings were held.

Details of composition of the Committee are given below:

Sl. No.	Name	Designation	Category	No. of Meetings attended
1.	Shri. Amrathlal A. Gandhi	Chairman	NED(I)	4
2.	Sri. A. Annamalai *	Vice Chairman	NED(I)	4
3.	Shri. P. Palaniappan	Member	ED	4
4.	Smt. P. Umayal	Member	ED	4
5.	Shri.Perumal Madhavagopal **	Vice Chairman	NED(I)	-

* Shri. A. Annamalai was appointed as Whole Time Director with effect from 01.09.2010.

** Shri. Perumal Madhavagopal was inducted as Vice Chairman of the committee w.e.f. 27.08.2010

The Company and Cameo Corporate Services Limited have attended to most of the Investor's grievances and correspondence within a period of 15 days from the date of receipt of the same during the year.

There were no complaints pending as on 30th June, 2010. No requests for dematerialisation and transfer were pending as on 30th June, 2010.

9. General Body Meetings: Details of Location, Date and Time of the Annual General Meetings held during the last three years:

Year	Venue	Date & Time
2009	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem 636 016	16 th December 2009 at 5.00 P.M.
2008	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem 636 016	16 th December 2008 at 5.00 P.M.
2007	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem 636 016	5 th December 2007 at 5.00 P.M.

No Special Resolution was put through postal ballot during the last year. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

10. Disclosures:

Related party Transactions are disclosed in Note No. 16 of Schedule 26 to the accounts in the Annual Report. There were no materially significant related party transactions, i.e., transactions of the Company of material nature with its promoters, the directors or the management or relatives etc., that may have potential conflict with the interest of Company in large.

~~For Sri Nachammai Cotton Mills Ltd.,~~

Certified True Copy


 Chairman Cum Managing Director.



REPORT ON CORPORATE GOVERNANCE (Contd...)

❖ The Company has complied with all requirements of the Listing Agreements with the Stock Exchanges as well as the regulations and guidelines of SEBI, Stock Exchanges or any other statutory authority on any matter related to Capital markets during the last 3 years.

❖ **Other information:**

Code of Conduct:

The Company has laid down a code of conduct for all Board Members and senior management personnel of the Company. The code of conduct is available on the website of the Company www.sncmindia.com. The declaration of Chairman cum Managing Director is given below:

To the Shareholders of Sri Nachammai Cotton Mills Limited

Sub: Compliance with Code of Conduct

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

SALEM,
27th August, 2010.

P.PALANIAPPAN
Chairman cum Managing Director

11. Means of Communication:

The Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges immediately after the same was taken on record by the Board. The Financial results are published in **MAKKAL KURAL** and **TRINITY MIRROR** and displayed on the website of the company www.sncmindia.com.

12. Management Discussion and Analysis is a part of Annual Report.

13. Information on Directors:

Information relating to Directors seeking re-appointment as required under clause 49(VI)(A) of the Listing Agreement is given in the notice of Annual General Meeting.

GENERAL SHAREHOLDERS INFORMATION:

1. Annual General Meeting:

Day, Date & Time : Thursday, 9th December 2010 at 5.00 P.M.
Venue : **Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016.**

2. Financial Calendar (Tentative):

Year ending : **30th June, 2011.**
AGM : **30th December, 2011**
First Quarter Results : **4th Week of October, 2010**
Second Quarter Results : **4th Week of January, 2011**
Third Quarter Results : **4th Week of April, 2011**
Audited Results : **4th Week of August, 2011**

3. Book Closure Dates: **1st December, 2010 to 9th December, 2010** (both days inclusive) for the purpose of the Annual General Meeting.

4. Listing on Stock Exchanges: The equity shares of the company are listed in **Mumbai and Coimbatore** Stock Exchanges.

The Annual Listing fees for the year 2010-2011 has been paid to all the aforesaid Stock Exchanges, except to Coimbatore Stock Exchange to which the Company has applied for de-listing on 22.08.2005.

5. Stock Codes:

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	521234
Coimbatore Stock Exchange	211021

6. Market Price Data:

Share prices during the year 2009-2010 at CSE and BSE for one equity share of Rs. 10/- each were as under:

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

GENERAL SHAREHOLDERS INFORMATION (Contd...)

Months	CSE		BSE	
	High	Low	High	Low
Jul '09	-	-	10.00	6.63
Aug '09	-	-	9.15	6.94
Sep '09	-	-	8.80	7.09
Oct '09	-	-	11.55	7.75
Nov '09	-	-	12.93	8.01
Dec '09	-	-	14.65	11.88
Jan '10	-	-	17.20	12.17
Feb '10	-	-	17.75	14.25
Mar '10	-	-	20.95	16.05
Apr '10	-	-	24.60	16.50
May '10	-	-	26.50	20.00
June '10	-	-	22.65	19.60

As at 30th June, 2010 the Company's unclaimed dividend account has a balance of Rs. 3,11,848/- representing unclaimed dividend for the years 2003-2004 & 2005-2006. The Company has sent reminders to those shareholders who have not claimed the dividends for earlier years to claim the same from the Company failing which the Company would be required to transfer the same to IEPF after seven years.

7. Registrar and Share Transfer Agent:

Cameo Corporate Services Limited
 'Subramanian Building' V Floor, No.1, Club House Road, Chennai - 600 002
 Phone: 044 - 28460390 (6 Lines) Fax: 044-28460129, Grams: CAMEO
 E-mail: cameo@cameoindia.com, Website: www.cameoindia.com

8. Share Transfer System:

Share Transfer Committee comprises of the following Directors:

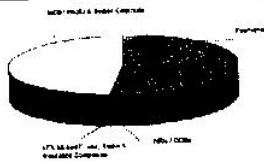
Sl. No.	Name	Designation	Category	No. of Meetings attended
1.	Shri. P. Palaniappan	Chairman	ED	9
2.	Smt. P. Umayal	Vice Chairman	ED	9
3.	Shri. A. Annamalai *	Member	NED(I)	9
4.	Shri. Perumal Madhavagopal **	Member	NED(I)	-

* Shri. A. Annamalai was appointed as Whole Time Director with effect from 01.09.2010.
 ** Shri. Perumal Madhavagopal was inducted as Member of the committee w.e.f. 27.08.10

Presently the share transfers which are received in physical form are processed and the share certificates duly transferred are returned generally within a period of 30 days from the date of receipt, except for slight delay in respect of transfers, subject to the documents being valid and complete in all respects. Company also offers the facility of transfer cum-demat as per SEBI Guidelines.

9.(a). Shareholding pattern as on 30-06-2010:

Category	% of holding
Promoters	54.17
NRIs / OCBs	0.26
UTI, Mutual Funds, Banks & Insurance Companies	0.01
Indian Public & Bodies Corporate	45.56
Total	100.00



(b). Distribution of share holding as on 30-06-2010:

Shareholding range	No of Holders	% of Holders	No of Shares	% of Shares
1 - 100	2635	66.98	246069	5.72
101 - 500	829	21.07	228145	5.31
501 - 1000	197	5.01	157042	3.65
1001 - 2000	120	3.05	181309	4.22
2001 - 3000	39	0.99	99150	2.31
3001 - 4000	30	0.76	103721	2.41
4001 - 5000	19	0.48	86958	2.02
5001 - 10000	32	0.82	230293	5.35
10001 & above	33	0.84	2967313	69.01
TOTAL	3934	100.00	4300000	100.00

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,

Mw
 Chairman Cum Managing Director.

**GENERAL SHAREHOLDERS INFORMATION (Contd...)****10. Dematerialisation of shares & liquidity:**

As on 30th June, 2010, 85.06% of total equity shares of the Company were held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The Shares are available for dematerialisation under ISIN INE443E01016. Request for dematerialisation of shares are processed and generally confirmed within 21 days of receipt.

11. Plant Location:

Near Railway Station, Chettinad – 630 102. Sivaganga District, Tamirnadu.

12. Address for Correspondence:

Registered office:	Registrar and Share Transfer Agent:
No.30, Sugavaneswara Road, Balaji Nagar, Salem 636 004.	Cameo Corporate Services Limited, 'Subramanian Building' V Floor, No.1, Club House Road, Chennai 600 002.

13. CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION, ISSUED PURSUANT TO THE PROVISIONS OF CLAUSE 49 OF THE LISTING AGREEMENT.

To the Board of Directors of Sri Nachammai Cotton Mills Limited.

Dear Sirs,

Sub: CEO & CFO Certificate

We have reviewed the financial statements, read with the cash flow statement of Sri Nachammai Cotton Mills Limited for the year ended 30th June, 2010 and that to the best of our knowledge and belief, we state that;

- (a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) these statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) we have indicated to the Auditors and the Audit Committee:
 - (i) significant changes in the internal control over financial reporting during the year.
 - (ii) significant changes in accounting policies made during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

A. SUBRAMANIAN
Chief Financial Officer
Salem,
27th, August 2010.

Yours sincerely
P. PALANIAPPAN
Chairman cum Managing Director

14. Corporate Secretarial / Investors' Assistance Department:

The Company's Secretarial Department is headed by **Smt. R. Thamil Selvi, Compliance Officer**. The department functions at the Registered Office mentioned above.

Salem,
27th, August 2010.

By Order of the Board
P. PALANIAPPAN
Chairman cum Managing Director

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 30th JUNE 2010

CIN: L17115TZ1980PLC000916
Nominal Capital: Rs.10,00,00,000 /-.

To
The Members
SRI NACHAMMAI COTTON MILLS LIMITED,
30, Sugavaneswara Road, Balaji Nagar,
Salem 636 004.

Sir,

I have examined the registers, records, books and papers of **SRI NACHAMMAI COTTON MILLS LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, [the Act] and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 30.06.2010 [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 thereunder 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.
3. The Company is a Public Limited Company and its paid up capital is Rs. 4,28,64,000/-
4. The Board of Directors duly met four times respectively on 24.08.2009, 29.10.2009, 28.01.2010 and 29.04.2010 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 10.12.2009 to 16.12.2009 (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 30th June, 2009 was held on 16.12.2009 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. No extra ordinary General meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
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 certificates during the financial year.
13. i) The Company has delivered all the certificates on lodgment thereof for transfer / transmission in accordance with the provisions of the Act. However there was no allotment of securities during the financial year.
ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
iii) The Company was not required to post warrants to any member of the company as no dividend was declared during the financial year.
iv) 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 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. There was no appointment of Alternate Directors, Additional Directors and Directors to fill casual vacancy during the financial year.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



15. The Re-appointment of Managing Directors have been made in compliance with the provisions of section 269 read with Schedule XIII to the Act in the Financial Year ended 30.06.2010.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company has obtained all necessary approvals of the Central Government as prescribed under the various provisions of the Acts as detailed below: -
Appointment of Cost Auditor u/s.233 (B)] for year ended 30.06.2009.
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 not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any preference shares / debentures during the year. Hence the question of redemption of preference shares or debentures during the financial year does not arise.
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 sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 during the year and the Company has filed Statement in lieu of Advertisement as required with the Registrar of Companies, Coimbatore on 02.09.2009. The Company has also filed Return of deposits with the Registrar of Companies, Coimbatore on 29.06.2010.
24. The amount borrowed by the Company from Directors, banks and others during the financial year ending 30.06.2010 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 09.12.2004 for Rs. 100 Crores
25. The Company has made investments in other bodies corporate in compliance with the provisions of the Act in the earlier financial years and has made necessary entries in the register kept for the purpose. However the Company has not made any loans or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
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 was/were no prosecution initiated against or show cause notices received by 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 the Employees Provident Fund Act, 1952 is applicable to the company, compliance of Section 418 does not arise.

Place: Salem,
Date: 27.08.2010.

Signature:
Name of the Company Secretary: M.R.L.NARASIMHA,
C.P.No:799.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,

Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

ANNEXURE 'A'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 30th JUNE 2010.

SRI NACHAMMAI COTTON MILLS LIMITED,

CIN: L17115TZ1980PLC000916

Nominal Capital: Rs.10,00,00,000/-.

Registers as maintained by the Company:

- | | |
|--|---|
| 1) Register of Members u/s.150. | 9) Register of Attendance of Directors - Remuneration Committee. |
| 2) Index of Members u/s. 151. | 10) Register of Investments and Loans. |
| 3) Register of Directors u/s.303. | 11) Register of Issue of Duplicate Share Certificate and split certificate. |
| 4) Register of Share Transfer. | 12) Register of Directors Share holding. |
| 5) Board Meeting Minutes u/s.193. | 13) Directors Attendance Register. |
| 6) Annual General Meeting Minutes u/s.193. | 14) Nomination Register. |
| 7) Register of charges and documents evidencing creation of charges u/s.136. | 15) Remuneration Committee Minutes. |
| 8) Register of Contracts in which Directors are interested u/s.301 and 301(3). | 16) Share Transfer committee Minutes |

ANNEXURE 'B'

Forms and Returns filed by the Company with the Registrar of Companies during the Financial Year Ending 30th June, 2010:

S. No.	Form No. Return	Filed U/s.	For	Date of Filing ROC SRN.	Whether filed Within prescribed Time	If delay in Filing whether Requisite Additional fees paid.
1	62	Rule 10 of Companies (Acceptance of Deposits) Rules, 1975	Statement in lieu of Advertisement	02.09.2009 A68430339	Yes	Not Applicable.
2	23AC,23 ACA	220	Profit and Loss Account and Balance Sheet as at 30.06.2009	11.01.2010 P44724730	Yes	Not Applicable.
3	20B	159	Annual Return made up to 16.12.2009	04.02.2010 P45515293	Yes	Not Applicable.
4	62	Rule 10 of Companies (Acceptance of Deposits) Rules, 1975	Return of Deposits as on 31.03.2010	29.06.2010 A87990974	Yes	Not Applicable.
5	23	192	Reappointment of Shri.PPalaniappan as Chairman cum Managing Director and Smt.PUmayaI as Joint Managing Director by the Board of Directors.	03.09.2009 A68492503	Yes	Not Applicable.
6	23	192	Reappointment of Shri.PPalaniappan as Chairman cum Managing Director and Smt.PUmayaI as Joint Managing Director by the Shareholders.	28.12.2009 A75398065	Yes	Not Applicable.
7	25C	269(2) & SCH X111	Return of Appointment of Smt. PUmayaI as Joint Managing Director	01.01.2010 A75636597	Yes	Not Applicable.
8	25C	269(2) & SCH X111	Return of Appointment of Shri. P. Palaniappan as Managing Director	01.01.2010 A75636514	Yes	Not Applicable.
9	66	383A	Secretarial Compliance Certificate for YE 30.6.2009	01.01.2010 P44451391	Yes	Not Applicable.

Regional Director - Nil Central Government & Other Authorities

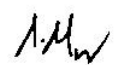
S. No.	Form No. Return	Filed U/s.	For	Date of Filing ROC SRN.	Whether filed Within prescribed Time	If delay in Filing whether Requisite Additional fees paid
1	23C	233(B)(2)	Application for appointment of Cost Auditor for YE 30.06.2010	16.07.2009 A65342339	Yes	Not Applicable.
2	1	233B(4)	Cost Audit Report	28.12.2009 A75411538	Yes	Not Applicable.

Place: Salem,
Date: 27.08.2010.

Signature:
Name of the Company Secretary: M.R.L.NARASIMHA, C.P.No:799

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

19

M.S. JAGANNATHAN & VISVANATHAN
CHARTERED ACCOUNTANTS

AUDITOR'S CERTIFICATE

To the Members of
M/s. SRI NACHAMMAI COTTON MILLS LIMITED
SALEM.

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to Compliance of conditions of Corporate Governance by M/s. SRI NACHAMMAI COTTON MILLS LIMITED, for the year ended on 30th June, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was Limited to the producers and implementation thereof, adopted by the Company for the insuring the compliance of the condition of the Corporate of Governance as stipulated in the said clause. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and on the basis of our examination described above, the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

On the basis of certificate issued by the share transfer agents we state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the shareholders/investors grievance committee.

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

For **M.S. JAGANNATHAN & VISVANATHAN**

Firm Regd No: 001209S

M.J. VIJAYARAAGHAVAN

Partner

Chartered Accountants

Membership No.7534

Place: Salem,
Date : 27.08.2010.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,

Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

AUDITOR'S REPORT TO THE MEMBERS OF SRI NACHAMMAI COTTON MILLS LIMITED

1. We have audited the attached balance sheet of **SRI NACHAMMAI COTTON MILLS LIMITED** as at **30th JUNE 2010** and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. 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 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 the 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, and as amended by the Companies (Auditor's report) Amendment order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose 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 above, we report that;
 - a) 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;
 - b) 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;
 - c) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors, as on **30th JUNE, 2010** and taken on record by the Board of Directors, we report that none of the directors are disqualified as on **30th JUNE, 2010** from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on that said date.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required

Subject to:


- i. Non Provision of doubtful debts amounting to Rs.34,39,782/- , the effect of deviation is disclosed in Note 11.
- ii. Non-availability of confirmations in respect of sundry debtors, sundry creditors and loans and advances (note 12(b)) give a true and fair view in conformity with the accounting principles accepted in India:
 - a) In the case of Balance Sheet, of the state of affairs of the Company as at **30th JUNE, 2010**;
 - b) In the case of Profit and Loss account, of the **PROFIT** for the year ended on that date; and
 - c) In case of the cash flow statement, of the cash flows for the year ended on that date;

For **M.S. JAGANNATHAN & VISVANATHAN**
Firm Regd.No : 001209S
M.J. VIJAYARAAGHAVAN
Partner
Chartered Accountants
Membership No.7534

Place: Salem,
Date : 27.08.2010.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH [3] OF OUR REPORT OF EVEN DATE

- i) a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year discrepancies noticed on such physical verification were not materials and have been properly dealt with in books of Accounts.
- c) There was no disposal of substantial part of fixed assets during the year and hence the going concern of the Company is not affected.
- ii) a) Physical verification of Inventory has been conducted at reasonable intervals by the Management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventory 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 has maintained proper records of Inventory and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been appropriately dealt with.
- iii) a) The Company during the year has not granted loans to a company covered in the register maintained under section 301 of the Companies Act, 1956.
- b) The Company during the year has taken Inter Corporate deposit amounting to Rs. 3,35,98,645/- from a company covered in the register maintained Under Sec.301 of the Companies Act, 1956 (The Maximum amount during the year was Rs. 7,80,85,000/-)
- c) There is no stipulation for payment of periodical principal.
- d) The Company has taken unsecured loans amounting to Rs.1,44,90,000/- from three parties covered in the register maintained under Sec.301 of the Companies Act, 1956. (The Maximum amount during the year was Rs.11,90,78,000/-)
- e) The rate of interest and other terms and conditions in respect of unsecured loans taken by the Company are not prima faces prejudicial to the interest of the Company.
- iv) a) In our opinion and accordance to the explanation and information given to us there are adequate internal control systems commensurate with the size of the Company and the nature of the business for the purchase of inventory and fixed assets and for the sale of goods.
- b) During the course of our Audit no major weakness has been noticed in the internal controls.
- v) a) The transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been recorded in the register maintained for the purpose.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to the Prevailing Market prices at the relevant time other than for Lease rent amounting to Rs. 1,24,83,333/- for which no comparable Market prices were available and are considered to be of special nature as explained by the management of the Company.
- vi) In our opinion and according the information and explanations given to us the company has complied with the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptances of Deposits] Rules 1975 with regard to the deposits accepted from the public. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.

**SRI NACHAMMAI COTTON MILLS LIMITED**

- vii) On the basis of Internal audit report broadly reviewed by us, we are of the opinion that, the coverage of Internal Audit functions carried by a Chartered Accountant appointed by the Management is commensurate with the size of the Company and the nature of its business.
- viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records 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 made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix) a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees, State Insurance, Income-tax, Sales-tax, VAT, Wealth tax, Service tax and any other statutory dues with the appropriate authorities.
- b) According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 30th June 2010 for a period of more than Six months from the date they became payable.
- c) According to the information and explanations given to us, there are no dues of Sales tax, Income tax, Customs duty, Wealth tax, Excise duty and Cess which have not been deposited on account of any dispute.
- x) The Company has accumulated losses of Rs. 62.26 lakh as at 30th June, 2010. The Company has not incurred any cash losses during the financial year covered by our audit but has incurred cash losses in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to any of the banks.
- xii) During the year, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditors Report) order 2003 is not applicable to the Company.
- xiv) In our opinion and according to the information and explanation given to us, the Company is not dealing or trading in Shares, Securities, debentures and other Investments.
- xv) In our opinion and according to the information and explanation given to us, the Company, during the year has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the financial year and hence creation of security in respect of debentures does not arise.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For M.S. JAGANNATHAN & VISVANATHAN

Chartered Accountants

Firm Regd.No.001209S

M.J. VIJAYARAAGHAVAN

Partner

Membership No. 7534

Place: Salem,

Date : 27.08.2010.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,

M.M.
Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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BALANCE SHEET AS AT 30th JUNE 2010

	Schedule	As at 30.06.2010 Rs.	As at 30.06.2009 Rs.
SOURCES OF FUNDS			
1 Shareholders' Funds			
a) Share Capital	1	42,864,000	42,864,000
b) Reserves & Surplus	2	65,964,900	65,964,900
Total Shareholders' Funds	A	<u>108,828,900</u>	<u>108,828,900</u>
2 Loan Funds			
a) Secured Loans	3	274,777,333	186,358,661
b) Unsecured Loans	4	197,387,000	184,651,000
Total Loan Funds	B	<u>472,164,333</u>	<u>371,009,661</u>
Total	(A+B)	<u>580,993,233</u>	<u>479,838,561</u>
APPLICATION OF FUNDS			
1 Fixed Assets	5		
Gross Block		612,453,305	553,790,113
Less: Depreciation		<u>397,219,259</u>	<u>383,388,504</u>
Net Block		<u>215,234,046</u>	<u>170,401,609</u>
2 Capital Work in Progress		18,304,957	2,080,958
3 Investments	6	1,562,600	1,249,100
4 Deferred Tax (Asset) (Net)	7	802,428	11,317,604
5 Current Assets, Loans and Advances			
a) Inventories	8	415,487,285	177,580,693
b) Sundry Debtors	9	115,777,957	76,090,012
c) Cash and Bank Balances	10	16,990,173	17,431,979
d) Other Current Assets	11	5,125,657	5,893,299
e) Loans and Advances	12	<u>51,462,078</u>	<u>99,223,675</u>
	D	<u>604,843,150</u>	<u>376,219,658</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	13	262,915,886	138,517,797
b) Provisions	14	<u>3,064,491</u>	<u>1,080,816</u>
	E	<u>265,980,377</u>	<u>139,598,613</u>
Net Current Assets	(D-E)	<u>338,862,773</u>	<u>236,621,045</u>
6 Profit and Loss Account	15	6,226,429	58,168,245
Total		<u>580,993,233</u>	<u>479,838,561</u>

Schedules 1 to 15 form part of this Balance Sheet.
This is the Balance Sheet referred to in our
report of even date

For **M.S.JAGANNATHAN & VISVANATHAN**

Chartered Accountants

Firm Regd No. : 001209S

M.J.VIJAYARAAGHAVAN

Partner

M.No.7534

RPALANIAPPAN

Chairman cum Managing Director

PUMAYAL

Joint Managing Director

RM.UMAIYAL

AMRATHLAL A.GANDHI

A.ALAGAPPAN

A.ANNAMALAI


PERUMAL MADHAVAGOPAL

Directors

Salem,
27th August, 2010.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


 Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedule - 27 : Cash flow Statement

	30.06.2010	30.06.2009
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT / (LOSS) BEFORE TAX AND EXTRA-ORDINARY ITEMS	63,097,460	(41,133,819)
Adjustments for:		
Depreciation	21,674,134	19,831,057
Interest Expense	43,885,050	41,499,129
Dividend Income	(54,300)	(26,400)
Profit on Sale of Fixed Assets	(805,268)	(65,187)
Interest Received	(1,365,804)	(1,315,560)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	126,431,272	18,789,220
Changes in :		
Trade and Other Receivables	10,418,781	(28,732,803)
Inventories	(237,906,592)	182,544,663
Trade and Other Payables	124,403,018	(86,433,871)
CASH GENERATED FROM OPERATING ACTIVITIES	23,346,479	86,117,209
Direct Taxes paid including FBT	(335,325)	(93,190)
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	23,011,154	86,210,399
Extra-Ordinary Items	(935,133)	(1,114,033)
NET CASH FLOW FROM OPERATING ACTIVITIES	22,076,021	85,096,366
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(83,154,899)	(22,085,254)
Sale of Fixed Assets	1,229,597	488,438
Dividend Received	54,300	26,400
Interest Received	2,089,482	620,579
NET CASH FLOW FROM INVESTING ACTIVITIES	(79,781,520)	(20,949,837)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (Repayments) Long Term Loans (Net)	88,418,672	(54,503,612)
Proceeds / (Repayments) Short Term Loans (Net)	12,736,000	28,808,000
Interest paid	(43,890,979)	(41,504,623)
Dividend paid	-	(1,973)
NET CASH FLOW FROM FINANCING ACTIVITIES	57,263,693	(67,202,208)
Net Changes in Cash and Cash Equivalent (A+B+C)	(441,806)	(3,055,679)
Cash and Cash Equivalent Opening	17,431,979	20,487,658
Cash and Cash Equivalent Closing	16,990,173	17,431,979
	(441,806)	(3,055,679)
Notes: Closing cash and cash equivalent consist of the following:		
Cash on Hand	50,813	91,922
Balances with Scheduled Banks:-		
In Current Accounts	2,808,412	4,866,720
In Deposits Accounts		
LC Margin	13,050,000	11,853,000
FD Margin	86,100	41,700
LG Margin	683,000	266,100
In Unclaimed Dividend Account	311,848	312,538
Total	16,990,173	17,431,980

a) Of the above, Rs. 3,11,848/- is not available for use by the Company.

b) Previous Year comparatives have been reclassified to confirm to Current Year's presentation, wherever applicable.

This is the Cash Flow Statement referred to in our report of even date.

For **M.S.JAGANNATHAN & VISVANATHAN**

Chartered Accountants

Firm Regd No. : 001209S

M.J.VIJAYARAAGHAVAN

Partner

M.No.7534

Salem,

27th August, 2010.

P.PALANIAPPAN

Chairman cum Managing Director

PUMAYAL

Joint Managing Director

RM.UMAIYAL

AMRATHLAL A.GANDHI

A.ALAGAPPAN

A.ANNAMALAI

PERUMAL MADHAVAGOPAL

Directors

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


 Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE, 2010

	Schedule	Year ended 30.06.2010 Rs.	Year ended 30.06.2009 Rs
INCOME			
Sales	16	1,151,235,010	800,605,919
Other Income	17	11,592,991	2,104,921
Accretion/(Depletion) In Stock	18	5,933,057	(28,122,171)
Total Income		1,168,761,058	774,588,669
EXPENDITURE			
Raw Materials Consumed	19	679,793,391	507,237,475
Stores Consumed		49,532,858	29,381,109
Conversion Charges		20,048,443	14,104,829
Power and Fuel		143,086,176	92,037,626
Personnel Cost	20	87,933,177	70,432,672
Administrative Expenses	21	9,945,848	9,346,168
Yarn Selling Expenses	22	5,453,963	2,980,938
Repairs	23	30,077,136	16,866,080
Lease Rent		12,483,333	11,250,000
Financial Charges	24	46,589,107	43,368,567
Depreciation		21,674,134	19,831,057
Total Expenditure		1,106,617,566	816,836,521
PROFIT / (LOSS) BEFORE TAX		62,143,492	(42,247,852)
Provision for Taxation			
Current Tax (MAT)		2,320,000	
Less : MAT Credit Entitlement		2,320,000	
Deferred Tax (Liability) / Asset		(10,515,176)	15,506,507
Fringe Benefit Tax (Including Prior Years)		-	(54,299)
PROFIT / (LOSS) AFTER TAX		51,628,316	(26,795,644)
Increase / (Provision for Diminution) in value of Investments		313,500	(264,248)
SURPLUS / DEFICIT TRANSFERRED TO BALANCE SHEET		51,941,816	(27,059,892)
Basic and Diluted Earnings per Share (Face Value of Rs.10/- each)		11.58	(6.31)

Schedules 16 to 24 form part of this Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For **M.S.JAGANNATHAN & VISVANATHAN**

Chartered Accountants

Firm Regd No. : 001209S

M.J.VIJAYARAAGHAVAN

Partner

M.No.7534

Salem,

27th August, 2010.

RPALANIAPPAN

Chairman cum Managing Director

PUMAYAL

Joint Managing Director

RM.UMAIYAL

AMRATHLAL A.GANDHI

A.ALAGAPPAN

A.ANNAMALAI

PÉRUMAL MADHAVAGOPAL

Directors

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


[Signature]
Chairman Cum Managing Director.

**Schedules annexed to the Balance Sheet**

	As at 30.06.2010 Rs.	As at 30.06.2009 Rs.
SCHEDULE 1 - Share Capital		
Authorised		
1,00,00,000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
Issued, Subscribed, Called and Paid-up		
43,00,000 Equity Shares of Rs. 10/- each	43,000,000	43,000,000
Less: Calls in Arrears (time barred)	136,000	136,000
Total	42,864,000	42,864,000
Note: Out of the above, 30,90,000 Equity Shares of Rs. 10/- each were allotted as fully paid-up Bonus shares by Capitalisation of Reserves.		
SCHEDULE 2 - Reserves and Surplus		
General Reserve		
As per Last Balance Sheet	-	8,000,000
Less: Debit balance in P&L Account adjusted	-	8,000,000
Total (A)	-	-
Securities Premium Account:-		
As per Last Balance Sheet	66,950,000	66,950,000
Less: Calls in Arrears (time barred)	985,100	985,100
Total (B)	65,964,900	65,964,900
Total (A+B)	65,964,900	65,964,900
SCHEDULE 3 - Secured Loans		
From Banks (IOB)		
Working Capital Loan	129,849,133	69,552,322
TUF Loans	124,564,000	112,820,339
Term Loans	20,364,200	3,986,000
Total	274,777,333	186,358,661
Security:		
The Working Capital loan, TUF Loan, Term Loans and Non-Fund limits are secured by first charge on entire block of assets both present and future and the Company's Chairman cum Managing Director and Joint Managing Director have given Personal guarantees for the above loans to the aggregate of Rs. 4283 lacs.		
SCHEDULE 4 - Unsecured Loans		
Fixed Deposits		
From Others	224,000	13,670,000
Loan from Directors	119,078,000	119,158,000
Inter Corporate Deposit	78,085,000	51,823,000
Total	197,387,000	184,651,000
Repayable within one year :		
On others	175,000	7,911,000

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

Schedules annexed to the Balance Sheet (contd.)
Schedule 5 : Fixed Assets

Year ended 30-6-2010

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.07.2009 Rs.	Additions during the year Rs.	Sales / refunds during the year Rs.	As at 30.06.2010 Rs.	Up to 30.06.2009 Rs.	For the Year Rs.	Withdrawn Rs.	Up to 30.06.2010 Rs.	As at 30.06.2010 Rs.	As at 30.06.2009 Rs.
LAND	3,700,168 (3700168)	-	-	3,700,168 (3700168)	-	-	-	-	3,700,168 (3700168)	3,700,168 (3700168)
BUILDINGS	64,202,437 (64202437)	3,326,968	-	67,529,405 (64202437)	25,920,809 (24032730)	1,890,549 (1888079)	-	27,811,358 (25920809)	39,718,047 (38281628)	38,281,628 (40169707)
MACHINERY	432,446,294 (415395673)	60,192,746 (17828359)	8,259,135 (777738)	484,379,905 (432446294)	318,402,033 (302970748)	17,594,227 (15805805)	7,835,235 (374520)	328,161,025 (318402033)	156,218,880 (114044261)	114,044,261 (112424925)
ELE. MACHINERY	38,107,943 (37274051)	3,117,452 (833892)	-	41,225,395 (38107943)	28,025,848 (26430741)	1,553,649 (1595107)	-	29,579,497 (28025848)	11,645,898 (10082095)	10,082,095 (10843310)
COMPUTER	5,559,014 (5487534)	91,941 (71480)	-	5,650,955 (5559014)	4,929,927 (4750606)	161,142 (179321)	-	5,091,069 (4929927)	559,886 (629087)	629,087 (736928)
FURNITURE	3,256,348 (3256348)	151,150	-	3,407,498 (3256348)	2,541,694 (2426044)	112,173 (115650)	-	2,653,867 (2541694)	753,631 (714654)	714,654 (830304)
TOOLS	843,007 (843007)	-	-	843,007 (843007)	585,803 (523397)	59,153 (62406)	-	644,956 (585803)	198,051 (257204)	257,204 (319610)
MOTOR VEHICLES	5,654,700 (4784803)	50,643 (1270565)	8,573 (400668)	5,696,770 (5654700)	2,962,468 (3158476)	303,190 (184627)	8,144 (380635)	3,257,514 (2962468)	2,439,256 (2692232)	2,692,232 (1626327)
BANDY	20,202 (20202)	-	-	20,202 (20202)	19,922 (19860)	51 (62)	-	19,973 (19922)	229 (280)	280 (342)
TOTAL	553,790,113	66,930,900	8,267,708	612,453,305	383,388,504	21,674,134	7,843,379	397,219,259	215,234,046	170,401,609
Previous Year	534,964,223	20,004,296	1,178,406	553,790,113	364,312,602	19,831,057	755,155	383,388,504	172,482,567	170,651,621

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For Sri Nachammai Cotton Mills Ltd.,


 Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

Schedules annexed to the Balance Sheet(contd...)	As at 30.06.2010 Rs.	As at 30.06.2009 Rs.
SCHEDULE 6 - Long Term Investments (At Cost)		
Non-Trade (quoted)		
6600 Equity Shares of Rs.100/- each fully paid -in Cholamandalam DBS Finance Ltd	445,500	759,000
Increase/ (Provision for Diminution) in Value of Investments	<u>313,500</u>	<u>313,500</u>
	759,000	445,500
10600 Equity Shares of Rs.10/- each fully paid-up in I O B	153,600	153,600
Partly paid-up		
17800 Equity Shares of Rs. 10/- each partly paid-up Rs.5/- in Industrial Development Bank of India	650,000	650,000
Total	<u>1,562,600</u>	<u>1,249,100</u>
Aggregate value of Quoted Investments (Cost)	1,562,600	1,249,100
Market value of Quoted Investments	1,987,090	1,363,990
SCHEDULE 7 - Deferred Tax Liability / (Assets)		
As per Last Balance Sheet	(11,317,604)	4,188,903
Less : Deferred Tax Liability / (Asset) transferred from/ (to) Profit and Loss account	<u>10,515,176</u>	<u>15,506,507</u>
Total	<u>(802,428)</u>	<u>(11,317,604)</u>
SCHEDULE 8 - Inventories		
Stock of Stores, Spares and Canteen provisions	9,590,952	5,735,013
Stock in Trade		
Raw materials	298,915,211	70,797,615
Process Stock	26,334,527	20,173,699
Cotton Waste	2,754,371	1,227,656
Finished Goods	<u>77,892,224</u>	<u>79,646,710</u>
Total	<u>415,487,285</u>	<u>177,580,693</u>
(For valuation refer Significant Accounting Policies)		
SCHEDULE 9 - Sundry Debtors		
Unsecured		
Over six months :		
Considered good	11,212,955	10,723,759
Considered doubtful	3,439,782	2,913,783
Other debts - Considered good	<u>101,125,220</u>	<u>62,452,470</u>
Total	<u>115,777,957</u>	<u>76,090,012</u>
SCHEDULE 10 - Cash and Bank Balances		
Cash on Hand	50,813	91,921
Balances with Scheduled Banks:-		
In Current Accounts	2,808,412	4,866,720
In Deposits Accounts		
LC Margin	13,050,000	11,853,000
FD Margin	86,100	41,700
LG Margin	683,000	266,100
In Unclaimed Dividend Account	<u>311,848</u>	<u>312,538</u>
Total	<u>16,990,173</u>	<u>17,431,979</u>

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For Sri Nachammai Cotton Mills Ltd.,


 Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

Schedules annexed to the Balance Sheet (contd...)	As at 30.06.2010 Rs.	As at 30.06.2009 Rs.
SCHEDULE 11 - Other Current Assets		
Interest accrued on Deposits	144,311	867,989
Hank Yarn Obligation Receivable	306,596	89,291
Interest Subsidy (TUF Loans) Receivable	4,674,750	4,936,019
Total	5,125,657	5,893,299
 SCHEDULE 12 - Loans and Advances		
Unsecured and considered good recoverable in cash or in kind or for value to be received		
Due from Employees	132,195	154,715
Advance for Purchases	5,385,062	64,599,111
Advance for Purchase of Capital Equipments	27,713,692	17,380,488
Mat Tax Credit Entitlement	3,613,226	1,293,226
Advance to Others	654,090	1,434,593
Deposits	11,351,256	11,920,161
Balances with Sales Tax Dept	278,300	534,971
Prepaid Expenses	2,334,257	1,906,410
Total	51,462,078	99,223,675
 SCHEDULE 13 - Current Liabilities		
Acceptances	117,477,178	88,979,261
Creditors for Purchases		
a) Due to Micro, Small & Medium Enterprises	531,585	620,938
b) Others	74,570,764	12,811,072
Creditors for Expenses	28,569,516	16,532,765
Other Liabilities	41,405,606	19,235,905
Interest accrued but not due	16,389	22,318
Investor Education and Protection Fund (IEPF):-		
a) Unclaimed Dividend	311,848	312,538
b) Unpaid Matured Deposits	33,000	3,000
(There is no amount due and outstanding as at balance sheet date to be credited to above fund)		
Total	262,915,886	138,517,797
 SCHEDULE 14 - Provisions		
Provision for Taxes	3,038,541	1,053,866
(Advance Tax - Cr. Year Rs. 575459 /-, Pr. Year Rs. 240134/-)		
Provision for FBT (Net)	-	-
(Advance for FBT - Cr. Year Rs. 121838/-, Pr. Year Rs. 200138/-)		
Provision for Leave Encashment	25,950	26,950
Total	3,064,491	1,080,816

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For Sri Nachammai Cotton Mills Ltd.,


 Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedules annexed to the Profit and Loss Account	Year ended 30.06.2010 Rs.	Year ended 30.06.2009 Rs.
SCHEDULE 15 - Profit and Loss Account		
As per last Balance Sheet	(58,168,245)	(39,108,433)
Less/(Add) : Surplus/(Deficit) transferred from Profit and Loss Account	51,941,816	(27,059,812)
	<u>(6,226,429)</u>	<u>(66,168,245)</u>
Less: Transfer from General Reserve adjusted	-	8,000,000
	<u>(6,226,429)</u>	<u>(58,168,245)</u>
SCHEDULE 16 - Sales		
Gross Sales - Cotton Yarn	1,016,158,078	725,439,228
- Fabric	127,374,596	67,932,442
Cotton Waste	7,702,336	7,234,249
Total	<u>1,151,235,010</u>	<u>800,605,919</u>
SCHEDULE 17 - Other Income		
Interest Receipts	1,365,804	1,315,560
Dividend from long term Investments	54,300	26,400
Profit on Sale of Assets (Net)	805,268	65,187
Miscellaneous Income	461,059	290,362
Hank Yarn Obligation	1,122,011	407,412
Exchange Fluctuation	7,542,434	-
Insurance Claim Received	242,115	-
Total	<u>11,592,991</u>	<u>2,104,921</u>
TDS - On Interest Receipts	203,004	220,984
SCHEDULE 18 - Accretion / (Depletion) in Stock		
Closing Stock:		
Process Stock	26,334,527	20,173,699
Finished Goods	77,892,224	79,646,710
Waste	2,754,371	1,227,656
Total (A)	<u>106,981,122</u>	<u>101,048,065</u>
Opening Stock:		
Process Stock	20,173,699	25,602,742
Finished Goods	79,646,710	102,395,384
Waste	1,227,656	1,172,110
Total (B)	<u>101,048,065</u>	<u>129,170,236</u>
Accretion/(Depletion) in Stock (A-B)	5,933,057	(28,122,171)
SCHEDULE 19 - Raw Material Consumed		
Opening Stock: Raw Material	70,797,615	224,610,442
Add:Purchases	907,910,987	353,424,648
Total (A)	<u>978,708,602</u>	<u>578,035,090</u>
Less : Closing Stock: Raw Material	298,915,211	70,797,615
Total (B)	<u>298,915,211</u>	<u>70,797,615</u>
Raw Material Consumed (A-B)	679,793,391	507,237,475

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For Sri Nachammai Cotton Mills Ltd.,


 Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedules annexed to the Profit and Loss Account (contd...)	Year ended 30.06.2010 Rs.	Year ended 30.06.2009 Rs.
SCHEDULE 20 - Personnel Cost		
Salaries, Wages and Bonus	67,018,018	53,428,297
Gratuity	612,541	706,026
PF, ESI & Other funds	6,133,454	6,037,733
Welfare Expenses	11,129,612	7,221,470
Chairman cum Managing Director Remuneration	1,521,390	1,520,984
Joint Managing Director Remuneration	1,518,162	1,518,162
Total	87,933,177	70,432,672
SCHEDULE 21 - Administrative Expenses		
Advertisement, Lighting, Postage etc	1,972,621	1,831,388
Professional Fees	939,754	337,964
Travelling Expenses	718,351	368,706
Telephone Expenses	313,725	273,654
Filing Fees	6,600	8,244
Legal Expenses	212,036	171,209
Printing and Stationaries	548,306	385,344
Insurance	751,898	905,226
Taxes and Licence Fees	2,675,818	2,069,864
Auditors' Remuneration	116,783	79,352
Directors' Sitting Fees	60,000	48,000
Rent Paid	588,750	448,408
Bad Debts Written Off	1,041,206	-
Exchange Fluctuation	-	2,418,809
Total	9,945,848	9,346,168
SCHEDULE 22 - Yarn Selling Expenses		
Brokerage and Selling Expenses	5,453,963	2,980,938
Total	5,453,963	2,980,938
SCHEDULE 23 - Repairs		
Building	12,974,077	8,258,953
Machinery	12,176,449	5,093,362
Others	4,926,610	3,513,765
Total	30,077,136	16,866,080
SCHEDULE 24 - Financial Charges		
Interest		
- Interest on Fixed Loan (Including Directors Loan) (Net)	21,322,375	22,850,541
- On Others	23,449,789	18,298,588
Bank Charges	1,816,943	2,219,438
Total	46,589,107	43,368,567

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For Sri Nachammai Cotton Mills Ltd.,

A. Mur
Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

Schedule 25 - SIGNIFICANT ACCOUNTING POLICIES

(In the order of applicability of Accounting Standards)

AS 1: DISCLOSURE AND BASIS OF ACCOUNTING:

- (i) The Financial Statements have been prepared under the Historical cost convention in accordance with the provisions of the Companies Act, 1956. The Company has complied with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.
- (ii) The Company has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.
- (iii) The Accounts are prepared on the basis of going concern concept only.

AS 2: VALUATION OF INVENTORIES:

Inventories are valued at lower of cost and net realisable value, where

- a) Cost of Raw materials is determined on specific identification method.
- b) Stock of stores, spares and packing materials is determined on weighted average method.
- c) Finished goods and work in progress is determined under FIFO method where cost includes conversion and other costs incurred in bringing the inventories to their present location and condition.

AS 3: CASH FLOW STATEMENT:

Cash flows are reported using the indirect method, where by the profit before tax is adjusted for the effect of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalent include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

AS 5: NET PROFIT / LOSS FOR THE PERIOD AND PRIOR PERIOD ITEMS:

- a) All items of income and expenses pertaining to the year are included in arriving at the net profit for the year, unless specifically mentioned elsewhere in the financial statement or as required by Accounting Standards.
- b) Prior year items are disclosed separately in the Profit & Loss Account below the line.

AS 6: DEPRECIATION ACCOUNTING:

Depreciation on Fixed Assets has been provided as per Schedule XIV of the Companies Act, 1956 adopting the methods as under:

- i) On Assets acquired before 01.04.1990 - Written Down Value Method.
- ii) On Assets acquired from 01.04.1990 - Straight Line Method
- iii) In respect of all assets purchased or sold during the year, depreciation has been provided at the above rates on pro-rata basis from the date of purchase / to the date of sale including assets whose cost is below Rs.5,000/-.

AS 9: REVENUE RECOGNITION:

- a) Revenue from sale transactions is recognized as and when the property in the goods sold is transferred to the buyer for a definite consideration. Revenue from service transactions are recognised on the completion of the contract at the contracted rate and when there is no uncertainty regarding the amount of consideration or collectability.
- b) Other Income except dividend is accounted on accrual basis.
- c) Sales as reported are exclusive of Sales Tax (VAT), Insurance and Transport charges.

AS 10: FIXED ASSETS:

The cost of Fixed Assets is shown at historical cost of acquisition including installation, commissioning less accumulated depreciation

AS 11: FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are recorded at the prevailing exchange rates at the time of initial recognition. Exchange differences are recognized as income or expense in the profit and loss account. Outstanding balances of monetary items denominated in foreign currency are restated at closing exchange rates and recognised as income or expenses in the profit and loss account in other cases.

The premium on discount arising at the inception of forward exchange contracts is accounted as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal exchange contract is recognized as income or as expense in the period in which they arise.

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



Schedule 25 - SIGNIFICANT ACCOUNTING POLICIES (Contd...)

AS 13: ACCOUNTING FOR INVESTMENTS:

Long term investments are stated at cost. A provision for diminution, if any, is made to recognise a decline, other than temporary, in the value of long term investments.

AS 15: EMPLOYEE BENEFITS:

Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis.

Defined Contribution Plans

Company's contributions paid / payable during the year to Provident Fund is recognized in the profit and loss account.

Defined Benefit Plans

Company's Liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate.

AS 16: BORROWING COSTS:

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as expenses in the period in which they are incurred.

AS 19: LEASE:

Lease, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating lease. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

AS 20: EARNINGS PER SHARE:

The Earnings considered in ascertaining the Company's earning per share comprise of Net Profit after tax and include post tax adjustments of prior period and extra-ordinary items.

AS 22: ACCOUNTING FOR TAXES ON INCOME:

Deferred Tax resulting from timing differences between book and tax profits is accounted under liability method at enacted as substantially enacted rate as on the balance sheet date. Deferred tax asset, other than those arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Deferred tax asset, arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

Current tax is determined at the amount of tax payable in respect of estimated taxable income for the year.

AS 28: IMPAIRMENT OF ASSETS:

An asset is impaired when the carrying amount of the assets exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of the recoverable amount.

AS 29: PROVISIONS, CONTINGENT LIABILITY AND CONTINGENT ASSETS:

- Provisions involving degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources.
- Contingent liabilities are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.
- Contingent liability under various fiscal laws includes those in respect of which the Company / Department is in appeal.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosures of contingent liabilities as at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to the estimates is recognized prospectively.

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For Sri Nachammai Cotton Mills Ltd.,


Chairman Cum Managing Director.



Schedule 26 - NOTES FORMING PART OF ACCOUNTS

1. Contingent Liabilities not provided for:

- a) The Company has undertaken export obligation under EPCG Scheme to Export within a period of eight years for the following years - 2004 - Rs.43752496/-, 2005 - Rs.24926920/-, 2006 - Rs.2598000/-, 2008 - Rs.77903360/- and 2009 - Rs.41730256/- failing which additional customs duty of Rs.23863879/- along with interest shall be payable. Of the above, the company has fulfilled obligation to the extent of Rs.1,16,90,010/- upto 30.06.2010.
- b) The Bank has given guarantees for Rs.45,34,815/- (previous year - Rs.27,04,465/-) towards payment of customs duty in respect of import of Machinery.

	As at 30.06.2010	As at 30.06.2009
	Rs.	Rs.
c) Future Lease rental payable	45,48,387	30,50,000
d) The Amount called up but not paid for IDBI Shares including interest	57,02,233	57,02,233
2. Interest in respect of partly paid shares is not presently ascertainable for the Current year and hence not included under IDBI partly paid shares.		
3. Estimated amount of contracts remaining to be executed on Capital account.	14,72,85,144	19,92,50,360
4. Additional Information pursuant to the Provisions of Paragraph 3,4, and 4c of Part II Schedules VI of the Companies Act, 1956		

Quantitative and other particulars:

(i) Production Capacity

	--- Delicensed---	
a. Licensed Capacity		
b. Installed Capacity	Spindles 42,672	36,912

(Installed capacity are as certified by the Chairman cum Managing Director but not verified by the Auditors being a Technical Matter)

		For the Year ended	
		30.06.2010	30.06.2009
(ii) Turnover			
a. Sale of Cotton Yarn	Kgs.	80,41,724	64,82,945
	Rs.	1,01,61,58,078	72,54,39,228
b. Sale of Fabric	Kgs.	8,99,435	5,56,985
	Rs.	12,73,74,596	6,79,32,442
c. Sale of Waste	Kgs.	7,38,890	8,07,971
	Rs.	77,02,336	72,34,249
(iii) Production - cotton Yarn	Kgs.	87,69,412*	70,14,668*
(iv) Raw Material Consumption Cotton	Kgs.	1,12,26,042	90,36,695
	Rs.	67,97,93,391	50,72,37,475

(v) Stock of Finished Goods & Waste

a. Cotton Yarn			
Opening Stock	Kgs.	6,97,386	7,80,435
	Rs.	7,96,46,710	10,23,95,384
Closing Stock	Kgs.	4,74,966	6,97,386
	Rs.	7,78,92,224	7,96,46,710
b. Waste			
Opening Stock	Kgs.	50,750	43,715
	Rs.	12,27,656	11,72,110
Closing Stock	Kgs.	1,03,972	50,750
	Rs.	27,54,371	12,27,656

(*Includes inter unit transfer and own consumption- 50673 Kgs, previous year -57787 Kgs)

(vi) a. Value of Imports: CIF Value

i) Raw Material	12,54,51,801	13,00,30,041
ii) Components and Spares	20,82,849	1,32,249
iii) Capital Goods	4,14,16,127	16,29,120

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For Sri Nachammai Cotton Mills Ltd.,

A.M.W.

Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedule 26 - NOTES FORMING PART OF ACCOUNTS (Contd...)

For the Year ended

	30.06.2010		30.06.2009	
	Value	%	Value	%
	Rs.		Rs.	
b. Consumption				
i) Raw Materials				
Imported	16,84,64,984	24.78	8,55,89,152	16.87
Indigenous	51,13,28,407	75.22	42,16,48,323	83.13
	<u>67,97,93,391</u>	<u>100.00</u>	<u>50,72,37,475</u>	<u>100.00</u>
ii) Spares & Components				
Imported	16,08,398	3.24	94,313	0.32
Indigenous	4,79,24,460	96.76	2,92,86,796	99.68
	<u>4,95,32,858</u>	<u>100.00</u>	<u>2,93,81,109</u>	<u>100.00</u>
			As at	As at
			30.06.2010	30.06.2009
			Rupees	Rupees
(vii) Expenditure in foreign currency on account of sales promotion, travelling, etc.			NIL	NIL
(viii) Earning in foreign exchange on account of export of goods (FOB Value yarn)			NIL	NIL
(ix) (a) Remittance during the year in foreign currencies on account of dividends to non-resident Shareholders			NIL	NIL
(b) Number of Non-resident Shareholders			8	7
(c) Number of shares held by them			11868	11168
(d) Year to which the Dividend relates			NIL	NIL

5. Particulars of remuneration to the Chairman cum Managing Director and Joint Managing Director (Minimum)

	Shri.PPALANIAPPAN		Smt.RUMAYAL	
	Chairman cum Managing Director	Joint Managing Director	Chairman cum Managing Director	Joint Managing Director
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	Rs.	Rs.	Rs.	Rs.
Salary	15,00,000	15,00,000	15,00,000	15,00,000
Provident Fund	9,360	9,360	9,360	9,360
Personal Accident Insurance	5,030	5,124	8,802	8,802
Club Subscription	7,000	6,500	---	---
	<u>15,21,390</u>	<u>15,20,984</u>	<u>15,18,162</u>	<u>15,18,162</u>

6. Calculation of Chairman cum Managing Director and Joint Managing Director Remuneration

	30.06.2010	30.06.2009
Net Profit / [Loss] for the year	6,30,97,460	(4,11,33,819)
Add: Book Depreciation	2,16,74,134	1,98,31,057
Chairman cum Managing Director Remuneration (Minimum)	15,21,390	15,20,984
Joint Managing Director Remuneration (Minimum)	15,18,162	15,18,162
Directors Sitting Fees	60,000	48,000
	<u>2,47,73,686</u>	<u>2,29,18,203</u>
	<u>8,78,71,146</u>	<u>(1,82,15,616)</u>
Less: Depreciation U/s 350	(2,16,74,134)	(1,98,31,057)
Profit on Sale of Assets (Net)	(8,05,268)	(65,187)
	<u>6,53,91,744</u>	<u>(3,81,11,860)</u>
Brought forward Loss	(8,61,87,949)	(4,80,76,089)
Balance of Loss carried forward	<u>(2,07,96,205)</u>	<u>(8,61,87,949)</u>

(Commission not payable due to inadequacy of Profits in terms of Section 198 of the Companies Act, 1956.

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For Sri Nachammai Cotton Mills Ltd.,

Chairman Cum Managing Director.

**SRI NACHAMMAI COTTON MILLS LIMITED****Schedule 26 - NOTES FORMING PART OF ACCOUNTS (contd...)****7. Auditors' Remuneration
(including Service Tax)****For the Year ended**

	30.06.2010	30.06.2009
	Rs.	Rs.
Audit Fees	57,908	47,191
Tax Matters	11,236	5,618
Certificate Fees	19,769	5,618
I.T.Representation Fees	5,200	5,200
Travelling Expenses	22,670	15,725
Total	116,783	79,352

8. Interest on Fixed Loans disclosed under financial charges is net of interest subsidy on TUF Loan amounting to Rs.58,20,485/- (Previous year Rs.49,23,208/-)


9. a) Income Tax Assessment upto the year ended 31.03.2007 (AY - 2007/2008) has been completed.
b) Sales Tax Assessment upto the year ended 31.03.2007 has been completed.

10. a) Disclosure required under Micro, Small and Medium Enterprises Development Act,2006 (the Act) are given below:

	30.06.2010	30.06.2009
i) Principal amount due	5,31,585	6,20,938
Interest due on above	-	-
ii) Interest paid during the period beyond the appointed date	-	-
iii) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
iv) Amount of interest accrued and remaining unpaid at the end of the period	-	-
v) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprise for the purpose of disallowance as a deductible expenditure under sec 23 of the Act	-	-

The above information and that given in Schedule Current Liabilities regarding Micro, Small and Medium enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors.

11. No provision is made for doubtful debts for Rs.34,39,782/-. The effect of such non provision is that less as stated in Profit and Loss Account is less by Rs.34,39,782/- with corresponding effect on the accumulated losses carried forward.
12. a) In the opinion of Directors, current assets, loans and advances have the value at which they are stated in the Balance Sheet if realized in the ordinary course of business.
b) Balances of certain sundry debtors, advances and sundry creditors are subject to confirmation / reconciliation, as the Company has received replies only from few parties for the confirmation statements sent by the Company. The adjustments thereof, if any, having an impact of revenue nature will be made in the year in which the same are finalized and settled.
13. Amount of Sales Tax / Value Added Tax of Rs.2,30,57,360/- collected on Sales has not been included in the Turnover of the Company.

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Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedule 26 - NOTES FORMING PART OF ACCOUNTS (contd...)

Disclosures as required under Accounting Standards:

14. Gratuity Disclosure (AS-15)

1.	Financial year of valuation	Gratuity Funded		
		1.7.09 to 30.6.10	1.7.08 to 30.6.09	1.7.07 to 30.6.08
A	Movements during the financial year (For definitions of 2,3,4,5 & 9 below refer AS 15 (revised 2005) Para 7 Definitions)			
1	Movement period in years	1	1	1
2	Present Value of Benefit Obligations as at beginning of the period in Rs.	13923765	13509039	13705294
3	Interest Cost assuming that claims paid in middle of financial year	1044856	1012913	1032353
4	Current service cost in Rs.	795936	829930	776685
5	Past Service cost in Rs.	0	0	0
6	Curtailed cost/(credit) in Rs. (refer Para 110-116 of AS 15 (revised 2005))	0	0	0
7	Settlement cost/(credit) in Rs. (refer Para 110-116 of AS 15 (revised 2005))	0	0	0
8	Benefits paid in Rs.	1759979	1728500	1633175
9	Actuarial gain/loss on benefit obligations(experience Adjustment) in Rs.	16501	300383	-372118
10	Present Value of Benefit Obligations as at the end of the period in Rs. (9)-(10)-(2)-(3)-(4)-(5)-(6)-(7)+(8) Note: Actuarial gain/loss is the balancing item Gratuity valuation as on 30.06.2010	14021079	13923765	13509039
A	Movements in respect of Plan Assets during the valuation year	1.7.09 to 30.6.10	1.7.08 to 30.6.09	1.7.07 to 30.6.08
1	Fair value of Plan Assets at the beginning in Rs.	13943819	13733630	13290203
2	Expected rate of return on Plan Assets per unit (see Part I C 3)	0.0925	0.0925	0.0925
3	Expected return of return on Plan Assets assuming that movements occur in mid year	1237068	1214799	1195846
4	Contributions received during the financial year	593976	500000	892511
5	Benefits paid (claims settled)	1759979	1728500	1633175
6	Actuarial Gain/Loss on plan assets in Rs. A6 = A7-A1-A3-A4+A5 is the balancing item	26541	-223886	-11755
7	Fair value Plan Assets at the end of the Financial year in Rs.	14041421	13943815	13733630
B	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.			
1	Actuarial Gain/Loss on Benefit Obligations in Rs.	16501	-300383	-372118
2	Actuarial Gain/Loss on plan assets in Rs.	26541	-223886	-11755
3	Net Actuarial Gain/Loss recognised in the Financial Year in Rs. B3 = B1-B2	-10041	-76497	-360364
C	Expenses recognised in the Profit and Loss Account			
1	Interest cost on Benefit Obligations	1044856	1012913	1032353
2	Current Service cost on Benefit Obligations	795936	829930	776685
3	Past Service cost on Benefit Obligations	0	0	0
4	Curtailed cost/(credit)	0	0	0
5	Settlement cost/(credit)	0	0	0
6	Expected return on Plan Assets	1237068	1214799	1195846
7	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.	-10041	-76497	-360364
8	Effect of limit as per para 59(b) read with para 61(g) of AS 15 R	1507	0	0
9	Expenses recognised in the Profit and Loss Account C9 = C1+C2+C3+C4+C5-C6+C7+C8	595191	706026	252829
D	Liability recognised in the Profit and Loss Account			
1	Actuarial Present value of Benefit Obligations at the end of the financial year in Rs.	14021079	13923765	13509039
2	Fair value Plan Assets at the end of the Financial year in Rs.	14041421	13943815	13733630
3	Funded Status at the end of the financial year in Rs.	20342	20050	0
4	Present Value of future reduction under para 59 (b) of AS 15 R (net asset to be recognised as per para 59 of AS 15 R)	18835	18565	224591
E 1	Expected return on Plan Assets (part III A3 above) in Rs.	1237068	1214799	1195846
2	Actuarial Gain/Loss on plan assets (part III B2) in Rs.	26541	-223886	-11755
3	Actual return on Plan assets (E1+E2) in Rs.	1263609	1438685	1184091
F	Balance Sheet Reconciliation			
1	Expenses recognised C9	595191	706026	252829
2	Add unfunded liability at the beginning of the financial year in Rs.	-20050	-224591	415091
3	Less contribution received A4	593976	500000	892511
4	Closing unfunded Status = F1+F2+F3=-D3	-18835	-18565	-224591

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For Sri Nachammai Cotton Mills Ltd.,

A. Mani
Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

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2. Assumptions:		30.06.10	30.06.09	30.06.08
(a) Interest Rate for discount per unit per annum		0.08	0.08	0.08
(b) Salary escalation rate per unit per annum		0.05	0.035	0.035
(c) Mortality Rate	LIC 1994-96 Rates			
(d) Attrition Rate	No explicit assumption			
(e) Disability / ill health retirement	No explicit assumption			

3. i. The estimates of salary escalation considered in Actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.
- ii. Defined Contribution Plans
- | | | | |
|------------------------------------|---------|---------|---------|
| Provident Fund Contributions (Rs.) | 4081527 | 4049455 | 4240067 |
|------------------------------------|---------|---------|---------|

15. Segment Report (AS-17)

As the Company operates under single segment related to Textiles, segment reporting is not applicable to the Company for the year under review.

16. Related Party Disclosure (AS-18) (as identified by the Management):

i) Names of related parties and description of relationship:

- | | |
|--|--|
| a) Associates | : Supreme Yarn Spinners Ltd
Raja Yarns Private Limited |
| b) Key Management Personnel | : 1. Shri. P. Palaniappan, Chairman cum Managing Director
2. Smt. P. Umayal, Joint Managing Director. |
| c) Relatives of Key Management Personnel | : 1. Smt. R. Geethanjali Ramasamy
2. Smt. RM. Umaiyal
3. Shri. P. Palaniappan (HUF)
4. Shri. MC. Ramasamy (HUF) |

ii) Related Party Transactions:

Nature of Transactions	Associates (Rs.in lacs)		Key Management Personnel (Rs.in lacs)		Relatives of Key Management Personnel (Rs.in lacs)	
	30.06.10	30.06.09	30.06.10	30.06.09	30.06.10	30.06.09
Corporate Loan taken	335.99	279.47	-	-	-	-
Unsecured Loan taken	-	-	142.15	173.58	2.75	1.18
Unsecured Loan repaid	73.37	32.28	146.05	80.06	-	-
Rendering of Services	1.57	15.05	-	-	-	-
Lease Rent Paid	124.83	112.50	-	-	-	-
Managerial Remuneration	-	-	30.35	30.39	-	-
Sitting Fees paid	-	-	-	-	0.07	0.04
Fixed Deposits Received	-	-	-	-	-	1.18
Interest Paid on Unsecured Loans	73.61	41.81	130.67	127.14	1.26	1.08
Interest Paid on Fixed Deposits	-	-	-	-	11.07	18.78
Outstanding Payables as on 30th June	780.85	518.23	1177.52	1181.42	13.26	10.16
Outstanding Receivable as on 30th June	-	-	-	-	-	-

17. Lease Disclosure (AS-19):

Disclosure of operating lease taken by the Company as per AS-19 are as follows:

- a) The Company has taken the entire Fixed Assets of Supreme Yarn Spinners Limited under cancelable operating lease, which are normally renewed on expiry.
- b) Future minimum lease rent payable is as follows:
- | | | |
|---|--------------------|-------------|
| | 30.06.2010 | 30.06.2009 |
| | (Rs.) | (Rs.) |
| - Not later than one year | 45,48,387/- | 30,50,000/- |
| - Later than one year but not more than 5 years | -- | - |
| - More than 5 years | -- | - |

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For Sri Nachammai Cotton Mills Ltd.,

Chairman Cum Managing Director.



Schedule 26 - NOTES FORMING PART OF ACCOUNTS (contd...)

18. Earnings Per Share (AS-20):

Particulars		For the year ended 30.6.2010	For the year ended 30.6.2009
Net Profit / (Loss) after tax and adjustments	Rs.	4,96,21,815	(2,70,59,812)
Weighted average No. of Equity Shares	Nos.	42,86,400	42,86,400
Nominal value of shares	Rs.	10	10
Basic and diluted Earnings per share	Rs.	11.58	(6.31)

19. Deferred Tax Liability / (Asset) (AS-22):

The Company has created Deferred Tax Liability of Rs.10515177/- during the year ended 30.06.2010 which is arrived as under:

	Opening As on 01.07.2009 Rupees	Adjustments for the year	Closing As on 30.06.2010 Rupees
DEFERRED TAX LIABILITY			
On Depreciation	<u>20014231</u>	<u>(736784)</u>	<u>19277447</u>
	20014231	(736784)	19277447
DEFERRED TAX ASSET			
Unabsorbed Depreciation	<u>31331835</u>	<u>(11251960)</u>	<u>20079875</u>
Total	<u>31331835</u>	<u>(11251960)</u>	<u>20079875</u>
NET DEFERRED TAX LIABILITY/ (ASSETS)	<u>(11317604)</u>	<u>10515176</u>	<u>(802428)</u>

20. Disclosure as required under listing agreement:

Statement of loans and advances to associates: (As required under Clause 32 of listing agreement with the stock exchanges) To Associates : Rs. Nil

21. (a) There are no derivative financial instruments either for hedging or for speculation outstanding as at the Balance Sheet date

(b) Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise are as under:

Particulars	Currency	Amount in Foreign Currency		Equivalent amount	
		Rs.	Rs.	Rs.	Rs.
		2009-10	2008-09	2009-10	2008-09
Sundry Creditors	USD	2628509.56	1812539.81	128421514	86887449
	EURO	386585.72	-	25093546	-
	JPY	5374.13	-	270319	-
	CHF	27190.54	-	1107119	-
Sundry Debtors / Advances	EUR	241889.00	24000.00	13801906	1629120
	CHF	6333.36	-	256374	-

22. Current year figures have been rounded off to the nearest rupee and figures in respect of the previous year have been regrouped and reclassified wherever necessary.

As per our report of even date annexed
For **M.S.JAGANNATHAN & VISVANATHAN**

Chartered Accountants
Firm Regd.No. : 001209S
M.J.VIJAYARAAGHAVAN
Partner
M.No.7534

Salem,
27th August, 2010.

PPALANIAPPAN
Chairman cum Managing Director
RUMAYAL
Joint Managing Director

RM.UMAIYAL
AMRATHLAL A.GANDHI
A.ALAGAPPAN
A.ANNAMALAI
PERUMAL MADHAVAGOPAL
Directors

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For Sri Nachammai Cotton Mills Ltd.,

(Signature)
Chairman Cum Managing Director.



SRI NACHAMMAI COTTON MILLS LIMITED

Part IV : Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Registration No State Code
 Balance Sheet Date
 Date Month Year

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

Public Issue (including premium)
 (Calls in Arrears) Rights Issue
 Bonus Issue
 Private Placement

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

Total Liabilities
 Total Assets
Sources of Funds
 Paid-up Capital
 Reserves & Surplus
 Secured Loans
 Unsecured Loans
 Deferred Tax Asset

Application of Funds

Net Fixed Assets
 Investments
 Net Current Assets
 Miscellaneous Expenditure
 Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover and Other Income
 Total Expenditure
 Profit / Loss before Tax
 Profit / Loss after Tax and Prior year items
 Earning Per Share in Rs.
 Dividend %

V. Generic Names of Three Principal Products / Services of the Company *

Item Code No. Product Description

PPALANIAPPAN
 Chairman cum Managing Director
PUMAYAL
 Joint Managing Director

RM.UMAIYAL
AMRATHAL A.GANDHI
A.ALAGAPPAN
A.ANNAMALAI
PERUMAL MADHAVAGOPAL
 Directors

Salem,
 27th August, 2010.

Certified True Copy

For Sri Nachammai Cotton Mills Ltd.,

A.M.N.
 Chairman Cum Managing Director.