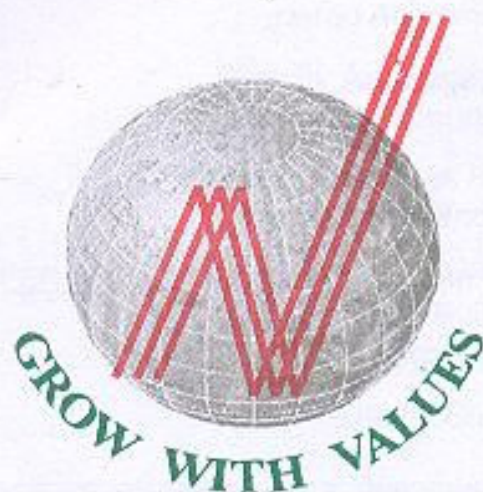


SRI NACHAMMAI COTTON MILLS LIMITED



31st ANNUAL REPORT 2010 - 2011



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. UmaiyaI, Shri Amarthal A. Gandhi, B.Sc., Shri A. Alagappan, B.B.A., 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 Accountants, 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



SRI NACHAMMAI COTTON MILLS LIMITED

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

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty First Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday the 14th day of December, 2011 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 2011, 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 Smt. RM. Umaiyal who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in the place of Sri Amarthlal A. Gandhi who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint an Auditors 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 196, 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 19.12.2011 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.



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 19.12.2011 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.



SRI NACHAMMAI COTTON MILLS LIMITED

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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 re-appointment of Sri A. Annamalai as Whole Time Director for a period of one year from 01.09.2011 on the following terms and conditions.
- 1. Salary**
Rs.25,000/- p.m. (Rupees Twenty Five Thousand Only).
 - 2. 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.

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 08.12.2011 to 14.12.2011 (both days inclusive).
5. Pursuant to Section 205C of the Companies Act, 1956, unclaimed dividends are to be transferred to the 'Investor Education and Protection Fund' of the Central Government after a period of 7 years from the date of declaration. Shareholders who have not encashed/misplaced /not received the dividend warrant for the year 2003-04 are requested to make the claim to the Company accordingly, without further delay. Due date for the transfer of the unclaimed dividend of the year 2003-04 to the said fund is 08.01.2012 and shareholders cannot make a claim after that date.
6. 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.
7. Disclosure relating to particulars of Cost Auditor as per General Circular No. 15/2011 dated 11th April, 2011 for the year ended 31.03.2010.

Name	: Mr. V. Balasubramaniyan, Cost Accountant
Address	: 31/3-E, Sri Ramakrishna Nagar, Kavundampalayam, Coimbatore 641030. Ph: 0422- 2446406
Cost Audit Report	: 2009 - 2010
Due Date for filing	: 31.12.2010
Actual date of filing	: 24.12.2010

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

Item Nos. 5 & 6

Shri 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 19.12.2010 by the Board of Directors at its Meeting held on 27.08.2010 and their period of reappointment expires on 18.12.2011.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 25.08.2011 has reappointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of one year from 19.12.2011 on the same remuneration and perquisites and other terms and conditions as set out in the resolution.

Shri 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.



SRI NACHAMMAI COTTON MILLS LIMITED

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Shri 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 Shri P.Palaniappan and Smt. P.Umayal.

Item No.7

Shri A. Annamalai was appointed as Whole Time Director for a period of one year with effect from 01.09.2010 by the Board of Directors at its Meeting held on 27.08.2010 and his period of appointment expires on 31.08.2011.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 25.08.2011 has reappointed him as Whole Time Director for a period of one year from 01.09.2011 on the same terms and conditions as set out in the resolution.

Shri A. Annamalai has rich experience in the field of finance. His experience will benefit the company immensely.

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

Salem,
25th August, 2011.

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)

Name	: Smt. RM. Umaiyal	Name	: Shri Amarthlal A. Gandhi
Age	: 84 Years	Age	: 78 years
Date of Appointment	: 18.08.1982	Date of Appointment	: 05.06.1995
Qualification	: —	Qualification	: B.Sc.
Experience	: —	Experience	: 30 years
No. of Shares	: 1000	No. of Shares	: 500
Other Directorships	: Supreme Yarn Spinners Limited	Other Directorships	: Nil
Member of the Committee	: Nil	Member of the Committee	: Audit Committee, Remuneration Committee and Shareholders Grievances Committee



SRI NACHAMMAI COTTON MILLS LIMITED

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REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors are hereby presenting this 31st Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2011.

FINANCIAL RESULTS FOR THE YEAR

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

	30.06.2011	30.06.2010
	Rs.	Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	7,90,21,945	13,04,06,733
Less: Interest	7,18,26,960	4,65,89,107
Depreciation	3,17,66,492	2,16,74,134
	10,35,93,452	6,82,63,241
(LOSS)/PROFIT BEFORE TAX	(2,45,71,507)	6,21,43,492
Current Tax (MAT)	51,94,388	23,20,000
Less: MAT credit entitlement	51,94,388	23,20,000
Less: Deferred Tax (Liability) / Asset	(89,69,095)	(1,05,15,176)
Excess income tax provision reversed	9,64,088	—
(LOSS)/PROFIT AFTER TAX	(3,25,76,514)	5,16,28,316
Increase/(Provision for Diminution in Value of investments)	—	3,13,500
(DEFICIT) /SURPLUS TRANSFERRED TO BALANCE SHEET	(3,25,76,514)	5,19,41,816

Dividend : Due to inadequacy of Profit, the Company is unable to declare any Dividend for this year 2010-11.

REVIEW OF OPERATIONS

The Company incurred a Loss before tax of Rs. 245.72 lakhs as compared to previous year Profit before tax of Rs. 621.43 lakhs. The loss during the current year was on account of the following factors.

- Slow off take of yarn :
 - The Tirupur market is the main market for our yarn, from January, 2011, about 740 dyeing units in Tirupur were closed, so virtually Tirupur had come to a standstill.
 - There was no off-take of yarn because quantity restrictions were placed on cotton yarn export.
 - In the Budget, branded garments were subject to excise duty. Earlier it was not subject to the same.
- The power situation has deteriorated in Tamilnadu, hence, we were able to utilize only 50% to 70% capacity in our mills. Thus our operating cost went up per kg of yarn.
- Cotton price started falling and there was no off-take of yarn, hence there was an incremental fall in yarn prices.

FIXED DEPOSITS : As on 30.06.2011, two deposits amounting to Rs.16,000/- remaining unclaimed on the due dates and since paid.

DIRECTORS

The Directors Smt. R.M. Umaiyal and Shri Amarthlal A. Gandhi 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.

Shri C. S. Thirumalai, Director has resigned on 28.09.2010.

The Board expresses its appreciation for the services rendered by Shri C. S. Thirumalai towards growth of the Company.

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 30.06.2011



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 **30.06.2011** and of the Loss 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 **30.06.2011** 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 **2011-2012**, 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. 60 lakhs or more per annum and Rs. 5 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,
25th August, 2011.

For and on behalf of the Board of Directors,
P.PALANIAPPAN,
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.

	Current Year Year ended 30.06.2011	Previous Year Year ended 30.06.2010
POWER AND FUEL CONSUMPTION :		
1. Electricity		
(a) Purchased		
Units	2,54,84,230	2,01,39,077
Total Amount (Rs.)	13,12,15,849	9,46,37,132
Rate Per unit (Rs.)	5.15	4.70
(b) Own Generation		
(i) Through Diesel Generator		
Units	19,75,945	52,34,437
Units per litre of Diesel	3.50	3.56
Cost/Unit (Rs.)	9.86	9.26
(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)	85,26,902	87,69,412
Electricity Consumed (Units)	2,74,60,175	2,53,73,514
Electricity Consumed per Kg. of Yarn (Units)	3.22	2.89

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	Rs.	Nil
OUTGO :	Import of Spares	Rs.	42,04,112	Rs.	20,82,849
	Import of Capital Goods	Rs.	3,53,63,766	Rs.	4,14,16,127
	Import of Raw Material	Rs.	Nil	Rs.	12,54,51,801
		Rs.	<u>3,95,67,878</u>	Rs.	<u>16,89,50,777</u>

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

Salem,
25th August 2011.



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 accounting year 2010-11 was a mixed year for the spinning industry. The first half up to December 2010 was a period of unprecedented good business for the spinning sector. Good movement of cotton yarn coupled with highly remunerative prices has helped the industry do brisk business. But the second half year ended June 2011 was just the opposite. The spinning mills started feeling the pinch of quantitative restriction placed on cotton yarn exports. Around 740 dyeing units in Tirupur were closed due to pollution problems. In the Union Budget, excise duty was imposed on branded garments which were earlier free from excise duty. All these factors contributed to the slow off take of yarn and thus now most of the spinning mills are saddled with huge inventory of yarn. On top of this, cotton yarn prices started falling drastically. The Duty drawback and DEPB schemes were withdrawn for cotton yarn exports. The TUF (Technology Upgradation Fund) scheme was suspended for about 9 months.

Now, the Central Government has again provided DEPB benefits for cotton yarn exports and has brought Cotton Yarn exports under Open General License (OGL).

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS :

The cotton prices have come down from historically high levels of about Rs.65,000/- per candy to about Rs.35,000/- per candy. The demand for yarn is gradually picking up. Due to above factors, there is a general expectation that the industry will return to normality.

The Government interventions in the textile industry even in the liberalized economy are frequently occurring partly because of the linkage of the agricultural sector and also due the lobbying by the garment manufacturers. These sudden policy changes by the government may hinder the growth of the Indian textile industry.

Power shortages and non-availability of labour continue to be of concern.

C. SEGMENT WISE OR PRODUCT WISE PERFORMANCE :

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

D. OUTLOOK :

There is a lot of optimism that the cotton crop throughout the world will be larger than the previous year and hence the cotton prices will be at moderate levels.

With the Tamil Nadu Government taking all efforts to solve the Tirupur Dyeing pollution problem, there is hope that Tirupur once again will become vibrant. Your company stands to gain immensely by this because the primary market for your company is Tirupur. Moreover, your Company has started developing more markets for its yarn.

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.



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 2010-2011, 4 Board Meetings were held on 27th August, 2010, 29th October, 2010, 28th January, 2011 and 5th May, 2011.

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, 2011*	No. of other Committee		No. of shares Held
						Member-ships	Chairman/ Vice chairmanships	
1.	Shri P. Palaniappan (Chairman cum Managing Director)	ED(P)	4	Yes	1	-	-	783241
2.	Smt. P. Umayal (Joint Managing Director)	ED(P)	4	Yes	2	-	-	1036343
3.	Smt. RM. Umaiyal	NED(P)	4	Yes	1	-	-	1000
4.	Shri A. Annamalai (Whole Time Director)	ED(NI)	4	Yes	1	-	-	3718
5.	Shri Amarthlal A. Gandhi	NED(I)	4	Yes	-	2	1	500
6.	Shri A. Alagappan	NED(I)	2	No	-	-	2	100
7.	Shri Perumal Madhavagopal	NED(I)	4	Yes	2	1	3	100
8.	Shri S. Ravichandran	NED(I)	3	No	1	-	-	8234
9.	Shri PL. Subbiah	NED(I)	1	No	1	-	-	-
10.	Shri C. S. Thirumalai**	NED(I)	-	No	-	-	-	-

ED – Executive Director – Promoter

* Including Directorship in Private Limited Companies

** Shri C.S. Thirumalai has resigned on 28.09.10

ED(N1) – Executive Director - Non Independent

NED(P) – Non Executive Director - Promoter

NED(I) – Non Executive Director - Independent



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 2010-2011, 4 meetings of the Committee were held on 27th August, 2010, 29th October, 2010, 28th January, 2011 and 5th May, 2011.

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 Perumal Madhava Gopal	Chairman	NED(I)	4
2.	Shri A. Alagappan	Vice-Chairman	NED(I)	2
3.	Shri Amarthlal 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 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 Perumal Madhava Gopal	Chairman	NED(I)
2.	Shri A. Alagappan	Vice-Chairman	NED(I)
3.	Shri Amarthlal A. Gandhi	Member	NED(I)

Executive Directors' remuneration details for the financial year 2010-2011 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
Shri A. Annamalai Whole Time Director	2,50,000	-	7,800	2,57,800	1

Smt. P. Umayal and Shri A. Annamalai 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, 2011 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	8000.00
2.	Shri Amarthlal A. Gandhi	17000.00
3.	Shri A. Alagappan	7000.00
4.	Shri A. Annamalai	2000.00
5.	Shri Perumal Madhava Gopal	16000.00
6.	Shri PL. Subbiah	2000.00
7.	Shri S. Ravichandran	6000.00



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, 12 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	12
2.	Smt. P. Umayal	Vice-Chairman	ED	12
3.	Shri Perumal Madhava Gopal	Member	NED(I)	12

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 A. Amarthlal A. Gandhi	Chairman	NED(I)	4
2.	Shri Perumal Madhava Gopal	Vice-Chairman	NED(I)	4
3.	Shri P. Palaniappan	Member	ED	4
4.	Smt. P. Umayal	Member	ED	4

The Committee deals in matters to transfer and transmission of shares, issue of duplicate share certificates, review of dematerialized shares, redressing of investors complaints such as non-receipt of shares, non- receipt of dividends etc. and other matters related to shares.

The Share transfers/ transmission approved by the committee are placed at the board meetings from time to time . During the year ended 30th June, 2011, 12 meetings of the Committee were held.

There were no complaints pending as on 30th June, 2011. No requests for dematerialisation and transfer were pending as on 30th June, 2011.

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
2010	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016	9 th December 2010 at 5.00 P.M.
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.

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.



REPORT ON CORPORATE GOVERNANCE (Contd..)

10. Disclosures :

Related party Transactions are disclosed in Note No.15 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.

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.

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.

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

I hereby declare that the Board of Directors of the company have adopted a Code of Conduct for the Board members and Senior Management personnel to whom this Code of Conduct is applicable have affirmed the compliance of Code of Conduct during the year 2010-11.

Salem,
25th August, 2011.

P.PALANIAPPAN,
Chairman cum Managing Director.

GENERAL SHAREHOLDERS INFORMATION :

1. Annual General Meeting:

Day, Date & Time : Wednesday, 14th December, 2011 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, 2012.
AGM : 30th December, 2012
First Quarter Results : 4th Week of October, 2011
Second Quarter Results : 4th Week of January, 2012
Third Quarter Results : 4th Week of April, 2012
Audited Results : 4th Week of August, 2012

3. Book Closure Dates: 8th December, 2011 to 14th December, 2011 (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 2011-2012 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 2010-2011 at CSE and BSE for one equity share of Rs.10/- each were as under:



REPORT ON CORPORATE GOVERNANCE (Contd..)

Months	CSE		BSE	
	High	Low	High	Low
Jul '10	-	-	27.15	20.90
Aug '10	-	-	39.00	24.35
Sep '10	-	-	52.10	40.95
Oct '10	-	-	66.40	40.60
Nov '10	-	-	66.20	50.00
Dec '10	-	-	55.90	42.40
Jan '11	-	-	52.90	39.25
Feb '11	-	-	39.95	29.50
Mar '11	-	-	37.50	29.20
Apr '14	-	-	45.90	31.80
May '11	-	-	44.80	22.15
June '11	-	-	26.30	21.90

As at 30th June 2011, the Company's unclaimed dividend account has a balance of Rs. 3,09,336/- 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 Committee :

Share Transfer Committee comprises of the following Directors:

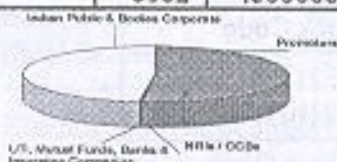
Sl. No.	Name	Designation	Category	No. of Meetings attended
1.	Shri P. Palaniappan	Chairman	ED	12
2.	Smt. P. Umayal	Vice-Chairman	ED	12
3.	Shri Perumal Madhavagopal	Member	NED(I)	12

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 :

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

Category	No. of Holders	No. of Shares	%	Shareholding range	No of Holder	%of Holders	No of Shares	% of Shares
Promoters	8	2329231	54.17	1 - 100	2591	66.75	239274	5.56
Non Resident Indians/OCBs	7	11738	0.27	101 - 500	823	21.20	226456	5.27
Clearing Members	2	17527	0.41	501 - 1000	204	5.26	165640	3.85
Bodies Corporate	85	96291	2.24	1001 - 2000	118	3.04	178765	4.16
Resident Individual	3779	1844713	42.90	2001 - 3000	44	1.13	111628	2.60
Mutal fund	1	500	0.01	3001 - 4000	29	0.75	100523	2.34
				4001 - 5000	13	0.33	58988	1.37
Total	3882	4300000	100.00	5001 - 10000	30	0.77	217197	5.05
				10001 - above	30	0.77	3001529	69.80
				TOTAL	3882	100.00	4300000	100.00





REPORT ON CORPORATE GOVERNANCE (Contd..)

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity.

As on date the Company has not issued GDRs, ADRs or any other convertible Instruments and as such, there is no impact on the equity share capital of the company.

10. Dematerialisation of shares & liquidity :

As on 30th June 2011, 87.58% 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: A Unit & B Unit : Near Railway Station, Chettinad – 630 102. Sivaganga District, Tamilnadu.

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,

Annual Confirmation pursuant to Clause 49(V) of the Listing Agreement.

We have reviewed the financial statements, read with the Cash Flow Statement of Sri Nachammai Cotton Mills Limited for the year ended 30th June, 2011 and that to the best of our knowledge and belief, we state that;

- (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 together present a true and fair view of the Company's affairs and are in compliance with existing 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 and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we 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 the 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) that there were no 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,
25th August, 2011.

Yours sincerely,
P.PALANIAPPAN,
Chairman cum Managing Director.

14. Corporate Secretarial / Investors' Assistance Department :

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

Salem,
25th August, 2011.

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



COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 30th JUNE, 2011

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 30.06.2011 (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 27.08.2010, 29.10.2010, 28.01.2011 and 05.05.2011 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 01.12.2010 to 09.12.2010 (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, 2010 was held on 09.12.2010 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 Board of Directors or duly constituted Committee of Directors has approved the issue of duplicate share certificates.
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 and the appointment of Additional Director has been duly made. There was no appointment of Alternate directors and Directors to fill casual vacancy during the financial year.



SRI NACHAMMAI COTTON MILLS LIMITED

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15. The Re-appointment of Managing Directors and Whole Time Director have been made in compliance with the provisions of Section 269 read with Schedule XIII to the Act in the Financial Year ended 30.06.2011 which is valid up to 18.12.2011 and 31.08.2011 respectively.
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 30.06.2011. Approved vide letter Dated : 23.07.2010
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 01.09.2010 and 17.02.2011. The Company has also filed Return of deposits with the Registrar of Companies, Coimbatore on 21.06.2011.
24. The amount borrowed by the Company from Directors, banks and others during the financial year ending 30.06.2011 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 provision 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 : 25.08.2011.

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



Annexure 'A'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 30th JUNE 2011. 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. | 11) Register of Issue of Duplicate Share Certificate and Split Certificate |
| 2) Index of Members u/s. 151. | 12) Register of Directors Share holding. |
| 3) Register of Directors u/s. 303. | 13) Directors Attendance Register. |
| 4) Register of Share Transfer. | 14) Nomination Register. |
| 5) Board Meeting Minutes u/s. 193. | 15) Remuneration Committee Minutes. |
| 6) Annual General Meeting Minutes u/s. 193. | 16) Share Transfer Committee Minutes |
| 7) Register of charges and documents evidencing creation of charges u/s. 136. | 17) Audit Committee Minutes. |
| 8) Register of Contracts in which Directors are Interested u/s. 301 and 301(3). | 18) Audit Committee Attendance and sitting fees register. |
| 9) Register of Attendance of Directors - Remuneration Committee. | 19) Remuneration Committee Attendance and sitting fees register. |
| 10) Register of Investments and loans. | |

Annexure 'B'

Forms and Returns filed by the Company with the Registrar of Companies during the Financial Year Ending 30th June, 2011:

S. No.	Form No. Return	Filed U/s.	For	Date of Filing 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	01.09.2010 A92993021	Yes	Not Applicable.
2	23AC,23 ACA	220	Profit and Loss Account and Balance Sheet as 30.06.2010	27.12.2010 P64778913	Yes	Not Applicable.
3	20B	159	Annual Return made up to 9.12.2010	20.01.2011 P65456931	Yes	Not Applicable.
4	62	Rule 10 of Companies (Acceptance of Deposits) Rules, 1975	Return of Deposits as on 31.03.2011	21.06.2011 B14588453	Yes	Not Applicable.
5	23	192	Reappointment of Shri P.Palaniappan as Chairman cum Managing Director and Smt.P.Umayal as Joint Managing Director by the Board of Directors.	08.09.2010 A93630598	Yes	Not Applicable.
6	23	192	Reappointment of Shri P.Palaniappan as Chairman cum Managing Director and Smt.P.Umayal as Joint Managing Director by the Shareholders.	21.12.2010 B01204205	Yes	Not Applicable.
7	25C	269(2) & SCH X 111	Return of Appointment of Smt. P.Umayal as Joint Managing Director	24.12.2010 B01451376	Yes	Not Applicable.
8	25C	269(2) & SCH X 111	Return of Appointment of Shri P.Palaniappan as Chairman cum Managing Director	24.12.2010 B01452366	Yes	Not Applicable.
9	66	383A	Secretarial Compliance Certificate for YE 30.6.2010	10.12.2010 P64230394	Yes	Not Applicable.



SRI NACHAMMAI COTTON MILLS LIMITED

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S. No.	Form No. Return	Filed U/s.	For	Date of Filing SRN.	Whether filed Within prescribed Time	If delay in Filing whether Requisite Additional fees paid.
10	25C	269(2) SCH XIII	Return of Appointment of Shri Arunachalam Annamalai as Whole Time Director	15.09.2010 A94003050	Yes	Not Applicable.
11	32	303(2)	Appointment of Shri Sundaresan Ravichandran and Shri Subbiah Palaniappan as Additional Directors.	03.09.2010 A93163137	Yes	Not Applicable.
12	32	303(2)	Change in designation of Shri Arunachalam Annamalai as Whole Time Director.	16.09.2010 A94088226	Yes	Not Applicable.
13	32	303(2)	Cessation of Shri Srinivasa Chari Thirumalai as Director by Resignation.	08.10.2010 A95631743	Yes	Not Applicable.
14	32	303(2)	Change in designation of Shri Sundaresan Ravichandran and Shri Subbiah Palaniappan as Directors.	15.12.2010 B00758854	Yes	Not Applicable.
15	8	135	Modification of Charges Rs.43.95 Crores.	15.10.2010 A96063060	Yes	Not Applicable.
16	8	135	Modification of Charges Rs.46.95 Crores.	21.01.2011 B03540077	Yes	Not Applicable.
17	8	135	Modification of Charges Rs.59.53 Crores.	08.02.2011 B05043419	Yes	Not Applicable.
18	8	135	Modification of Charges Rs.63.28 Crores.	06.05.2011 B11687837	Yes	Not Applicable.
19	*62	Rule 10 of Companies (Acceptance of Deposits) Rules, 1975	Statement in lieu of Advertisement	17.02.2011 B05815253	Yes	Not Applicable.

*Not yet approved.

Regional Director - Nil
Central Government & Other Authorities

S. No.	Form No. Return	Filed U/s.	For	Date of Filing 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 30.06.2011	14.07.2010 A89053888	Yes	Not Applicable.
2	1	233(B)(4)	Cost Audit Report	24.12.2010 B01502798	Yes	Not Applicable.

Signature :

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

Place : Salem,
Date : 25.08.2011.



SRI NACHAMMAI COTTON MILLS LIMITED

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, 2011, 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,
Chartered Accountants,
Firm Regd No: 001209S.
M.J.VIJAYARAAGHAVAN, Partner,
Membership No.7534.

Place: Salem,
Date : 25.08.2011.

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, 2011 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, 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th JUNE, 2011 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:

Non-availability of confirmations in respect of sundry debtors, sundry creditors and loans and advances (note 13(b)) give a true and fair view in conformity with the accounting principles accepted in India:

- In the case of Balance Sheet, of the state of affairs of the company as at 30th JUNE, 2011;
- In the case of Profit and Loss account, of the LOSS for the year ended on that date; and
- In case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Chartered Accountants,

Firm Regd No: 001209S.

M.J.VIJAYARAAGHAVAN, Partner,

Membership No.7534.

Place: Salem,

Date : 25.08.2011.

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

- The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - 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 material and have been properly dealt with in books of Accounts.
 - There was no disposal of substantial part of fixed assets during the year and hence going concern of the Company is not affected.
- Physical verification of Inventory has been conducted at reasonable intervals by the Management. In our opinion, the frequency of verification is reasonable.
 - 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.
 - 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.
- 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.
 - The Company during the year has taken Inter Corporate deposit amounting to Rs. 1,56,60,000/- from a company covered in the register maintained Under Sec.301 of the Companies Act, 1956 (The Maximum amount during the year was Rs. 8,66,58,000/-)
 - There is no stipulation for payment of periodical principal.
 - The Company has taken unsecured loans amounting to Rs.3,89,86,000/- from three parties covered in the register maintained under Section 301 of the Companies Act, 1956. (The Maximum amount during the year was Rs.15,41,02,000/-)
 - The rate of interest and other terms and conditions in respect of unsecured loans taken by the Company are not prima facies prejudicial to the interest of the Company.
- 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.
 - During the course of our Audit no major weakness has been noticed in the internal controls.
- 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.



SRI NACHAMMAI COTTON MILLS LIMITED

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- 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 registered 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.1,80,00,000/- 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.
- 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, 2011 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.3,88,02,943/- as at 30th June, 2011, The Company has not incurred any cash losses during the financial years covered by our audit and 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 investment.
- 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.

Place: Salem,
Date : 25.08.2011.

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



SRI NACHAMMAI COTTON MILLS LIMITED

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BALANCE SHEET AS AT 30th JUNE 2011

	Schedule	As at 30.06.2011 Rs.	As at 30.06.2010 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		<u>108,828,900</u>	<u>108,828,900</u>
2 Loan Funds			
a) Secured Loans	3	443,962,679	274,777,333
b) Unsecured Loans	4	245,238,000	197,387,000
Total Loan Funds		<u>689,200,679</u>	<u>472,164,333</u>
3. Deferred Tax Liability (Net)	7	8,166,667	-
Total		<u>806,196,246</u>	<u>580,993,233</u>
APPLICATION OF FUNDS			
1 Fixed Assets	5		
Gross Block		704,070,351	612,453,305
Less : Depreciation		420,073,771	397,219,259
Net Block		<u>283,996,580</u>	<u>215,234,046</u>
2 Capital Work in Progress		6,382,575	18,304,957
3 Investments	6	1,562,600	1,562,600
4 Deferred Tax (Asset) (Net)	7	-	802,428
5 Current Assets, Loans and Advances			
a) Inventories	8	549,944,359	415,487,285
b) Sundry Debtors	9	111,352,400	115,777,957
c) Cash and Bank Balances	10	34,017,269	16,990,173
d) Other Current Assets	11	2,981,968	5,125,657
e) Loans and Advances	12	71,304,646	51,462,078
		<u>769,600,642</u>	<u>604,843,150</u>
Less : Current Liabilities and Provisions			
a) Current Liabilities	13	292,363,964	262,915,886
b) Provisions	14	1,785,130	3,064,491
		<u>294,149,094</u>	<u>265,980,377</u>
Net Current Assets		<u>475,451,548</u>	<u>338,862,773</u>
6. Profit and Loss Account	15	38,802,943	6,226,429
Total		<u>806,196,246</u>	<u>580,993,233</u>

Schedules 1 to 15, Significant Accounting Policy and Notes on Accounts 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

P.PALANIAPPAN
Chairman cum Managing Director

M.J.VIJAYARAAGHAVAN
Partner
M.No.7534

P.UMAYAL
Joint Managing Director

Salem,
25th August, 2011.

A.ANNAMALAI
Whole Time Director



SRI NACHAMMAI COTTON MILLS LIMITED

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Cash flow Statement

	30.06.2011	30.06.2010
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT / (LOSS) BEFORE TAX AND EXTRA-ORDINARY ITEMS	(24,571,507)	62,143,492
Adjustments for:		
Depreciation	31,766,492	21,674,134
Interest Expense	68,699,043	43,885,050
Dividend Income	(37,100)	(54,300)
Profit on Sale of Fixed Assets (Net)	(3,875,143)	(805,268)
Interest Received	(1,510,682)	(1,365,804)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	70,471,103	125,477,304
Changes in :		
Trade & Other Receivables	(8,081,178)	10,437,616
Inventories	(134,457,074)	(237,906,592)
Trade Payable	31,148,252	124,403,018
CASH GENERATED FROM OPERATING ACTIVITIES	(40,918,897)	22,411,346
Direct Taxes paid including FBT	(7,200,872)	(335,325)
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	(48,119,769)	22,076,021
NET CASH FLOW FROM OPERATING ACTIVITIES	(48,119,769)	22,076,021
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(90,235,590)	(83,154,899)
Sale of Fixed Assets	5,504,089	1,229,597
Sale of Investments	-	-
Dividend Received	37,100	54,300
Interest Received	1,512,926	2,089,482
NET CASH FLOW FROM INVESTING ACTIVITIES	(83,181,475)	(79,781,520)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (Repayments) Long Term Loans (Net)	169,185,346	88,418,672
Proceeds / (Repayments) Short Term Loans (Net)	47,851,000	12,736,000
Interest paid	(68,705,494)	(43,890,979)
Dividend paid	(2,512)	-
NET CASH FLOW FROM FINANCING ACTIVITIES	148,328,340	57,263,693
Net Changes in Cash and Cash Equivalent (A+B+C)	17,027,096	(441,806)
Cash and Cash Equivalent Opening	16,990,173	17,431,979
Cash and Cash Equivalent Closing	34,017,269	16,990,173
	17,027,096	(441,806)
Notes : Closing cash and cash equivalent consist of the following :		
Cash on Hand	80,921	50,813
Balances with Scheduled Banks:-		
In Current Accounts	19,333,816	2,808,412
In Deposits Accounts		
LC Margin	13,652,000	13,050,000
FD Margin	3,150	86,100
LG Margin	638,046	683,000
In Unclaimed Dividend Account	309,336	311,848
Total	34,017,269	16,990,173

a) Of the above, Rs.3,09,336/- 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.

M.J.VIJAYARAAGHAVAN, Partner,
M.No.7534.

Salem,
25th August, 2011

P.PALANIAPPAN
Chairman cum Managing Director

P.UMAYAL
Joint Managing Director

A.ANNAMALAI
Whole Time Director



SRI NACHAMMAI COTTON MILLS LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE, 2011

	Schedule	Year ended 30.06.2011 Rs.	Year ended 30.06.2010 Rs.
INCOME			
Sales	16	1,267,253,810	1,151,235,010
Other Income	17	9,851,555	11,592,991
Accretion/(Depletion) in Stock	18	321,894,128	5,933,057
Total Income		1,598,999,493	1,168,761,058
EXPENDITURE			
Raw Materials Consumed	19	1,062,732,827	679,793,391
Stores Consumed		89,641,882	49,532,858
Conversion Charges		16,532,111	20,048,443
Power and Fuel		150,695,702	143,086,176
Personnel Cost	20	114,985,303	87,933,177
Administrative Expenses	21	18,641,124	9,945,848
Yarn Selling Expenses	22	7,434,565	5,453,963
Repairs and Maintenance	23	41,314,034	30,077,136
Lease Rent		18,000,000	12,483,333
Financial Charges	24	71,826,960	46,589,107
Depreciation		31,766,492	21,674,134
Total Expenditure		1,623,571,000	1,106,617,566
(LOSS) / PROFIT BEFORE TAX		(24,571,507)	62,143,492
Income Tax Expense :			
Current Tax (MAT)	5,194,388		2,320,000
Less: MAT Credit Entitlement	5,194,388	-	2,320,000
Deferred Tax (Liability) / Asset		(8,969,095)	(10,515,176)
Excess Income Tax provision reversed		964,088	-
(LOSS) / PROFIT AFTER TAX		(32,576,514)	51,628,316
Increase / (Provision for Dimunition) in value of Investments		-	313,500
(DEFICIT) / SURPLUS TRANSFERRED TO BALANCE SHEET		(32,576,514)	51,941,816
Basic and Diluted Earnings per Share (Face Value of Rs.10/- each)		(8.81)	11.58

Schedules 16 to 24, Significant Accounting Policy and Notes on Accounts 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,
25th August, 2011.

P.PALANIAPPAN
Chairman cum Managing Director

P.UMAYAL
Joint Managing Director

A.ANNAMALAI
Whole Time Director



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedules annexed to the Balance Sheet

	As at 30.06.2011 Rs.	As at 30.06.2010 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		
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	65,964,900	65,964,900
SCHEDULE 3 - Secured Loans		
From Banks (IOB)		
Working Capital Loan	187,984,331	129,849,133
TUF Loans	230,396,548	124,564,000
Term Loans	25,581,800	20,364,200
Total	443,962,679	274,777,333
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.61.91 Crores		
SCHEDULE 4 - Unsecured Loans		
Fixed Deposits		
From Others	32,535,000	224,000
Loan form Directors	154,102,000	119,078,000
Inter Corporate Deposit	58,601,000	78,085,000
Total	245,238,000	197,387,000
Repayable within one year :		
On others	62,000	175,000



SRI NACHAMMAI COTTON MILLS LIMITED

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

Year ended 30-6-2011

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.07.2010 Rs.	Additions during the year Rs.	Sales / refunds during the year Rs.	As at 30.06.2011 Rs.	Up to 30.06.2010 Rs.	For the Year Rs.	Withdrawn Rs.	Up to 30.06.2011 Rs.	As at 30.06.2011 Rs.	As at 30.06.2010 Rs.
LAND	3,700,168 (3700168)	-	-	3,700,168 (3700168)	-	-	-	-	3,700,168 (3700168)	3,700,168 (3700168)
BUILDINGS	67,529,405 (64202437)	-	-	67,529,405 (67529405)	27,811,358 (259220809)	1,987,365 (1890549)	-	29,798,723 (27811358)	37,730,682 (39718047)	39,718,047 (38281628)
MACHINERY	484,379,905 (432446294)	87,958,628 (60192746)	10,540,926 (8259135)	561,797,607 (484379905)	328,161,025 (318402033)	26,551,372 (17594227)	8,911,980 (7835235)	345,800,417 (328161025)	215,997,190 (156218880)	156,218,880 (114044261)
ELEC. MACHINERY	41,225,395 (38107943)	13,578,045 (3117452)	-	54,803,440 (41225395)	29,579,497 (28025848)	2,591,007 (1553649)	-	32,170,504 (29579497)	22,632,936 (11645898)	11,645,898 (10082095)
COMPUTER	5,650,955 (5559014)	259,500 (91941)	-	5,910,455 (5650955)	5,091,069 (4929927)	151,030 (161142)	-	5,242,099 (5091069)	668,356 (559886)	559,886 (629087)
FURNITURE	3,407,498 (3256348)	79,900 (151150)	-	3,487,398 (3407498)	2,653,867 (2541694)	110,008 (112173)	-	2,763,875 (2653867)	723,523 (753631)	753,631 (714654)
TOOLS	843,007 (843007)	-	-	843,007 (843007)	644,956 (585803)	59,008 (59153)	-	703,964 (644956)	139,043 (198051)	198,051 (257204)
MOTOR VEHICLES	5,696,770 (5694700)	281,899 (50643)	-	5,978,669 (5696770)	3,257,514 (2962468)	316,661 (303190)	-	3,574,175 (3257514)	2,404,494 (2439256)	2,439,256 (2692232)
BANDY	20,202 (20202)	-	-	20,202 (20202)	19,973 (19922)	41 (51)	-	20,014 (19973)	188 (229)	229 (280)
TOTAL	612,453,305	102,157,972	10,540,926	704,070,351	397,219,259	31,766,492	8,911,980	420,073,771	283,996,580	215,234,046
Previous Year	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



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedules annexed to the Balance Sheet (contd...)	As at 30.06.2011 Rs.	As at 30.06.2010 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	759,000	445,500
Increase/ (Provision for Diminution) in Value of Investments	—	313,500
	<u>759,000</u>	<u>759,000</u>
10600 Equity Shares of Rs. 10/- each fully paid-up in IOB	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>1,562,600</u>
Aggregate value of quoted Investments (Cost)	1,562,600	1,562,600
Market value of quoted Investments	2,617,360	1,987,090
SCHEDULE 7 - Deferred Tax Liability / (Assets)		
As per Last Balance Sheet	(802,428)	(11,317,604)
Less : Deferred Tax Liability / (Asset) transferred to/ (from) Profit and Loss account	8,969,095	10,515,176
Total	<u>8,166,667</u>	<u>(802,428)</u>
SCHEDULE 8 - Inventories		
Stock of Stores and Spares	9,598,141	9,590,952
Stock in Trade		
Raw materials	111,470,968	298,915,211
Process Stock	41,275,619	26,334,527
Cotton Waste	1,030,449	2,754,371
Finished Goods	386,569,182	77,892,224
Total	<u>549,944,359</u>	<u>415,487,285</u>
(For valuation refer Significant Accounting Policies)		
SCHEDULE 9 - Sundry Debtors		
Unsecured		
Over six months :		
Considered good	5,590,306	11,212,955
Considered doubtful	—	3,439,782
Other debts - Considered good	105,762,094	101,125,220
Total	<u>111,352,400</u>	<u>115,777,957</u>
SCHEDULE 10 - Cash and Bank Balances		
Cash on Hand	80,921	50,813
Balances with Scheduled Banks:-		
In Current Accounts	19,333,816	2,808,412
In Deposits Accounts		
LC Margin	13,652,000	13,050,000
FD Margin	3,150	86,100
LG Margin	638,046	683,000
In Unclaimed Dividend Account	309,336	311,848
Total	<u>34,017,269</u>	<u>16,990,173</u>



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedules annexed to the Balance Sheet (contd...)	As at 30.06.2011	As at 30.06.2010
SCHEDULE 11 - Other Current Assets	Rs.	Rs.
Interest accrued on Deposits	142,067	144,311
Hank Yarn Obligation Receivable	140,095	306,596
Interest Subsidy (TUF Loans) Receivable	2,699,806	4,674,750
Total	2,981,968	5,125,657
SCHEDULE 12 - Loans and Advances		
Unsecured and considered good recoverable in cash or in kind or for value to be received		
Due from Employees	39,750	132,195
Advance for Purchases	31,632,329	5,385,062
Advance for Purchase of Capital Equipments	15,152,969	27,713,692
Mat Tax Credit Entitlement	8,807,614	3,613,226
Advance to Others	291,455	654,090
Deposits	13,429,937	11,351,256
Balances with Sales Tax Dept	96,941	278,300
Prepaid Expenses	1,853,651	2,334,257
Total	71,304,646	51,462,078
SCHEDULE 13 - Current Liabilities		
Asseptances	101,324,488	117,477,178
Creditors for Purchases		
a) Due to Micro, Small & Medium Enterprises	416,038	531,585
b) Others	112,635,872	74,570,764
Creditors for Expenses	33,412,800	28,569,516
Other Liabilities	44,239,492	41,405,606
Interest accrued but not due	9,938	16,389
Investor Education and Protection Fund (IEPF):-		
a) Unclaimed Dividend	309,336	311,848
b) Unpaid Matured Deposits	16,000	33,000
(There is no amount due and outstanding as at balance sheet date to be credited to above fund)		
Total	292,363,964	262,915,886
SCHEDULE 14 - Provisions		
Provision for Taxes (Net)	67,969	3,038,541
(Advance Tax - Cr. Year Rs. 51,26,419/-, Pr. Year Rs. 5,75,459/-)		
Provision for Leave Encashment	220,916	25,950
Provision for Gratuity	1,496,245	-
Total	1,785,130	3,064,491



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedules annexed to the Profit and Loss Account	Year ended 30.06.2011	Year ended 30.06.2010
SCHEDULE 15 - Profit and Loss Account	Rs.	Rs.
As per last Balance Sheet	(6,226,429)	(58,168,245)
Add / (Less) Deficit / (Surplus) transferred from Profit and Loss Account	<u>(32,576,514)</u>	<u>51,941,816</u>
	<u>(38,802,943)</u>	<u>(6,226,429)</u>
SCHEDULE 16 - Sales		
Gross Sales - Cotton Yarn	1,137,338,209	1,016,158,078
- Fabric	122,053,862	127,374,596
Cotton Waste	7,861,739	7,702,336
Total	<u>1,267,253,810</u>	<u>1,151,235,010</u>
SCHEDULE 17 - Other Income		
Interest Receipts	1,510,682	1,365,804
Dividend from long term Investments	37,100	54,300
Profit on Sale of Assets (Net)	3,875,143	805,268
Miscellaneous Income	335,959	461,059
Hank Yarn Obligation	3,840,506	1,122,011
Exchange Fluctuation	-	7,542,434
Insurance Claim Received	252,165	242,115
Total	<u>9,851,555</u>	<u>11,592,991</u>
TDS - On Interest Receipts	126,419	203,004
SCHEDULE 18 - Accretion / (Depletion) in Stock		
Closing Stock :		
Process Stock	41,275,619	26,334,527
Finished Goods	386,569,182	77,892,224
Waste	1,030,449	2,754,371
Total (A)	<u>428,875,250</u>	<u>106,981,122</u>
Opening 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 (B)	<u>106,981,122</u>	<u>101,048,065</u>
Accretion/(Depletion) in Stock (A-B)	<u>321,894,128</u>	<u>5,933,057</u>
SCHEDULE 19 - Raw Material Consumed		
Opening Stock : Raw Material	298,915,211	70,797,615
Add : Purchases	875,288,584	907,910,987
Total (A)	<u>1,174,203,795</u>	<u>978,708,602</u>
Less : Closing Stock : Raw Material	111,470,968	298,915,211
Total (B)	<u>111,470,968</u>	<u>298,915,211</u>
Raw Material Consumed (A-B)	<u>1,062,732,827</u>	<u>679,793,391</u>



SRI NACHAMMAI COTTON MILLS LIMITED

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Schedules annexed to the Profit and Loss Account (contd...)	Year ended 30.06.2011 Rs.	Year ended 30.06.2010 Rs.
SCHEDULE 20 - Personnel Cost		
Salaries, Wages and Bonus	86,157,520	67,018,018
PF, ESI & Other funds	9,373,138	6,745,995
Welfare Expenses	16,157,293	11,129,612
Chairman cum Managing Director Remuneration	1,521,390	1,521,390
Joint Managing Director Remuneration	1,518,162	1,518,162
Whole Time Directors Remuneration	257,800	-
Total	114,985,303	87,933,177
SCHEDULE 21 - Administrative Expenses		
Advertisement, Lighting, Postage etc	1,979,230	1,972,621
Professional Fees	917,458	939,754
Travelling Expenses	1,142,176	718,351
Telephone Expenses	374,649	313,725
Filing Fees	17,065	6,600
Legal Expenses	234,700	212,036
Printing and Stationaries	488,851	548,306
Insurance	1,454,382	751,898
Taxes and Licence Fees	2,245,651	2,675,818
Auditors' Remuneration	96,006	116,783
Directors' Sitting Fees	58,000	60,000
Rent Paid	657,950	588,750
Exchange Fluctuation (Net)	34,746	-
Bad Debts Written Off	8,940,260	1,041,206
Total	18,641,124	9,945,848
SCHEDULE 22 - Yarn Selling Expenses		
Brokerage and Selling Expenses	7,434,565	5,453,963
Total	7,434,565	5,453,963
SCHEDULE 23 - Repairs & Maintenance		
Building	14,581,587	12,974,077
Machinery	21,720,084	12,176,449
Others	5,012,363	4,926,610
Total	41,314,034	30,077,136
SCHEDULE 24 - Financial Charges		
Interest		
- Interest on Fixed Loan (Including Directors Loan) (Net)	34,144,823	21,322,375
- On Others	34,554,220	23,449,789
Bank Charges	3,127,917	1,816,943
Total	71,826,960	46,589,107



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.



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 substantively 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:

a) 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.

b) 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.

c) Contingent liability under various fiscal laws includes those in respect of which the Company / Department is in appeal.

OTHERS 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.



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 - 2005 - Rs.43756032/- , 2007 - Rs.27524920/-, 2010 - Rs.124364744/- , 2011 - Rs.116144512/- failing which additional customs duty of Rs.26,38,77,083/- along with interest shall be payable. Of the above, the company has fulfilled obligation to the extent of Rs.4,79,13,120/- upto 30.06.2011.
- b) The Bank has given guarantees for Rs.63,64,280/- (previous year - Rs.45,34,815/-) towards payment of customs duty in respect of import of Machinery.
- c) Future Lease rental payable 1,05,00,000 45,48,387
- d) The Amount called up but not paid for IDBI Shares including interest 57,02,233 57,02,233
- e) Some of the dismissed employees have appealed before the labour court for reinstating them along with back wages from the date of dismissal, which the company is contesting. As the quantum of liability, if any, is dependent on the orders to be passed no provision is made in the accounts as it has not reached finality.

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. 9,07,27,634 14,72,85,144

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
- | | | | |
|-----------------------|--------|------------|--------|
| a. Licensed Capacity | — | Delicensed | — |
| b. Installed Capacity | 53,664 | | 42,672 |

(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	
		30.06.2011	30.06.2010
(ii) Turnover			
a) Sale of Cotton Yarn	Kgs.	63,54,745	80,41,724
	Rs.	113,73,38,209	101,61,58,078
b) Sale of Fabric	Kgs.	6,37,931	8,99,435
	Rs.	12,20,53,862	12,73,74,596
c) Sale of Waste	Kgs.	7,76,039	7,38,890
	Rs.	78,61,739	77,02,336
(iii) Production - Cotton Yarn	Kgs.	86,04,138*	87,69,412*
(iv) Raw Material Consumption Cotton	Kgs.	1,10,19,486	1,12,26,042
	Rs.	106,27,32,827	67,97,93,391
(v) Stock of Finished Goods & Waste			
a) Cotton Yarn : Opening Stock	Kgs.	4,74,966	6,97,386
	Rs.	7,78,92,224	7,96,46,710
Closing Stock	Kgs.	20,56,654	4,74,966
	Rs.	38,65,69,182	7,78,92,224
b) Waste :			
Opening Stock	Kgs.	1,03,972	50,750
	Rs.	27,54,371	12,27,656
Closing Stock	Kgs.	27,974	1,03,972
	Rs.	10,30,449	27,54,371

(*Includes inter unit transfer and own consumption - 29,774 Kgs, previous year - 50,673 Kgs)

- (vi) a. Value of Imports: CIF Value
- | | | |
|---------------------------|-------------|--------------|
| i) Raw Material | - | 12,54,51,801 |
| ii) Components and Spares | 42,04,112 | 20,82,849 |
| iii) Capital Goods | 3,53,63,766 | 4,14,16,127 |



NOTES FORMING PART OF ACCOUNTS (Contd...)

	30.06.2011		For the Year ended	
	Value - Rs.	%	30.06.2010 Value - Rs.	%
b) Consumption				
i) Raw Materials				
Imported	44,27,979	0.42	16,84,64,984	24.78
Indigenous	1,05,83,04,848	99.58	51,13,28,407	75.22
	<u>1,06,27,32,827</u>	<u>100.00</u>	<u>67,97,93,391</u>	<u>100.00</u>
ii) Spares & Components				
Imported	42,04,112	4.69	16,08,398	3.24
Indigenous	8,54,37,771	95.31	4,79,24,460	96.76
	<u>8,96,41,883</u>	<u>100.00</u>	<u>4,95,32,858</u>	<u>100.00</u>

	30.06.2011 Rupees	30.06.2010 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	7	8
c) Number of shares held by them	11738	11868
d) Year to which the Dividend relates	NIL	NIL

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

	Sri P.PALANIAPPAN Chairman cum Managing Director		Smt. P.UMAYAL Joint Managing Director		Sri A.ANNAMALAI Whole Time Director	
	30.06.2011 Rs.	30.06.2010 Rs.	30.06.2011 Rs.	30.06.2010 Rs.	30.06.2011 Rs.	30.06.2010 Rs.
Salary	15,00,000	15,00,000	15,00,000	15,00,000	2,50,000	-
Provident Fund	9,360	9,360	9,360	9,360	7,800	-
Personal Accident Insurance	5,030	5,030	8,802	8,802	-	-
Club Subscription	7,000	7,000	-	-	-	-
	<u>15,21,390</u>	<u>15,21,390</u>	<u>15,18,162</u>	<u>15,18,162</u>	<u>2,57,800</u>	<u>-</u>

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

	30.06.2011	30.06.2011
Net (Loss) / Profit for the year	(2,45,71,507)	6,21,43,492
Book Depreciation	3,17,66,492	2,16,74,134
Chairman cum Managing Director Remuneration (Minimum)	15,21,390	15,21,390
Joint Managing Director Remuneration (Minimum)	15,18,162	15,18,162
Directors Sitting Fees	58,000	60,000
	<u>3,48,64,044</u>	<u>2,47,73,686</u>
	<u>1,02,92,537</u>	<u>8,69,17,178</u>
Less : Depreciation U/s 350	(3,17,66,492)	(2,16,74,134)
Profit on Sale of Assets (Net)	(38,75,143)	(8,05,268)
	<u>(2,53,49,098)</u>	<u>6,44,37,776</u>
Brought forward Loss	(2,17,50,173)	(8,61,87,949)
Balance of Loss carried forward	<u>(4,70,99,271)</u>	<u>(2,17,50,173)</u>

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



NOTES FORMING PART OF ACCOUNTS (contd...)

7. Auditors' Remuneration (Including Service Tax)

For the Year ended

	30.06.2011	30.06.2010
	Rupees	Rupees
Audit Fees	57,908	57,908
Tax Matters	16,500	11,236
Certificate Fees	17,098	19,769
I.T.Representation Fees	-	5,200
Travelling Expenses	4,500	22,670
Total	96,006	116,783

8. Interest on Fixed Loans disclosed under financial charges is net of interest subsidy on TUF Loan amounting to Rs.37,00,902/- (Previous year Rs.58,20,485/-)

9. a) Income Tax Assessment upto the year ended 31.03.2010 (AY - 2010/2011) 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:

	30.06.2011	30.06.2010
i) Principal amount due	4,16,038	5,31,585
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 Section 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. 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.
12. Amount of Sales Tax / Value Added Tax of Rs.2,84,54,083/- collected on Sales has not been included in the Turnover of the Company.



NOTES FORMING PART OF ACCOUNTS (contd...)

Disclosures as required under Accounting Standards:

13. Gratuity Disclosure (AS-15)

1	Defined Benefit Plans Financial year of valuation	Gratuity Funded		
		1.7.10 to 30.6.11	1.7.09 to 30.6.10	1.7.08 to 30.6.09
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.	14021079	13923765	13509039
3	Interest Cost assuming that claims paid in middle of financial year	1062696	1044856	1012913
4	Current service cost in Rs.	929612	795936	829930
5	Past Service cost in Rs.	0	0	0
6	Curtailment 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.	1503673	1759979	1728500
9	Actuarial gain/loss on benefit obligations(experience Adjustment) in Rs.	1917471	16501	300383
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.	16427185	14021079	13923765
A	Movements in respect of Plan Assets during the valuation year			
1	Fair value of Plan Assets at the beginning in Rs.	14041421	13943819	13733630
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	1280212	1237068	1214799
4	Contributions received during the financial year	1091980	593976	500000
5	Benefits paid (claims settled)	1503673	1759979	1728500
6	Actuarial Gain/Loss on plan assets in Rs. A6 = A7-A1-A3-A4+A5 is the balancing item	21000	26541	-223886
7	Fair value Plan Assets at the end of the Financial year in Rs.	14930940	14041421	13943815
B	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.			
1	Actuarial Gain/Loss on Benefit Obligations in Rs.	1917471	16501	-300383
2	Actuarial Gain/Loss on plan assets in Rs.	21000	26541	-223886
3	Net Actuarial Gain/Loss recognised in the Financial Year in Rs. B3 = B1-B2	1896471	-10041	-76497
C	Expenses recognised in the Profit and Loss Account			
1	Interest cost on Benefit Obligations	1062696	1044856	1012913
2	Current Service cost on Benefit Obligations	929612	795936	829930
3	Past Service cost on Benefit Obligations	0	0	0
4	Curtailment cost/(credit)	0	0	0
5	Settlement cost/(credit)	0	0	0
6	Expected return on Plan Assets	1280212	1237068	1214799
7	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.	1896471	-10041	-76497
8	Effect of limit as per para 59(b) read with para 61(g) of AS 15 R	0	1507	0
9	Expenses recognised in the Profit and Loss Account C9 = C1+C2+C3+C4+C5-C6+C7	2608567	595191	706026
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.	16427185	14021079	13923765
2	Fair value Plan Assets at the end of the Financial year in Rs.	14930940	14041421	13943815
3	Funded Status at the end of the financial year in Rs.	-1496245	20342	20050
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)	0	18835	18565
E	Expected return on Plan Assets (part III A3 above) in Rs.	1280212	1237068	1214799
2	Actuarial Gain/Loss on plan assets (part III B2) in Rs.	21000	26541	-223886
3	Actual return on Plan assets (E1+E2) in Rs.	1301212	1263609	1438685
F	Balance Sheet Reconciliation			
1	Expenses recognised C9	2608567	595191	706026
2	Add unfunded liability at the beginning of the financial year in Rs.	-20342	-20050	-224591
3	Less contribution received A4	1091980	593976	500000
4	Closing unfunded Status =F1+F2+F3 = -D4	1496245	-18835	-18565



SRI NACHAMMAI COTTON MILLS LIMITED

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2.	Assumptions:	30.06.11	30.06.10	30.06.09	
(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	0.05	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.)	4511428	4081527	4049455

14. 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.

15. 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 2. Smt. RM.Umaiya 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)	
	30.06.11	30.06.10	30.06.11	30.06.10	30.06.11	30.06.10
Corporate Loan taken						
Raja Yarns Private Limited	156.60	335.99	-	-	-	-
Corporate Loan Repaid						
Raja Yarns Private Limited	351.44	73.37	-	-	-	-
Unsecured Loan taken						
Shri P.Palaniappan	-	-	161.86	41.65	-	-
Smt.P.Umayal	-	-	215.05	100.05	-	-
Others	-	-	-	-	12.95	2.75
Unsecured Loan Repaid						
Shri P.Palaniappan	-	-	9.56	20.25	-	-
Smt.P.Umayal	-	-	30.86	125.80	-	-
Fixed Deposits Received						
Shri P.Palaniappan(HUF)	-	-	-	-	294.18	-
Others	-	-	-	-	27.46	-
Rendering of Services						
Supreme Yarn Spinners Ltd	0.59	1.57	-	-	-	-
Lease Rent Paid						
Supreme Yarn Spinners Ltd	180.00	124.83	-	-	-	-
Managerial Remuneration						
Shri P.Palaniappan	-	-	15.22	15.22	-	-
Smt.P.Umayal	-	-	15.18	15.18	-	-
Sitting Fees paid						
Smt.Rm.Umaiya	-	-	-	-	0.08	0.07
Interest Paid on Unsecured Loans						
Raja Yarns Private Limited	108.59	73.61	-	-	-	-
Shri P.Palaniappan	-	-	44.73	37.94	-	-
Smt.P.Umayal	-	-	144.38	92.73	-	-
Others	-	-	-	-	2.21	1.28
Interest Paid on Fixed Deposits						
Shri P.Palaniappan(HUF)	-	-	-	-	14.61	9.42
Shri MC.Ramasamy(HUF)	-	-	-	-	1.27	0.77
Others	-	-	-	-	0.13	0.88
Outstanding payables as on 30th June						
Raja Yarns Private Limited	586.01	780.85	-	-	-	-
Shri P.Palaniappan	-	-	511.99	359.69	-	-
Smt.P.Umayal	-	-	1002.02	817.83	-	-
Others	-	-	-	-	27.01	13.26
Shri P.Palaniappan(HUF)	-	-	-	-	295.18	-
Others	-	-	-	-	27.81	-
Outstanding Receivable as on 30th June	NIL	NIL	NIL	NIL	NIL	NIL



NOTES FORMING PART OF ACCOUNTS (contd...)

16. 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:

	30.06.2011 (Rs.)	30.06.2010 (Rs.)
- Not later than one year	1,05,00,000	45,48,387
- Later than one year but not more than 5 years	-	-
- More than 5 years	-	-

17. Earnings Per Share (AS-20):

Particulars		30.06.2011	30.06.2010
Net (Loss) / Profit after tax and adjustments	Rs.	(37,770,902)	49,621,815
Weighted average No. of Equity Shares	Nos.	4,286,400	4,286,400
Nominal value of shares	Rs.	10	10
Basic and diluted Earnings per share	Rs.	(8.81)	11.58

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

The Company has created Deferred Tax Liability of Rs. 89,69,095/- during the year ended 30.06.2011 which is arrived as under:

	Opening As on 01.07.2010	Adjustments for the year	Closing As on 30.06.2011
Deferred Tax Liability			
On Depreciation	19277447	5566471	24843918
	<u>19277447</u>	<u>5566471</u>	<u>24843918</u>
Deferred Tax Asset			
Unabsorbed Depreciation	20079875	(3889299)	16190576
Provision for Gratuity	-	486675	486675
	<u>20079875</u>	<u>(3402624)</u>	<u>16677251</u>
Net Deferred Tax Liability/(Asset)	(802428)	8969095	8166667

19. 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

20. (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.
		30.06.2011	30.06.2010	30.06.2011	30.06.2010
Sundry Creditors	USD	-	826183.16	-	38475350
Sundry Debtors / Advances	EURO	-	241889.00	-	13801906
	CHF	-	6333.36	-	256374

21. 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.

Signature to Schedules, Significant Accounting Policies and Notes on Accounts.

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,

25th August, 2011.

P.PALANIAPPAN
Chairman cum Managing Director

P.UMAYAL
Joint Managing Director

A.ANNAMALAI
Whole Time Director



SRI NACHAMMAI COTTON MILLS LIMITED

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

I. Registration Details

Registration No. 181 0 0 0 9 1 6

State Code 1 8

Balance Sheet Date 3 0 0 6 2 0 1 1
Date Month Year

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

Public Issue (including premium)
NIL
(Calls in Arrears)

Rights Issue
NIL

Bonus Issue
NIL

Private Placement
NIL

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

Total Liabilities
1 1 0 0 3 4 5

Total Assets
1 1 0 0 3 4 5

Sources of Funds

Paid-up Capital
4 2 8 6 4

Reserves & Surplus
6 5 9 6 5

Secured Loans
4 4 3 9 6 3

Unsecured Loans
2 4 5 2 3 8

Deferred Tax Liability
8 1 6 7

Application of Funds

Net Fixed Assets
2 9 0 3 7 9

Investments
1 5 6 3

Net Current Assets
4 7 5 4 5 2

Miscellaneous Expenditure
NIL

Accumulated Losses
3 8 8 0 3

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

Turnover and Other Income
1 2 7 7 1 0 5

Total Expenditure
1 6 2 3 5 7 1

+ - Profit / Loss before Tax
✓ 2 4 5 7 2

+ - Profit / Loss after Tax and Prior year items
✓ 3 2 5 7 7

Earning Per Share in Rs.
(8 . 8 1)

Dividend Rate %
NIL

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

Item Code No. 5 2 0 5 1 1 0 1

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

P.PALANIAPPAN
Chairman cum Managing Director

P.UMAYAL
Joint Managing Director

A.ANNAMALAI
Whole Time Director

SRI NACHAMMAI COTTON MILLS LIMITED

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

ATTENDANCE SLIP

Name of the Member		Folio No.	
DP ID No.		Client ID No.	
Name of the Proxy		No. of shares	

I hereby record my presence at the 31st Annual General Meeting to be held on 14th December, 2011 at 5.00 P.M. at Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem - 636 016.

Signature of attending Member / Proxy

Note : Shareholder / Proxyholder wishing to attend the meeting must bring the Attendance slip to the Meeting and hand it over at the entrance duly filled and signed.

SRI NACHAMMAI COTTON MILLS LIMITED

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

PROXY FORM

I / We
of in the district of
being a member / members of SRI NACHAMMAI COTTON MILLS LIMITED hereby appoint
..... of
..... in the district of
or failing him
of in the district of
as my / our proxy to attend and vote for me / us on my / our behalf at the 31st Annual General Meeting to be held on 14th December, 2011 at 5.00 P.M. at Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem - 636 016 and at any adjournment thereof.

Signed this day of 2011

FOR OFFICE USE ONLY	
Folio No.	
DP ID No.	
Client ID No.	
No. of Shares	
Date of receipt	
Proxy No.	

Signature

Affix
Re. 1
Revenue
Stamp

Note : An instrument appointing a Proxy shall be deposited at the Registered Office of the Company not less than Forty eight hours before the time for holding the aforesaid meeting.

BOOK - POST

TO

If undelivered, please return to :
SRI NACHAMMAI COTTON MILLS LIMITED,
Registered Office : 30, Sugavaneswara Road,
Balaji Nagar, Salem - 636 004.