

SRI NACHAMMAI COTTON MILLS LIMITED



32nd ANNUAL REPORT 2011 - 2012



SRI NACHAMMAI COTTON MILLS LIMITED

1

BOARD OF DIRECTORS

Chairman cum Managing Director	Shri P. Palaniappan, B.E.,M.S.(U.S.A.),
Joint Managing Director	Smt. P. Umayal, B.Sc.,
Whole Time Director	Shri A. Annamalai,
Directors	Smt. RM. Umayal, Shri 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 & Visvenathan
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

Contents	
	Page No.
Notice of Annual General Meeting	- 02
Directors Report	- 06
Management Discussion and Analysis Report	- 09
Corporate Governance Report	- 10
General Shareholders Information	- 13
Auditors Report	- 16
Balance Sheet	- 20
Profit and Loss Account	- 22
Significant Accounting Policies	- 23
Notes forming part of Financial Statements	- 25
Additional Information To Financial Statements	- 32

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

2

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Second Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday, the 19th day of December, 2012 at 5.00 P.M. at Hotel Sarathy Classical-8/3, Park Street, Fairlands, Salem - 636 018 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, 2012, 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 Shri S. Ravichandran who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Shri PL. Subbiah who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint 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 198,269,309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Shri P.PALANIAPPAN, as Chairman cum Managing Director for a period of one year from 19.12.2012 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 ceiling. 50% 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 of 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.

8. 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 19.12.2012 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 of 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

4

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 Section 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Shri A. Annamalai as Whole Time Director for a period of one year from 01.09.2012 on the following terms and conditions.

1. Salary

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

2. Other Terms and Conditions

- The salary shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- 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:

- 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.
- 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.
- 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.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 13.12.2012 to 19.12.2012 (both days inclusive).
- Members holding shares 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.
- As per the green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their e-mail address with the Company in respect of shares held in physical form and with the concerned Depository Participant in respect of shares held in Demat form to enable the Company to serve documents in electronic form.
- Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

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 19.12.2011 by the Board of Directors at its Meeting held on 25.08.2011 and their period of reappointment expires on 18.12.2012.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 23.06.2012 has reappointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of one year from 18.12.2012 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.

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. Umayal is interested being related to Shri P.Palaniappan and Smt. P.Umayal.



SRI NACHAMMAI COTTON MILLS LIMITED

Item No.7

Shri A. Annamalai was appointed as Whole Time Director for a period of one year with effect from 01.09.2011 by the Board of Directors at its Meeting held on 25.08.2011 and his period of reappointment expires on 31.08.2012.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 23.08.2012 has reappointed him as Whole Time Director for a period of one year from 01.09.2012 on the same terms and conditions as set out in the resolution:

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

Salem,
23rd August, 2012.

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

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

Name	: Shri S. Ravichandran	Name	: Shri PL. Subbiah
Age	: 66 Years	Age	: 42 years
Date of Appointment	: 27.08.2010	Date of Appointment	: 27.08.2010
Qualification	: B.E., M.B.A	Qualification	: BE
Experience	: 33 years	Experience	: 20 years
No. of Shares	: 6234	No. of Shares	: Nil
Other Directorships	: Raja Yarns Private Limited	Other Directorships	: Egston Electronics (India) Private Limited
Member of the Committee	: Audit Committee, Remuneration Committee and Shareholders Grievances Committee.	Member of the Committee	: Nil



REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors are hereby presenting this 32nd Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2012.

FINANCIAL RESULTS FOR THE YEAR

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

Particulars	30.06.2012	30.06.2011
Profit before Interest and Depreciation	1,30,58,725	7,99,21,945
Interest	(5,99,99,561)	(7,18,26,980)
Depreciation	(3,71,54,977)	(3,17,96,482)
Loss before tax	(10,68,83,802)	(2,45,71,507)
Tax expenses:		
Current Tax(MAT)	-	51,84,388
MAT credit entitlement	-	(51,84,388)
Deferred Tax (Liability) / Asset	2,98,15,975	(99,99,095)
Excess income tax provision reversed		9,64,068
Loss transferred to Balance Sheet	(7,74,47,827)	3,25,76,514

Dividend : Due to inadequacy of Profit, the Company is unable to declare any Dividend for the year 2011-12

REVIEW OF OPERATIONS

The disparity between the cotton prices and yarn prices prevailed for most part of the year leading to huge losses in the year under review. With the RBI continuing its policy of increasing interest rates, there was a sharp increase in financing costs. Energy costs continued to remain high in view of the critical power situation that prevailed through the financial year. Salaries and wages continued to escalate in line with increased demand for human capital and increases in the cost of living. All these factors added to the pressure on the bottom line. Hence resulting in a loss of Rs. 774.48 lakhs.

FIXED DEPOSITS : No Fixed Deposit remained unclaimed as on 30.06.2012.

DIRECTORS

The Directors Shri S. Ravichandran and Shri PL. Subbiah retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The details as required under Clause 48 of the Listing Agreement is attached.

Shri Anarithal A. Ganathi, tendered his resignation from directorship due to his ill health on 15.10.2011.

The Board expresses its appreciation for the services rendered by Shri Anarithal A. Ganathi during his tenure as director towards the 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 30.06.2012

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 30.06.2012 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 30.06.2012 on a going concern basis.



SRI NACHAMMAI COTTON MILLS LIMITED

7

REPORT OF BOARD OF DIRECTORS (Contd...)

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 2012-2013, 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.

EROSION OF NET WORTH & THE REASON FOR THE EROSION

The year 2011-12 was a very tough year for the textile industry. Our Company was also affected and it resulted in 50% erosion of peak net worth of the Company calculated in accordance with Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. The reasons for erosion are as follows.

- The disparity between cotton prices and yarn prices prevailed during the year under review which led to losses.
- The demand for yarn had dropped significantly due to slowdown in the US, the economic crisis in Europe and uncertain domestic and world economic scenario.
- The power situation had deteriorated in Tamil Nadu. There were 12 hours power shedding, 2 days power holidays per week and 40% demand cut for HT line industries. Hence, energy costs per kg of yarn had gone up significantly.
- The financing costs had gone up significantly because of RBI policy on bank rates.

STEPS TAKEN FOR IMPROVEMENT:

The Promoters converted their Unsecured loans amounting to Rs. 15 Crores into Preference Shares Capital by issuing 10% Cumulative Redeemable Preference Shares to improve the Net worth of the Company.

The Cotton prices have since stabilized and the yarn markets are also significantly improving. This will help the Company to fetch better prices. Further, due to reduction in unsecured loans, the finance costs will also come down.

REPORTING TO BIFR:

Due to erosion of 50% of peak net worth during the immediately preceding four financial years, calculated in accordance with Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, the Company has to report such erosion to the Board for Industrial and Financial Reconstruction and the Company will take steps to report the same within the time stipulated.

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

COST AUDITORS : The Board of Directors has re-appointed Shri V. Balasubramanian, Cost Accountant, Coimbatore as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956, for the year 2012-13. The Cost Auditors Report for the year ended 30th June, 2011, the due date of filing the Cost Audit Report was 31st December, 2011, and the actual date of filing the cost audit report was 24.12.2011.

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. 80 lakhs or more per annum and Rs. 6 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,
23rd August, 2012.

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



SRI NACHAMMAI COTTON MILLS LIMITED

8

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.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy will be an ongoing process.

c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

FORM A

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

	<u>Current Year</u> Year ended 30.06.2012	<u>Previous Year</u> Year ended 30.06.2011
POWER AND FUEL CONSUMPTION :		
1. Electricity		
(a) Purchased		
Units	1,49,73,299	2,64,84,230
Total Amount (Rs.)	8,84,53,999	13,12,15,849
Rate Per unit (Rs.)	5.77	5.15
(b) Own Generation		
(i) Through Diesel Generator		
Units	27,59,976	18,75,845
Units per litre of Diesel	3.32	3.50
Cost/Unit (Rs.)	11.76	9.88
(ii) Through Steam Turbine / Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other/Internal Generation	Nil	Nil
Yarn produced (Tons)	45,14,865	85,26,802
Electricity Consumed (Units)	1,77,33,185	2,74,80,175
Electricity Consumed per Kg. of Yarn (Units)	3.93	3.22

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:

	Rs.	Nil	Rs.	Nil
Direct Exports				

OUTGO :

Import of Spares	Rs.	6,81,756	Rs.	42,04,112
Import of Capital Goods	Rs.	1,99,21,863	Rs.	3,53,63,788
Import of Raw Material	Rs.	1,81,79,873	Rs.	Nil
	Rs.	<u>2,88,83,592</u>	Rs.	<u>3,95,67,878</u>

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

Salem,
23rd August, 2012.



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 recognised for its significant contribution to Industrial production and export earnings. The Indian spinning sector is largely organised 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 2011-12 was a tough year for the cotton spinning industry. The disparity between cotton and yarn prices continued during the year under review which led to losses for spinning mills. This trend slowly started reversing from April 2012 and now the mills are getting good prices for their yarn. Also in the accounting year 2011-12 Tamil Nadu spinning mills faced unprecedented power shedding which ran upto 12 hours per day coupled with a 40% demand cut and 2 days power holidays per week. From June 2012, the power shedding reduced and the power holidays were withdrawn.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS:

The power situation has improved from beginning of June 2012. One has to wait and see how TANGEDCO is going to manage the power supply when there is no or low wind power generation in the state. Cotton prices were stable for the entire accounting year 2011-12. From July 2012, the rates of cotton have increased. Due to delay in rains, sowing of cotton in India has got delayed and there is a drop in acreage used for cultivation of cotton. Due to this, one can expect that cotton will be priced higher than the accounting year 2011-12. However, prices of yarn have increased. Labour shortage continues to be a concern for all industries.

C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE:

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

D. OUTLOOK:

The outlook is mixed. The cotton yarn prices have gone up but there is also an increase in cotton prices. For the accounting year 2012-13, cotton prices are likely to be higher than the previous accounting year. Your company is working on producing counts which can fetch a premium price and now the company's yarn is also marketed in new markets. The power situation in Tamil Nadu is improving from June 2012 but one has to wait and see how TANGEDCO is going to manage the power supply when there is low or no wind power generation. Your company has applied for a separate dedicated feeder line and it is purchasing power from third parties for the shortfall in supply from TANGEDCO side.

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 unauthorised use or disposition. All the transactions are authorised, recorded and reported correctly.

The Internal Control is supplemented by an extensive programme 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 training & motivational programmes for both the management staff and the workers. The purpose is to increase the competency levels in the organization. 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 company's 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.



REPORT ON CORPORATE GOVERNANCE

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 2011-2012, 5 Board Meetings were held on 25th August, 2011, 24th October, 2011, 24th January, 2012, 5th March, 2012 and 26th April, 2012.

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 31 st June, 2011*	No. of other Committees		No. of shares Held
						Memberships	Chairman/Vice chairman ships	
1.	Shri P. Palaniappan (Chairman cum Managing Director)	ED(P)	5	Yes	1	-	-	783241
2.	Smt. P. Umeyal (Joint Managing Director)	ED(P)	5	Yes	2	-	-	1038343
3.	Smt. R.M. Umeyal	NED(P)	5	Yes	1	-	-	1000
4.	Shri A. Annamalai (Whole Time Director)	ED(NI)	5	Yes	1	-	-	3718
5.	Shri Amarthiel A. Gandhi**	NED(I)	1	No	-	-	-	500
6.	Shri A. Alogappan	NED(I)	3	No	-	-	2	100
7.	Shri Perumal Madhevagopal	NED(I)	5	Yes	2	1	3	100
8.	Shri S. Ravichandran	NED(I)	4	No	1	2	1	8234
9.	Shri PL. Subbiah	NED(I)	4	No	1	-	-	-

ED(P) – Executive Director – Promoter

NED(P) – Non Executive Director - Promoter

* Including Directorship in Private Limited Companies

** Shri Amarthiel A. Gandhi resigned on 15.10.2011.



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 2011-2012, 4 meetings of the Committee were held on 25th August, 2011, 24th October, 2011, 24th January, 2012 and 26th April, 2012.

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)	3
3.	Shri Amarthlal A. Gandhi*	Member	NED(I)	1
4.	Shri S. Ravichandran**	Member	NED(I)	1

*Shri Amarthlal A. Gandhi has resigned his membership on 15.10.2011.

** Shri S. Ravichandran was inducted as member of the Committee w.e.f 24.01.2012.

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)
4.	Shri S. Ravichandran**	Member	NED(I)

*Shri Amarthlal A. Gandhi has resigned his membership on 15.10.2011.

** Shri S. Ravichandran was inducted as member of the Committee w.e.f 24.01.2012.

Executive Directors' remuneration details for the financial year 2011-2012 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	-	22,890	15,22,890	1
Smt. P. Umayal Joint Managing Director	15,00,000	-	27,576	15,27,576	1
Shri A. Annamalai Whole Time Director	3,00,000	-	9,360	3,09,360	1

Shri P. Palaniappan, 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, 2012 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	10000.00
2.	Shri Amarthlal A. Gandhi	5000.00
3.	Shri A. Alagappan	10000.00
4.	Shri Perumal Madhava Gopal	19000.00
5.	Shri PL. Subbiah	8000.00
6.	Shri S. Ravichandran	10000.00



SRI NACHAMMAI COTTON MILLS LIMITED

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, 8 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(P)	8
2.	Smt. P. Umayal	Vice-Chairman	ED(P)	8
3.	Shri Perumal Madhava Gopal	Member	NED(I)	8
4.	Shri S. Ravichandran*	Member	NED(I)	5

* Shri S. Ravichandran was inducted as member of the Committee w.e.f 24.01.2012.

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 attends 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)	1
2.	Shri Perumal Madhava Gopal	Vice-Chairman	NED(I)	4
3.	Shri P. Palaniappan	Member	ED(P)	4
4.	Smt. P. Umayal	Member	ED(P)	4
5.	Shri S. Ravichandran**	Member	NED(I)	2

* Shri Amarthlal A. Gandhi has resigned his membership on 15.10.2011.

** Shri S. Ravichandran was inducted as member of the Committee w.e.f 24.01.2012.

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, 2012, 8 meetings of the Committee were held.

There were no complaints pending as on 30th June 2012. No requests for dematerialisation and transfer were pending as on 30th June 2012.

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
2011	Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem - 636 016	14 th December 2011 at 5.00 P.M.
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.

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. 13 of Additional information to the financial statement 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 2011-12.

Salem,
23rd August, 2012.

P.PALANIAPPAN,
Chairman cum Managing Director.

GENERAL SHAREHOLDERS INFORMATION:

1. Annual General Meeting:

Day, Date & Time : Wednesday, 19th December 2012 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, 2013.
AGM : 30th December, 2013
First Quarter Results : 4th Week of October, 2012
Second Quarter Results : 4th Week of January, 2013
Third Quarter Results : 4th Week of April, 2013
Audited Results : 4th Week of August, 2013

3. Book Closure Dates: 13th December, 2012 to 19th December, 2012 (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 2012-2013 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 2011-2012 at CSE and BSE for one equity share of Rs.10/- each were as under:



SRI NACHAMMAI COTTON MILLS LIMITED

14

GENERAL SHAREHOLDERS INFORMATION (Contd...)

Months	CSE		BSE	
	High	Low	High	Low
Jul '11	-	-	28.35	18.90
Aug '11	-	-	26.65	16.30
Sep '11	-	-	18.35	14.50
Oct '11	-	-	18.45	17.20
Nov '11	-	-	19.90	16.55
Dec '11	-	-	17.90	12.05
Jan '12	-	-	15.07	12.00
Feb '12	-	-	22.10	17.85
Mar '12	-	-	27.05	19.06
Apr '12	-	-	24.00	21.70
May '12	-	-	26.40	22.70
June '12	-	-	21.80	19.75

As at 30th June 2012, the Company's unclaimed dividend account has a balance of Rs.164122/- representing unclaimed dividend for the year 2005-2006. The Company has sent reminders to those shareholders who have not claimed the dividend for earlier year 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(P)	6
2.	Smt. P. Umayal	Vice-Chairman	ED(P)	6
3.	Shri Perumal Madhavagopal	Member	NED(I)	6
4.	Shri S. Ravichandran*	Member	NED(I)	5

*Shri S. Ravichandran was inducted as member of the Committee w.e.f 24.01.2012

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-on-demand as per SEBI Guidelines.

9.(a) Shareholding pattern as on 30.06.2012:

(b) Distribution of share holding as on 30.06.2012:

Category	No. of Holders	No. of Shares	%	Shareholding range	No of Holder	% of Holders	No of Shares	% of Shares
Promoters	9	2329241	54.17	1 - 100	2593	66.94	238112	5.54
Non Resident	7	4817	0.11	101 - 500	817	21.09	223358	5.20
Indians/OCBs/				501 - 1000	201	5.19	162266	3.77
Clearing Members	4	17913	0.42	1001 - 2000	122	3.15	184717	4.30
Bodies Corporate	77	109878	2.65	2001 - 3000	39	1.01	98512	2.29
Resident Individual	3776	1838053	42.74	3001 - 4000	28	0.72	98093	2.23
Mutual fund	1	500	0.01	4001 - 5000	15	0.38	87858	1.97
Total	3874	4300900	100.00	5001 - 10000	26	0.67	181930	4.23
				10001 - above	33	0.85	3047358	70.87
				TOTAL	3874	100.00	4300900	100.00

Indian Public & Foreign Depositor



L1, Investor Public, Share & Dividend / 2012 / 2013
ANNEXURE C



SRI NACHAMMAI COTTON MILLS LIMITED

GENERAL SHAREHOLDERS INFORMATION (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 2012, 88.46% 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.	Carneo 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, 2012 and that to the best of our knowledge and belief, we state that;

- (a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) these statements 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,
23rd August, 2012.

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

14. Corporate Secretarial / Investors' Assistance Department :

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

Salem,
23rd August, 2012.

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



SRI NACHAMMAI COTTON MILLS LIMITED

M. S. JAGANNATHAN & VISVANATHAN CHARTERED ACCOUNTANTS AUDIT REPORT

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, 2012, 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 ensuring the compliance of the condition of Corporate 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.

Salem,
23rd August, 2012.

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, 2012 and also the Statement of 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:
- 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;
 - 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;
 - The Balance Sheet, Statement of Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - In our opinion, the Balance Sheet, Statement of 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.
 - On the basis of written representations received from the Directors, as on 30th JUNE, 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th JUNE, 2012 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 give a true and fair view in conformity the accounting principles accepted in India:
- In the case of Balance Sheet, of the state of affairs of the company as at 30th JUNE, 2012;
 - In the case of Statement 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.

Salem,
23rd August, 2012.

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 parties 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. 2,89,48,500/- from a company covered in the register maintained Under Sec.301 of the Companies Act, 1956 (The Maximum amount during the year was Rs. 7,86,71,500/-)



SRI NACHAMMAI COTTON MILLS LIMITED

- c) There is no stipulation for payment of periodical principal.
- d) The Company has taken unsecured loans amounting to Rs.2,21,59,000/- from three parties covered in the register maintained under Section 301 of the Companies Act, 1956. (The Maximum amount during the year was Rs.16,87,10,000/-)
- e) The rate of interest and other terms and conditions in respect of unsecured loans taken by the Company are not prima facie prejudicial to the interest of the Company.
- iv) a) In our opinion and accordance to the explanation and information given to us there are adequate internal control systems commensurate with the size of the Company and the nature of the business for the purchase of inventory and fixed assets and for the sale of goods.
- b) During the course of our Audit no major weakness has been noticed in the Internal controls.
- v) a) The transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been recorded in the register maintained for the purpose.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under Section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to the Prevailing Market prices at the relevant time other than for Lease rent amounting to Rs.1,55,00,000/- 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 to 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, 2012 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.11,62,50,770/- as at 30th June, 2012, The Company has incurred cash loss during the financial year covered by our audit but has not incurred any cash losses in the immediately preceding financial year. The Company's accumulated losses exceed 50% of the peak net worth of immediately 4 preceding previous years.
- 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.



SRI NACHAMMAI COTTON MILLS LIMITED

- 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 funds raised on short term basis have been used for long term investment to the extent of Rs. 6,17,52,291/-.
- xviii) The Company during the year has made preferential allotment by issuing 10% Cumulative Redeemable Preference Share to parties covered in the register maintained under section 301 of the Companies Act, 1956 and the terms of issue is not prejudicial to the interest of the Company.
- 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.

Salem,
23rd August, 2012.

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



SRI NACHAMMAI COTTON MILLS LIMITED

20

BALANCE SHEET AS AT 30th JUNE, 2012

PARTICULARS	Note No	30.06.2012 Rs.	30.06.2011 Rs.
EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	2	192,864,000	42,864,000
Reserves and surplus	3	-50,265,870	27,161,957
Non-current liabilities			
Long Term Borrowings	4	322,291,048	474,439,948
Deferred Tax Liabilities (Net)	5	-	8,166,667
Current liabilities			
Short Term Borrowings	6	305,144,553	289,308,819
Trade payables	7	62,639,849	113,051,910
Other current liabilities	8	76,493,679	104,763,966
Short-term provisions	9	30,000	1,785,130
Total		909,177,259	1,061,542,397
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	283,550,202	289,996,580
Capital work in process		-	6,382,575
Non-current investments	11	1,582,600	1,582,600
Deferred Tax Assets (Net)	12	20,449,308	-
Long-term loans and advances	13	34,544,034	37,390,520
Other non-current assets	14	1,978,265	1,978,265
Current assets			
Inventories	15	422,640,976	549,944,359
Trade receivables	16	124,401,111	109,374,136
Cash and cash equivalents	17	14,070,222	34,017,289
Short-term loans and advances	18	4,392,903	33,914,126
Other current assets	19	1,587,636	2,861,968
Total		909,177,259	1,061,542,397
Significant Accounting Policies	1		
Additional information to financial statements	27		
See accompanying notes of financial statements			

In terms of our report of even date

For **M.S.JAGANNATHAN & VISVANATHAN,**
Chartered Accountants,
FRN 001206G

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

Salem,
23rd August, 2012.

P.PALANIAPPAN
Chairman cum Managing Director

P.UMAYAL
Joint Managing Director

A.ANNAMALAI
Whole Time Director



SRI NACHAMMAI COTTON MILLS LIMITED

21

Cash flow Statement	30.06.2012	30.06.2011
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT / (LOSS) BEFORE TAX AND EXTRA-ORDINARY ITEMS	(106,063,802)	(24,571,507)
Adjustments for:		
Depreciation	37,154,877	31,788,492
Interest Expense	83,897,411	68,699,043
Dividend Income	(72,800)	(37,100)
Profit on Sale of Fixed Assets (Net)	(628,770)	(3,875,143)
Profit on Sale of Investments	-	-
Interest Received	(1,796,937)	(1,510,682)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	12,290,079	70,471,103
Changes in :		
Trade & Other Receivables	13,607,441	(8,081,178)
Inventories	127,303,393	(134,457,074)
Trade Payable	(78,838,780)	31,148,252
CASH GENERATED FROM OPERATING ACTIVITIES	76,364,143	(40,918,697)
Direct Taxes paid including FBT	5,128,419	(7,200,872)
CASH FLOW BEFORE EXTRA-ORDINARY ITEMS	81,490,562	(48,119,769)
NET CASH FLOW FROM OPERATING ACTIVITIES	81,490,562	(48,119,769)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(32,426,441)	(90,235,590)
Purchase of Investments	-	-
Sale of Fixed Assets	2,729,187	5,504,089
Sale of Investments	-	-
Dividend Received	72,800	37,100
Interest Received	1,730,171	1,512,926
NET CASH FLOW FROM INVESTING ACTIVITIES	(27,894,283)	(83,181,475)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Preference share capital	150,000,000	-
Proceeds / (Repayments) Long Term Loans (Net)	(9,430,263)	169,185,346
Proceeds / (Repayments) Short Term Loans (Net)	(130,260,500)	47,851,000
Interest paid	(83,707,349)	(68,705,494)
Dividend paid	(146,214)	(2,512)
NET CASH FLOW FROM FINANCING ACTIVITIES	(73,543,326)	148,328,340
Net Changes in Cash and Cash Equivalent (A+B+C)	(19,947,047)	17,027,098
Cash and Cash Equivalent Opening	34,017,289	16,990,173
Cash and Cash Equivalent Closing	14,070,222	34,017,289
	(19,947,047)	17,027,098
Notes : Closing cash and cash equivalent consist of the following :		
Cash on Hand	100293	80921
Balances with Scheduled Banks:-		
In Current Accounts	1103354	19333816
In Deposits Accounts		
LC Margin	11976000	13652000
FD Margin	8150	3150
LG Margin	720303	638046
In Unclaimed Dividend Account	184122	309336
Total	14070222	34017289

a) Of the above, Rs.184,122/- 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.VIJAYARAGHAVAN, Partner,
M.No.7534.

Salem,
23rd August, 2012.

P.PALANIAPPAN
Chairman cum Managing Director

P.MAYAL
Joint Managing Director

A.ANNAMALAI
Whole Time Director



SRI NACHAMMAI COTTON MILLS LIMITED

22

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30th JUNE, 2012

PARTICULARS	Note No	30.06.2012	30.06.2011
		Rs.	Rs.
REVENUE			
Revenue from operations	20	1,036,012,694	1,267,253,810
Other Income	21	6,416,613	9,851,555
Total Revenue		1,042,429,307	1,277,105,365
EXPENSES			
Cost of materials consumed	22	551,847,830	1,062,732,827
Changes in inventories of finished goods, work in process and stock in trade	23	184,524,831	-321,894,128
Power and diesel Consumed		118,922,017	150,885,702
Employee benefits expense	24	79,266,324	114,985,303
Finance costs	25	88,959,551	71,826,960
Depreciation	10	37,154,977	31,766,492
Lease rent		15,500,000	18,000,000
Conversion charges		12,142,828	16,532,111
Other expenses	26	62,374,651	157,031,606
Total Expenses		1,148,493,109	1,301,676,873
Loss before tax		-106,063,802	-24,571,508
Tax expense:			
Current tax -MAT		-	5,194,388
MAT Credit Entitlement		-	-5,194,388
Deferred Tax (liability) / Assets		28,615,975	-8,989,095
Excess provision for income tax reversed		-	964,088
Loss after tax		-77,447,827	-32,578,515
Earnings per equity share (Basic and Diluted)		-16.07	-8.81
Nominal value of share		10	10
Significant Accounting Policies	1		
Additional information to financial statements	27		
See accompanying notes to financial statements			

In terms of our report of even date
For **M.S.JAGANNATHAN & VISVANATHAN,**
Chartered Accountants.
FRN 001209S

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

Salem,
23rd August, 2012.

P.PALANIAPPAN
Chairman cum Managing Director

P.UMAYAL
Joint Managing Director

A.ANNAMALAI
Whole Time Director



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, 2008 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:

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.

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.

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.



SIGNIFICANT ACCOUNTING POLICIES (Contd...)

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:

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

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 Financial Statements

2 Share Capital	Numbers	Numbers	In Rupees	
			Amount	Amount
Authorized:	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Number and amount of Equity Shares	4,300,000	10,000,000	43,000,000	100,000,000
Number and amount of 10% Cumulative Redeemable Pref. shares	1,500,000	-	150,000,000	-
Issued:				
Number and amount of Equity shares	4,300,000	4,300,000	43,000,000	43,000,000
Number and amount of 10% Cumulative Redeemable Pref. shares	1,500,000	-	150,000,000	-
Subscribed and Paid up:				
Number and amount of Equity shares	4,300,000	4,300,000	43,000,000	43,000,000
Less : Calls in arrear			138,000	136,000
			42,864,000	42,864,000
Number and amount of 10% Cumulative Redeemable Pref. shares	1,500,000	-	150,000,000	-
			192,864,000	42,864,000
Par value per Equity share (In Rs.)			10	10
Par value per Cumulative 10% Redeemable Pref. share (In Rs.)			100	-
Reconciliation of number of shares				
Number of Equity shares at the beginning	4,300,000	4,300,000		
Less : Adjustments during the year	-	-		
Number of Equity shares at the end of the reporting period	4,300,000	4,300,000		
Number and amount of 10% Cumulative Redeemable Pref. shares	-	-		
Add : Issued during the year	1,500,000	-		
Number and amount of 10% Cumulative Redeemable Pref. shares	1,500,000	-		
	No. of Equity	No. of Equity	No. of Pref.	No. of Pref.
Shareholders holding more than 5 percent shares	Shares 2012	Shares 2011	Shares 2012	Shares 2011
Shri P.Palanisappan (HUF)	584,736	584,736		
Smt.P.Umayal	1,036,343	1,036,343		
Smt.Geethanjali Ramasamy	398,981	398,981		
Shri P.Palanisappan	-	-	500,000	-
Smt.P.Umayal	-	-	1,000,000	-

Terms & Conditions of shares:

The Company has two class of shares namely Equity having a par value of Rs. 10/- and Preference having a par value of Rs. 100/- per share. Each Share holder is eligible for one vote per share.

In the event of liquidation, the equity share holders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their share holding.



Notes forming part of Financial Statements (Contd...)

In Rupees

3 Reserve and Surplus	Amount	Amount
Securities Premium Reserve	30,6,2012	30,6,2011
As per last Balance Sheet	66,950,000	66,950,000
Less : Calls in arrears	-985,100	-985,100
Closing balance	65,964,900	65,964,900
Surplus		
As per last Balance Sheet	-38,802,943	-6,226,429
Add : Transfer from Profit & Loss statement	-77,447,827	-32,576,514
Closing balance	-116,250,770	-38,802,943
Total	-50,285,870	27,151,957
4 Non current liabilities		
Long Term Borrowings		
Secured		
Term Loan from Banks	207,333,548	229,263,948
Unsecured		
Loans and advances from related parties - Loans from Directors	14,957,000	154,102,000
Intercompany Deposits - Associates	78,871,500	58,601,000
Fixed deposits	21,329,000	32,473,000
Total	322,291,048	474,439,948

There is no case of continuing default as on the balance sheet date in repayment of loans and interest

Term loans and non fund limits from Indian Overseas Bank 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 extent of Rs. 42.53 crores.

Particulars	Outstanding amount	No of instalment	Interest %	Periodicity
Indian Overseas Bank				
TUF Loan I	50980000	13	12.25%	Quarterly
TUF Loan II	30020000	54	12.25%	Monthly
TUF Loan III	147560548	96	12.25%	Monthly
Term Loan I	1688400	9	12.25%	Quarterly
Term Loan II	2360000	54	12.25%	Monthly
Term Loan III	9511000	54	12.25%	Monthly
Term Loan IV	7660000	80	12.25%	Monthly

5 Deferred Tax Liabilities		
Deferred tax liability		
On account of Depreciation	-	24,843,918
	-	24,843,918
Deferred tax assets		
On account of losses	-	16,190,576
On account of Gratuity	-	486,675
	-	16,677,251
Deferred Tax Liabilities (Net)	-	8,166,667



SRI NACHAMMAI COTTON MILLS LIMITED

27

Notes forming part of Financial Statements (Contd...)

	In Rupees	
	Amount 30.6.2012	Amount 30.6.2011
Current liabilities		
6 Short Term Borrowings		
Secured		
Open Loan (Cash Credit)	184,772,488	187,984,331
Acceptances	120,372,085	101,324,488
Total	<u>305,144,553</u>	<u>289,308,819</u>
There is no case of continuing default as on the balance sheet date in repayment of loans and interest		
Working capital limits from Indian Overseas Bank 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 extent of Rs. 20.75 crores.		
7 Trade Payables		
Due to Micro, small & Medium Enterprises	435,620	418,038
Other Trade Payables	62,204,229	112,635,872
Total	<u>62,639,849</u>	<u>113,051,910</u>
8 Other Current Liabilities		
Current maturities of long term debt	42,426,400	26,714,400
Current maturities of Fixed deposits	20,000	62,000
Interest accrued but not due on borrowings	-	9,938
Unpaid Dividend	184,122	309,336
Unpaid matured deposits	-	18,000
Others :		
Liabilities for expenses	28,323,336	33,412,800
Liability towards statutory dues	3,500,932	1,756,130
Liability towards Employee benefits	18,797	7,952
Liability for other finance	4,040,092	42,475,410
Total	<u>76,493,679</u>	<u>104,783,968</u>
9 Short-term provisions		
Provision for Income Tax	-	67,988
(Net of Advance tax & TDS - Rs. 51,26,418/-)		
Provision for Gratuity	-	1,498,245
Provision for Leave encashment	30,000	220,916
Total	<u>30,000</u>	<u>1,786,130</u>



SRI NACHAMMAI COTTON MILLS LIMITED

Notes forming part of Financial Statements (contd.) 10 Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.07.2011 Rs.	Additions Rs.	Sales / Transfer Rs.	As at 30.06.2012 Rs.	Up to 01.07.2011 Rs.	For the Year Rs.	Withdrawn Rs.	Up to 30.06.2012 Rs.	As at 30.06.2012 Rs.	As at 30.06.2011 Rs.
Tangible Assets :										
Land	3,700,168	-	-	3,700,168	-	-	-	-	3,700,168	3,700,168
Buildings	67,529,405	-	-	67,529,405	29,798,723	1,982,310	-	31,781,033	35,748,372	37,730,682
Machinery	561,797,607	37,351,578	3,732,862	595,416,323	345,800,417	31,304,523	1,632,551	375,472,389	219,943,934	215,997,190
Electrical Machinery	54,803,440	1,449,638	472,890	55,780,188	32,170,504	3,289,988	472,784	34,987,708	20,792,480	22,632,936
Computer	5,910,455	-	-	5,910,455	5,242,089	123,548	-	5,365,648	544,807	668,356
Office equipments	765,212	7,800	-	773,012	592,911	18,498	-	801,409	171,803	182,301
Furniture	2,722,186	-	-	2,722,186	2,180,964	68,379	-	2,249,343	472,843	541,222
Tools	843,007	-	-	843,007	703,964	42,176	-	746,140	96,867	139,043
Bandy	20,202	-	-	20,202	20,014	34	-	20,048	134	188
Vehicles	5,978,669	-	-	5,978,669	3,574,175	325,520	-	3,899,695	2,078,974	2,404,494
Total Tangible Assets	704,070,351	38,809,016	4,206,762	738,673,615	420,073,771	37,154,977	2,105,335	455,123,413	283,550,202	283,998,580
Previous Year	612,453,305	102,157,972	10,540,926	704,070,351	397,219,259	31,766,492	8,911,980	420,073,771	283,998,580	215,234,046



SRI NACHAMMAI COTTON MILLS LIMITED

29

Notes forming part of Financial Statements (Contd...)

Non Current Assets	Face Value	Numbers	Numbers	In Rupees	
				30.8.2012	30.8.2011
11 Non Current Investments					
Investments in Equity Instruments (At Cost)					
Non Trade (Quoted) Fully paidup					
Chelamattam Investment & Finance Co. Limited	100	6600	6600	739,800	739,000
Indian Overseas Bank	10	10000	10000	153,800	153,800
Non Trade (Quoted) Partly paidup					
Industrial Development Bank of India (Rs 5/- paid up)	10	17000	17000	650,000	650,000
				<u>1,543,600</u>	<u>1,542,800</u>
Aggregate value of Quoted Investments					
Cost				1,543,600	1,542,800
Market Value				2,814,800	2,817,380
12 Deferred Tax Assets (Net)					
Deferred Tax Assets :					
On account of carry forward of losses				48,894,982	-
On account of Gratuity				-	-
				<u>48,894,982</u>	-
Deferred Tax Liability :					
On account of Depreciation				26,245,594	-
				<u>26,245,594</u>	-
Net Deferred Tax Assets				<u>22,649,388</u>	-
13 Long-term loans and advances					
(Unsecured, considered good)					
Security Deposits				14,821,186	13,429,837
Capital Advances				19,599,436	15,152,989
MAT Credit Entitlement				8,807,814	8,807,814
Advance tax (Net of Provisions - Rs. 51,84,388/-)				224,796	-
				<u>34,443,232</u>	<u>37,390,640</u>
14 Other non Current Assets					
(Unsecured, considered good)					
Outstanding for a period exceeding six months from the due date				1,978,265	1,978,265
				<u>1,978,265</u>	<u>1,978,265</u>
Current Assets					
15 Inventories (At lower of cost or net realizable value)					
Raw materials				170,837,842	111,470,968
Process Stock				44,673,347	41,275,619
Finished goods				196,628,483	386,599,182
Waste				2,589,736	1,030,449
Stores and spares				8,188,368	9,588,141
				<u>422,848,376</u>	<u>649,964,359</u>
16 Trade Receivables					
(Unsecured, considered good)					
Outstanding for a period exceeding six months from the due date				3,384,912	3,612,041
Others				121,898,199	105,762,084
				<u>125,283,111</u>	<u>109,374,125</u>



SRI NACHAMMAI COTTON MILLS LIMITED

30

Notes forming part of Financial Statements (Contd...)

	In Rupees	
	Amount 30.6.2012	Amount 30.6.2011
17 Cash and bank balances		
Cash and cash equivalents		
Balances with banks		
In Current Account	1,103,354	19,333,816
Cash on hand	100,283	80,921
Other Bank Balances		
Deposits held as Margin Money	12,702,453	14,293,196
Unpaid Dividend Account	164,122	309,336
Total	14,070,222	34,017,269
18 Short-term loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind, or for value to be received	385,860	331,205
Advance for Purchases	1,808,936	31,632,329
Balance with Central Excise, Sales Tax, Customs etc	169,778	96,941
Prepaid expenses	2,007,331	1,853,651
Total	4,392,903	33,914,126
19 Other current assets		
Interest accrued on Bank Deposits	208,533	142,087
Income Receivable :		
TUF Subsidy Receivable	1,355,352	2,899,806
Bank yarn obligation receivable	23,453	140,095
Total	1,587,338	2,981,968
20 Revenue from operations		
Sale of products :		
Yarn	959,413,829	1,137,338,208
Fabric	71,260,093	122,053,862
Waste	5,338,772	7,861,739
Total	1,036,012,694	1,267,253,810
21 Other Income		
Interest Income	1,796,937	1,510,682
Dividend from long term investments	72,800	37,100
Profit on sale of assets	628,770	3,875,143
Excess provision reversed	1,496,245	-
Miscellaneous receipts	2,421,861	4,428,630
Total	6,416,613	9,851,555
22 Cost of materials consumed		
Opening Stock		
Raw material - Cotton	111,451,818	298,915,211
Add : Purchases (including expenses) - Cotton	610,386,401	875,288,584
	721,838,019	1,174,203,795
Less : Closing Stock		
Raw material - Cotton	170,190,189	111,470,968
Total	551,647,830	1,062,732,827



SRI NACHAMMAI COTTON MILLS LIMITED

31

Notes forming part of Financial Statements (Contd...)

		In Rupees	
		Amount 20.6.2012	Amount 20.6.2011
23	Changes in Inventory of Finished Goods and WIP		
	Opening Stock		
	Finished Goods - Yarn	388,588,182	77,892,224
	Process stock	41,275,819	26,234,527
	Waste	1,038,449	2,754,371
	Total	<u>430,875,250</u>	<u>106,881,122</u>
	Closing Stock		
	Finished Goods - Yarn	388,588,182	388,588,182
	Process stock	41,275,819	41,275,819
	Waste	1,038,449	1,038,449
	Total	<u>430,875,250</u>	<u>430,875,250</u>
	Stock (Decrease) / Increase	<u>-184,024,851</u>	<u>321,894,128</u>
24	Employee Benefits Expenses		
	Salaries, wages and Bonus	82,781,372	86,157,520
	Contribution to provident and other funds	5,211,128	9,573,138
	Welfare expenses	7,891,898	18,157,283
	Chairman cum Managing director remuneration	1,882,898	1,521,389
	Joint Managing director remuneration	1,527,578	1,518,162
	Whole time director remuneration	388,389	257,800
	Total	<u>78,296,334</u>	<u>114,885,303</u>
25	Finance cost		
	Interest expenses		
	On bank loan	58,158,233	34,177,712
	On loan from directors	7,728,891	14,858,308
	On others	12,338,579	9,717,858
	On intercorporate deposit	12,478,793	10,144,185
	Bank charges	3,282,148	3,127,917
	Total	<u>89,956,851</u>	<u>71,826,880</u>
26	Other Expenses		
	Consumption of stores and spare parts	18,777,889	77,073,888
	Consumption of packing materials	8,893,741	12,864,014
	Repairs to buildings	7,813,347	14,581,587
	Repairs to machinery	5,158,848	21,720,084
	Repairs to others	7,178,228	5,012,383
	Insurance	1,152,886	1,454,382
	Rates and taxes, excluding, taxes on income.	2,888,225	2,245,851
	Legal and Professional charges	716,321	1,152,158
	Filing Fees	483,747	17,885
	Brokerage & Commission	4,788,888	7,434,565
	Bad debts written off	-	8,940,280
	Auditors Remuneration	118,282	88,008
	Sitting Fees	82,888	58,000
	Rent paid	888,888	857,850
	Foreign exchange fluctuation	828,338	34,748
	Miscellaneous expenses	3,847,588	3,884,888
	Total	<u>62,374,851</u>	<u>157,831,888</u>



27 Additional Information To Financial Statements

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. 43,756,024/-, 2007 - Rs. 27,524,820/-, 2010 - Rs. 124,364,744/-, 2011 - Rs. 116,144,515/-, 2012 - Rs. 32,286,384/- failing which additional customs duty of Rs. 35,341,102/- along with interest shall be payable. Of the above, the company has fulfilled obligation to the extent of Rs. 65,517,836/- upto 30.06.2012.
- b) The Bank has given guarantees for Rs. 6,971,780/- (previous year - Rs. 8,364,280/-) towards payment of customs duty in respect of import of Machinery.
- c) Future Lease rental payable 6,000,000 10,500,000
- d) The Amount called up but not for IDBI Shares including interest 5,702,233 5,702,233
- 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 finally.

2 Interest in respect of partly paid share 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. 70,489,360 90,727,634

4 a. Value of Imports: CIF Value

i)	Raw Material	10,179,873	-
ii)	Components and Spares	691,766	4,204,112
iii)	Capital Goods	19,021,863	35,363,766

For the Year ended

		30.06.2012		30.06.2011	
		Value - Rs.	%	Value - Rs.	%
b)	Consumption				
i)	Raw Materials				
	Imported	1,526,991	0.28	4,427,979	0.42
	Indigenous	550,120,839	99.72	1,058,304,848	99.58
		<u>551,647,830</u>	<u>100.00</u>	<u>1,062,732,827</u>	<u>100.00</u>
ii)	Spares & Components				
	Imported	891,766	3.50	4,204,112	5.45
	Indigenous	18,085,923	96.50	72,869,757	94.55
		<u>18,977,689</u>	<u>100.00</u>	<u>77,073,869</u>	<u>100.00</u>

30.06.2012 30.06.2011
Rupees Rupees

- 5 i) Expenditure in foreign currency on account of sales promotion, travelling, etc. NIL NIL
- ii) Earning in foreign exchange on account of export of goods (FOB Value yarn) NIL NIL
- iii) Remittance during the year in foreign currencies on account of dividends to non-resident Shareholders NIL NIL
- iv) Number of Non-resident Shareholders 7 7
- v) Number of shares held by them 4617 11738
- vi) Year to which the Dividend relates NIL NIL



Additional Information To Financial Statements (Contd...)

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

	Shri P.PALANIAPPAN Chairman cum Managing Director		Smt. P.UMAYAL Joint Managing Director		Shri A.ANNAMALAI Whole Time Director	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	15,00,000	15,00,000	15,00,000	15,00,000	3,00,000	2,50,000
Provident Fund	9,360	9,360	9,360	9,360	9,360	7,800
Personal Accident Insurance	5,030	5,030	5,968	6,802	-	-
Club Subscription	8,500	7,000	8,250	-	-	-
	<u>15,22,890</u>	<u>15,21,390</u>	<u>15,27,578</u>	<u>15,16,162</u>	<u>3,09,360</u>	<u>2,57,800</u>

**7 Auditors' Remuneration
(including Service Tax)**

	For the Year ended	
	30.06.2012	30.06.2011
	Rs.	Rs.
Audit Fees	58,889	57,908
Tax Matters	18,399	16,500
Certificate Fees	28,314	17,098
Travelling Expenses	18,580	4,500
Total	<u>116,282</u>	<u>96,006</u>

8 Interest on Bank Loans disclosed under financial charges is net of interest subsidy on TUF Loan amounting to Rs. 29,23,351/- (Previous year Rs. 37,00,902/-)

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

(b) (i) VAT Assessment has been completed upto 31.03.2011.

(ii) CST Assessment has been completed upto 31.03.2010.

10 The information required to disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of the information available with the Company. There are no overdue to parties on accounts of principal amount and / or interest and accordingly no additional disclosures have been made.

11 (a) In the opinion of the Board of Directors, assets other than fixed assets have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

(b) Balance 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. 2,76,75,156/- collected on Sales has not been included in the Turnover of the Company.



SRI NACHAMMAI COTTON MILLS LIMITED

34

Additional Information To Financial Statements (Contd...)
Disclosures as required under Accounting Standards:
13 Gratuity Disclosure (AS-15)

		Defined Benefit Plans		Gratuity-Funded		
1	Financial year of valuation	1.7.11 to 30.6.12	1.7.10 to 30.6.11	1.7.09 to 30.6.10		
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.	15427185	14021079	13923765		
3	Interest Cost assuming that claims paid in middle of financial year	1154816	1062696	1044856		
4	Current service cost in Rs.	743712	929612	795936		
5	Past Service cost in Rs.	-	-	-		
6	Curtailment cost/(credit) in Rs. (refer Para 110-116 of AS 15 (revised 2005)	-	-	-		
7	Settlement cost/(credit) in Rs. (refer Para 110-116 of AS 15 (revised 2005)	-	-	-		
8	Benefits paid in Rs.	4067225	1503673	1759979		
9	Actuarial gain/loss on benefit obligations(experience Adjustment) in Rs.	-2273135	1917471	16501		
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.	11985153	18427185	14021079		
B	Movements in respect of Plan Assets during the valuation year					
1	Fair value of Plan Assets at the beginning in Rs.	14930940	14041421	13943819		
2	Expected rate of return on Plan Assets per unit (see Part I C 3)	0.0925	0.0925	0.0925		
3	Expected rate of return on Plan Assets assuming that movements occur in mid year	1197163	1280212	1237068		
4	Contributions received during the financial year	-	1091980	593976		
5	Benefits paid (claims settled)	4067225	1503673	1759979		
6	Actuarial Gain/Loss on plan-assets in Rs. A6 = A7-A1-A3-A4+A5 is the balancing item	234050	21000	26541		
7	Fair value Plan Assets at the end of the Financial year in Rs.	12294928	14930940	14041421		
C	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.					
1	Actuarial Gain/Loss on Benefit Obligations in Rs.	-2273135	1917471	16501		
2	Actuarial Gain/Loss on plan assets in Rs.	234050	21000	26541		
3	Net Actuarial Gain/Loss recognised in the Financial Year in Rs. B3 = B1-B2	-2607186	1896471	-10041		
D	Expenses recognised in the Profit and Loss Account					
1	Interest cost on Benefit Obligations	1154816	1062696	1044856		
2	Current Service cost on Benefit Obligations	743712	929612	795936		
3	Past Service cost on Benefit Obligations	-	-	-		
4	Curtailment cost/(credit)	-	-	-		
5	Settlement cost/(credit)	-	-	-		
6	Expected return on Plan Assets	1197163	1280212	1237068		
7	Net Actuarial Gain/Loss recognised in the Financial Year in Rs.	-2507186	1896471	-10041		
8	Effect of limit as per para 59(b) read with para 61(g) of AS 15 R	-	-	1507		
9	Expenses recognised in the Profit and Loss Account C9 = C1+C2+C3+C4+C5-C6+C7	-1806020	2808567	595191		
E	Liability recognised in the Balance Sheet					
1	Actuarial Present value of Benefit Obligations at the end of the financial year in Rs.	11985153	18427185	14021079		
2	Fair value of Plan Assets at the end of the Financial year in Rs.	12294928	14930940	14041421		
3	Funded Status at the end of the financial year in Rs.	309775	-1496245	20342		
4	Present value of future reduction under para 59 (b) of AS 15 R (net asset to be recognised as per para 59 of AS 15 R)	-	-	18835		
F	Expected return on Plan Assets (part III A3 above) in Rs.	1197163	1280212	1237068		
2	Actuarial Gain/Loss on plan assets (part III B2) in Rs.	234050	21000	26541		
3	Actual return on Plan assets (E1+E2) in Rs.	1431213	1301212	1263609		
G	Balance Sheet Reconciliation					
1	Expenses recognised C9	-1806020	2608567	595191		
2	Add unfunded liability at the beginning of the financial year in Rs.	1496245	-20342	-20050		
3	Less contribution received A4	-	1091980	593976		
4	Closing unfunded Status =F1+F2+F3 = -D4	-309775	1493245	-18835		



SRI NACHAMMAI COTTON MILLS LIMITED

35

2	Assumptions:	30.08.12	30.08.11	30.08.10
(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	0.05
(c)	Mortality Rate	LIC 1994-98 Rates		
(d)	Attrition Rate	No explicit assumption		
(e)	Disability / health retirement	No explicit assumption		
3	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.)	3362809	4511428	4081527

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.Palanisappan, Chairman cum Managing Director
2. Smt. P.Umayal, Joint Managing Director.
- c) Relatives of Key Management Personnel: 1. Smt. Geethanjali Ramasamy
2. Smt. RM.Umayal
3. Shri P.Palanisappan (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)	
	30.08.12	30.08.11	30.08.12	30.08.11	30.08.12	30.08.11
Corporate Loan taken Raja Yarns Private Limited	29946598	15660000	-	-	-	-
Corporate Loan Repaid Raja Yarns Private Limited	6876088	35144000	-	-	-	-
Unsecured Loan taken Shri P.Palanisappan Smt.P.Umayal Others	-	-	6444888 13690980	16188000 21505000	-	-
Unsecured Loan Repaid Shri P.Palanisappan Smt.P.Umayal	-	-	68466088 181848888	858000 3088000	129000	1295000
Fixed Deposits Received Shri P.Palanisappan(HUF) Others	-	-	-	-	2998888	29418000 2748000
Rent/Leasing of Services Supreme Yarn Spinners Ltd	152118	58976	-	-	-	-
Loans Rent Paid Supreme Yarn Spinners Ltd	15588888	18000000	-	-	-	-
Managerial Remuneration Shri P.Palanisappan Smt.P.Umayal	-	-	1622888 1827876	1521388 1518182	-	-
Sitting Fees paid Smt.RM.Umayal	-	-	-	-	18888	8000
Interest Paid on Unsecured Loans Raja Yarns Private Limited Shri P.Palanisappan Smt.P.Umayal Others	7934278	10858254	2388843 8287862	4472813 8885535	188288	220888
Interest Paid on Fixed Deposits Shri P.Palanisappan(HUF) Shri MC.Ramasamy(HUF) Others	-	-	-	-	2888723 128821	1461494 127286
Outstanding payable as on 30th June Raja Yarns Private Limited Shri P.Palanisappan Smt.P.Umayal Others Shri P.Palanisappan(HUF) Others	78871888	58881000	187888 11944888	51188000 102202000	2828888 18357888	2781000 29518000 2781000
Outstanding Receivable as on 30th June	NIL	NIL	NIL	NIL	NIL	NIL



SRI NACHAMMAI COTTON MILLS LIMITED

Additional Information To Financial Statements (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 Yam Spinners Limited under cancelable operating lease, which are normally renewed on expiry.

b) Future minimum lease rent payable is as follows:

	30.06.2012 (Rs.)	30.06.2011 (Rs.)
Not later than one year	60,00,000	1,05,00,000
Later than one year but not more than 5 years	-	-
More than 5 years	-	-

17 Earnings Per Share (AS-20):

Particulars		30.06.2012	30.06.2011
Net (Loss) / Profit after tax and adjustments	Rs.	(77,447,627)	(37,770,902)
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.	(18.07)	(8.81)

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

The Company has created Deferred Tax Liability of Rs.28,615,975/- during the year ended 30.06.2012 which is arrived as under.

	Opening As on 01.07.2011	Adjustments for the year	Closing As on 30.06.2012
Deferred Tax Liability			
On Depreciation	24843918	1401676	26245594
	<u>24843918</u>	<u>1401676</u>	<u>26245594</u>
Deferred Tax Asset			
On account of Losses	16190576	30504326	46694902
On account of Provision for Gratuity	488675	-488675	-
	<u>16677251</u>	<u>30017651</u>	<u>46694902</u>
Net Deferred Tax Liability/(Asset)	<u>(8166667)</u>	<u>28615975</u>	<u>20449308</u>

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.	30.06.2011	Rs.	30.06.2011
Sundry Creditors	USD	199605.35	-	10179679	-
Sundry Debtors / Advances	-	-	-	-	-

21 During the year ended 30th June 2012 the Revised Schedule VI notified under the Companies Act, 1956, has become applicable to the company and accordingly the Company has reclassified / regrouped previous year figures to conform to this year's classification reclassified wherever necessary.

As per our report of even date annexed
For **M.S.JAGANNATHAN & VISVANATHAN,**
Chartered Accountants,
Firm Regd No: 001209S.

M.J.VJAYARAAGHAVAN, Partner,
M.No.7534.
Salem,
23rd August, 2012.

P.PALANIAPPAN
Chairman cum Managing Director

P.MAYAL
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 32nd Annual General Meeting to be held on 19th December, 2012 at 5.00 P.M. at Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem - 636 016.

Signature of attending Member / Proxy

I/We (holder/s) Proxy holder with his/ her name of the holding transfer to the attending Member/Proxy holder and hand over all the documents, shares and rights.

SRI NACHAMMAI COTTON MILLS LIMITED

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

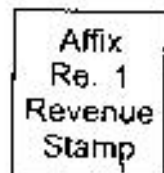
PROXY FORM

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 32nd Annual General Meeting be held on 19th December, 2012 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 2012

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

Signature



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.



SRI NACHAMMAI COTTON MILLS LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday, the 19th day of December, 2012 at 5.30 P.M. at Hotel Sarathy Classic, 8/3, Park Street, Fairlands, Salem - 636 016 to transact the following business. All the Shareholders are requested to attend the same.

AGENDA

SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification, the following as Ordinary Resolution :

RESOLVED THAT the fact of the accumulated loss of the company as on 30th June, 2012 resulting in erosion of fifty percent of the peak net worth of the Company during the immediately preceding four financial years and the reasons for such erosion be and is hereby considered in accordance with the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 in all respects and that the report in the prescribed format be filed with Board for Industrial and Financial Reconstruction within 60 days thereof.

By Order of the Board,
For Sri Nachammai Cotton Mills Limited.,
P.PALANIAPPAN,
Chairman cum Managing Director.

Salem,
23rd August, 2012.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED AS PER THE COMPANIES ACT, 1956.

The Company has incurred a net loss of Rs. 774.48 lakhs for the year ended 30th June, 2012. This has resulted in erosion of 50% of peak net worth of the Company during the immediately preceding four financial years. The accounts of the Company being considered for adoption at the ensuing Annual General Meeting of the Company to be held on 19th December, 2012. The provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 specifically provide that such erosion is to be considered at the Extra Ordinary General Meeting. The reasons for the erosion and steps taken for improvement has been explained in the report of the Directors.

None of the Directors of the Company are deemed to be interested in the resolution.

By Order of the Board,
For Sri Nachammai Cotton Mills Limited.,
P.PALANIAPPAN,
Chairman cum Managing Director.

Salem,
23rd August, 2012.