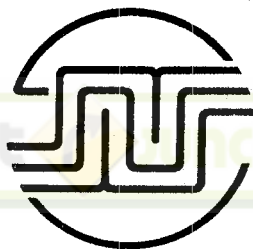


SRI NACHAMMAI COTTON MILLS LIMITED



18th Annual Report 1997-98

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SRI NACHAMMAI COTTON MILLS LIMITED

Board of Directors

Chairman cum Managing Director

Sri. P. PALANIAPPAN, B.E., M.S.(U.S.A.)

Joint Managing Director

Smt. P. UMayAL, B.Sc.

Directors

Smt. RM. UMAIYAL

Sri. AR. ANNAMALAI

Sri. R. VIJAYARAGHAVAN, M.Sc., M.B.A., B.L.

Sri. AMRATHLAL A. GANDHI, B.Sc.

Dr. R. PALANIAPPAN, M.D.

Sri. A. ALAGAPPAN, B.B.A.

Sri. A. ANNAMALAI

Finance Manager cum Company Secretary

Sri. C. THIRUMURTHY, B.Com., F.C.S.

Auditors

Messrs. M.S. JAGANNATHAN & VISVANATHAN

Chartered Accountants

No.6, D.B. Road, R.S. Puram

Coimbatore - 641 002.

Bankers

INDIAN OVERSEAS BANK

Salem Main Branch

6/671, Car Street, Salem - 636 001.

Registered Office

30, Sugavaneswara Road

Balaji Nagar, Salem - 636 004.

Mills at

Near Railway Station

Chettinad - 630 102.

Sivaganga District

SRI NACHAMMAI COTTON MILLS LIMITED

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday, the 9th day of December, 1998 at 4.45 p.m. at Hotel Vasantham, LIC Colony Road, (Opp. to New Bus Stand), Salem 636 004 to transact the following business. All the Shareholders are requested to attend the same.

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the audited Balance Sheet for the year ended 30th June 1998, the audited Profit and Loss Account as at that date and the Auditors' Report thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in the place of Sri R. Vijayaraghavan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri.A.R. Annamalai who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Sri A. Alagappan who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint an Auditor or 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 his/their remuneration.

Salem
28th August 1998

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

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member of the Company.
2. 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.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 1.12.1998 to 9.12.1998 (both days inclusive).
4. Members are requested to notify immediately any changes in their address to the Company.
5. Dividend, if declared, will be paid to members whose names appear on the Register of Members of the Company as on 9.12.1998.
6. Pursuant to Section 205A of the Companies Act, 1956, the Company has transferred all unclaimed dividends upto the equity dividend for the financial year ended 31st March, 1994 to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Tamilnadu, Bank of Baroda Building, V floor, Eastern Wing, 82, Bank Road, Coimbatore - 641 018 in the prescribed form which will be supplied by the Company on request.

SRI NACHAMMAI COTTON MILLS LIMITED

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

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors have great pleasure in presenting this 18th Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 1998.

FINANCIAL RESULTS FOR THE YEAR

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

Rs.

OPERATING PROFIT	7,84,40,592
Less : Interest	4,52,65,448
GROSS PROFIT	3,31,75,144
Less : Depreciation	2,80,68,127
PROFIT FOR THE YEAR	51,07,017
Add : Transfer from Investment Allowance (utilised) Reserve	11,00,000
	62,07,017
Balance brought forward from last year	76,91,185
	1,38,98,202
Less : Bonus paid for prior year	21,19,488
Total	1,17,78,714
Profit available for appropriation	1,17,78,714
Your Directors recommend the following provisions and appropriations :	
Provision for taxes	29,00,000
Proposed dividend	42,86,400
Provision for tax on dividend	4,28,640
Transfer to General Reserve	25,00,000
Balance Carried forward to next year	16,63,674
Total	1,17,78,714

During the year a sum of Rs. 11,00,000 for the year 30.6.1987 has been transferred from Investment Allowance (utilised) Reserve to General Reserve as the sum is not required.

DIVIDEND

Your Directors recommend a dividend of 10% on the paid up Share Capital of 43,00,000 Equity Shares of Rs.10/- each absorbing a sum of Rs.42,86,400. Provision for tax on dividend @ 10% has also been made.

MODERNISATION AND EXPANSION SCHEME

The Company has completed the Modernisation cum Expansion Scheme involving a total revised cost of Rs. 799 lakhs which was financed by M/s.Industrial Development Bank of India and M/s.Indian Overseas Bank on 22.11.1997.

REVIEW OF OPERATIONS

During the year under review, there has been an increase in cotton costs due to lower cotton crop and short supply of quality cotton and higher power costs due to enhanced power tariff and increased diesel prices. The South East Asian crisis has led to recession in both the domestic and export markets, which

resulted in low off take of yarn, lower prices and increased carrying costs. Under the circumstances, the Company earning a net profit of Rs.51.07 lacs can be considered satisfactory.

The markets have now turned for the better and barring unforeseen circumstances, your Directors are hopeful of achieving better working results during the current year.

EXPORT

During the year under review your Company exported cotton yarn through merchant exporters for a value of Rs.6,16,54,079 against Rs. 8,22,58,560 in the previous year.

FIXED DEPOSITS

As on 30.6.1998, 24 deposits amounting to Rs.4,59,400/- remaining unclaimed on the due dates, since then 4 deposits involving Rs.27,000/- were either renewed or repaid as per instruction from the depositors and 20 deposits involving Rs.4,32,400/- still remain unclaimed and close follow-up is being made to obtain instruction from the depositors.

DIRECTORS

Dr. R. Subramaniam and Sri. R. Ramanathan have resigned from the directorship of the Board of Directors. Your Directors place on record the valuable services rendered by them to the Company as Directors during their tenure of office.

The Directors, Sri. R. Vijayaraghavan, Sri. AR. Annamalai and Sri .A. Alagappan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

LISTING

The Equity shares of the Company are listed in Mumbai, Chennai and Coimbatore Stock Exchanges and the Company has duly paid the Annual listing fees for the year 1998-99.

AUDITORS

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

DISCLOSURE AS PER LISTING AGREEMENT

In accordance with Clause 43 of the listing agreement, comparison of projections for 1997-98 as stated in Prospectus dated 7.12.1994 with the actual performance are shown below :

(Rs.in Lakhs)

Particulars	Projection	Actual
	12 months period 1.4.97 to 31.3.98	12 months period 1.7.97 to 30.6.98
Total Sales	5800	6917
Profit after Tax	480.00	22.07
Earning Per Share	Rs.11.15	Rs.0.49
Book value per share	Rs.72.65	Rs.37.45

There was a variation of above 20% between unaudited half yearly results ended 31.12.97 and audited results for the year ended 30.6.1998 due to spiralling cotton prices, higher carrying costs, low off take of yarn, affecting the profitability of the Company.

PARTICULARS OF EMPLOYEES

In accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, a statement showing the names and other particulars of the employees of the Company who are in receipt of remuneration of not less than Rs.3 lakhs per annum and Rs.25000 per month is annexed to this report.

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 earnings and outgo is annexed to this report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their deep sense of appreciation for the timely support from M/s.Industrial Development Bank of India, M/s.Indian Overseas Bank, the shareholders, depositors, all our cotton suppliers, yarn dealers and consumers. The Board also wish to place on record their appreciation for the good work done by the employees of the Company.

Salem
28th August 1998

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

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SRI NACHAMMAI COTTON MILLS LIMITED

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 30.06.1998

Sl. No.	Name	Designation and nature of duties	Remuneration	Qualification and Experience	Date of Commencement of Employment	Contract or regular	Age in years	Last employment held before joining the Company
1.	Sri. P. Palaniappan	Chairman cum Managing Director	Rs.9,22,962	B.E.(Mech.) (Madras) M.S. (Indl. Engg. Illinois Inst. of Technology USA) 26 years	4.5.1980	Regular	53	The Jawahar Mills Ltd. Salem
2.	Smt. P. Umayal	Joint Managing Director	Rs.8,42,396	B.Sc. 14 years	14.4.1995	Regular	49	Sree Uma Parameswari Mills Ltd., Salem

Notes :

1. Sri. P. Palaniappan and Smt. P. Umayal are related to Messrs. RM. Umaiyl and Dr. R. Palaniappan, Directors of the Company.

Salem
28th August 1998

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