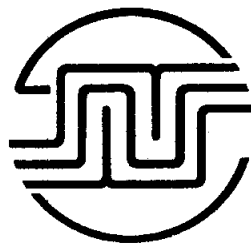


**SRI NACHAMMAI
COTTON MILLS LIMITED**



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21st Annual Report 2000 - 2001

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.

Sri A.ALAGAPPAN, B.B.A.

Sri A.ANNAMALAI

Sri. C.S. THIRUMALAI, M.A., PGDMA, ACMA, AICWA, MIIE.,

Finance Manager cum Company Secretary

Sri C.THIRUMURTHY, B.Com., B.G.L., 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 Twenty First Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Friday, the 28th day of December, 2001 at 5.00 p.m. at National Hotel, Bangalore Main Road, Salem - 636 009 to transact the following business. All the Shareholders are requested to attend the same.

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Director's Report, the audited Balance Sheet for the year ended 30th June 2001, the audited Profit and Loss Account as at that date and the Auditor's Report thereon.
2. To appoint a Director in the place of Sri. AR. Annamalai who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri. A. Alagappan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint an Auditor 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.



SPECIAL BUSINESS

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

RESOLVED that Sri. C.S. Thirumalai who was co-opted as an Additional Director of the Company by the Board of Directors who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

6. To consider and if thought fit to pass with or without modification the following resolution as "Special Resolutions" :

RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

The following new Article is inserted as Article 20 (c), after Article 20 (b) :

20 (c) Holding / Transfer / Transmission of Shares in electronic form :

Notwithstanding any provisions contained in the Articles regarding holding / transfer / transmission of shares, the provisions of the Depositories Act 1996 as amended from time to time and the rules and regulations as framed thereunder shall apply to holding / transfer / transmission of shares in electronic form.

Salem
28th September 2001

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 19.12.2001 to 28.12.2001 (both days inclusive).
- 4) Members are requested to notify immediately any changes in their address to the Company.
- 5) 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, Stock Exchange Building, 683 - 686, Trichy Road, Coimbatore - 641 005 in the prescribed form which will be supplied by the Company on request.

Pursuant to Section 205 A (5) of the Companies Act, 1956, as amended from time to time, any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund ('the Fund') to be established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or the Fund in respect of individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the dates they first became due for payment and no payment shall be made in respect of any such claims. Members who have not encashed the dividend warrant for the financial year 1994 - 1995 and any subsequent dividend payments are requested to make their claims to the Company.



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

Item No.5 :

Sri C.S. Thirumalai was co-opted as an Additional Director of the Company on 28.09.2001 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only up to the date of ensuing Annual General Meeting. As required by Section 257 of the Act, a notice together with requisite deposit has been received from a member signifying his intention to propose his appointment as a Director. The Board considers it desirable that the Company should continue to avail itself of his services and therefore commend the same for passing it as an Ordinary Resolution.

Item No.6 :

To facilitate holding of shares of the Company in electronic form and to take advantages of the scripless trading, the Company has offered the facility of dematerialisation of shares to its shareholders. Securities and Exchange Board of India (SEBI) vide its circular has included the Company in its list for the compulsory de-materialised trading.

In line with the directive of SEBI, the Depositories Act, 1996 and the Rules and Regulations framed thereunder, the Board of Directors recommends to add a new Article regarding holding/transfer/transmission of shares. Accordingly Special Resolution set out in Item No. 6 has been proposed before the Members for approval.

None of the Directors of the Company is in any way concerned or interested on this said resolution.

Salem
 28th September 2001

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

SRI NACHAMMAI COTTON MILLS LIMITED

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

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors have great pleasure in presenting this 21st Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2001.

FINANCIAL RESULTS FOR THE YEAR

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

		Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		4,82,18,293
Less : Interest		<u>3,90,46,993</u>
GROSS PROFIT		91,71,300
Less : Depreciation		<u>2,77,34,575</u>
NET LOSS FOR THE YEAR		(-)1,85,63,275
Add : Excess Depreciation Charged for Prior Year		8,75,633
Income Tax Refund for Prior Year		76,317
Financial Charges reversed		2,17,884
Transfer from Investment allowance (Utilised) Reserve		<u>9,00,000</u>
		(-) 1,64,93,441
Less : Bonus paid for prior year	17,45,809	
Prior Year Expenses	43,39,236	
Decrease in Value of Investments	10,890	
Share Issue Expenses	<u>5,28,223</u>	66,24,158
		(-) 2,31,17,599
Transfer from General Reserve		<u>2,31,17,599</u>
Balance carried over to next year		<u>-NIL-</u>

DIVIDEND

Your Directors regret their inability to recommend Dividend on Equity Shares for the year ended 30.06.2001 due to loss incurred by the Company.

REVIEW OF OPERATIONS

During the year under report, the Company has achieved a production of Rs. 7702.86 lakhs as against Rs. 7050.41 lakhs in the previous year. The performance of the Company was adversely affected by high cotton prices due to the poor Indian crop. Also, over capacity in the spinning sector, excess production of yarn, less demand both in local and export markets, marketing even at reduced prices became difficult. The workers went on a strike demanding higher bonus with effect from 20.10.2000 to 5.11.2000 resulting in losses.

To improve current working, the Company is importing cotton at much lower prices and of better quality, strengthening the sales network, offering a wider count range to cater to new markets. Cost cutting measures are being undertaken to make the organisation lean and trim. All staff and workers have been mobilised as a team to put in their best efforts.

FIXED DEPOSITS

As on 30.6.2001, 13 deposits amounting to Rs. 1,35,000 remaining unclaimed on the due date, since then 3 deposits involving Rs. 48,000 were either renewed or repaid as per the instructions from depositors and 10 deposits involving Rs. 87,000 still remain unclaimed and close follow up is being made to obtain instruction from the depositors.

The Company has reduced the rate of Interest payable on the Fixed Deposits from 14 % to 12 % with effect from the date of release of advertisement in news papers.

INVESTMENT ALLOWANCE (UTILISED) RESERVE :

Out of the Investment Allowance (Utilised) Reserve created in the year 1989 an amount of Rs. 9,00,000/- is not required any more and the same was withdrawn during the year.

DIRECTORS

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

The term of office of Shri. C.S. Thirumalai expires at the ensuing Annual General Meeting and a notice has been received from the member proposing his candidature for the office of Directorship with requisite deposit.

DIRECTORS RESPONSIBILITY STATEMENT :

As per amended Section 217 (2AA) of the Companies Act, 1956, the Board of Directors state that in the preparation of Annual Accounts for the year ended 30.06.2001:

1. The applicable accounting standards had been followed along with proper explanation relating to material departures.
2. That the Directors had selected such accounting policies 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 30.06.2001 and the loss of the Company for that year.
3. That the Directors had 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 had prepared the Annual Accounts for the year ended 30.06.2001 on a going concern basis.

CORPORATE GOVERNANCE

As per the Listing Agreement Compliance with the requirement of Corporate Governance is applicable to your Company by 31st March 2003. The Company has taken steps to constitute various committees to this end.

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 2001 - 2002.

The Company has appointed M/s. Cameo Corporate Services Limited, Chennai as 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.

AUDITORS

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

PARTICULARS OF EMPLOYEES

In accordance with Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, the names and other particulars of the employees of the Company who are in receipt of remuneration of not less than Rs. 12 lakhs per annum and Rs. 1,00,000 per month is attached 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.

REPLY TO AUDITORS' REMARKS :

Regarding non reconciliation / confirmation of balance of Sundry Debtors, Sundry Creditors and Advances, Written Off Deferred Payment charges and Charging of Prior year expenses, the explanations given in the notes No. 9, 10 & 13 respectively are self explanatory.

ACKNOWLEDGEMENTS :

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

Salem
28th September 2001

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

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 Report of the Board of Directors for the year ended 30.06.2001.

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.12,78,310	B.E. (Mech.) (Madras) M.S. (Indl. Engg. Illinois Inst.of Technology, U.S.A.) 29 Years	4-5-1980	Regular	56	The Jawahar Mills Ltd., Salem

Notes :

Sri P.Palaniappan is related to Smt.P.Umayal, Joint Managing Director and Smt. RM. Umaiyal, Director of the Company.

Salem
28th September 2001

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