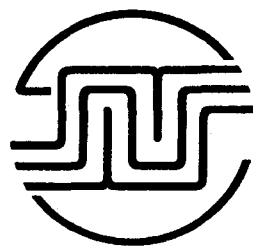


**SRI NACHAMMAI
COTTON MILLS LIMITED**



Report  junction.com

22nd Annual Report 2001 - 2002

SRI NACHAMMAI COTTON MILLS LIMITED

Board of Directors

Chairman Cum Managing Director

Sri P.PALANIAPPAN, B.É.,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, MIE.,

Finance Manager cum Company Secretary

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

Auditors

Messrs M.S.JAGANNATHAN & VISVANATHAN

Chartered Accountants

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

Coimbatore - 641 002.

Internal Auditor

Sri PL.ARUMUGAM, M.Com., F.C.A.,

Chartered Accountant

28, Advaita Ashram Road

Salem - 636 004

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

Report Junction.com

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 Second Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday, the 18th day of December 2002 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 Directors' Report, the audited Balance Sheet for the year ended 30th June 2002, the audited Profit and Loss Account as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Sri. Amrathlal.A.Gandhi. who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri.A.Annamalai 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 consent / approval be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Sri.P.Palaniappan, as Chairman cum Managing Director for a period of five years from 19.12.2002 on the following remuneration, perquisites and other terms and conditions:

I.Salary

Rs.1,25,000 (Rupees One Lakh 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 Section II of Part II of Schedule XIII).

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 to Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
 - ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - iii. Encashment of leave at the end of tenure.

Housing

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

3. Gas, Electricity, Water and Furnishings

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

4. Medical Reimbursement

Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

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

Resolved that consent / approval be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Smt.P.Umayal, as Joint Managing Director for a period of five years from 19.12.2002 on the following remuneration, perquisites and other terms and conditions:

I. Salary

Rs.1,25,000 (Rupees One Lakh 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 Section II of Part II of Schedule XIII).

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 to Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
 - ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - iii. 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 or three months' salary over a period of three years.

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.

7. 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:

FURTHER RESOLVED that Clause 14 of the Articles of Association be deleted and the following Clause shall be substituted therefor:

14. The remuneration of Managing Director and Whole-time Director shall be fixed by the Board of Directors with the approval of Remuneration Committee subject to the sanction of the General body wherever necessary and such sum shall not exceed the limit that may be prescribed by the Central Government from time to time except with the approval of the Central Government, if necessary.

FURTHER RESOLVED that Clause 21 of the Articles of Association be deleted and the following Clause shall be substituted therefor.

21. Where the Company has declared a dividend which has not been paid or claimed within 30 days from the date of declaration to any shareholder entitled to payment of the dividend, the Company shall within 7 days from the

date of expiry of the said period of 30 days open a special account in that behalf in any Scheduled Bank called Unpaid Dividend Account of Sri Nachammai Cotton Mills Limited and transfer to the said account the total amount of dividend which remains unpaid or unclaimed.

Any money transferred to unpaid dividend account of the Company which remains unclaimed for a period of 7 years shall be transferred to Investor Education and Protection Fund, no claim shall be made by the shareholder thereafter.

No unclaimed or unpaid dividend shall be forfeited by the Board.

Salem
27th September, 2002

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. Information as required under Clause 49 of the Listing Agreement in respect of appointment and re-appointment of Directors are provided in the Annexure to the notice.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of items 5, 6 and 7 is annexed.
4. 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.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from 03.12.2002 to 18.12.2002 (both days inclusive).
6. Members holding shares in Physical form are requested to intimate immediately any changes in their address to the Registered Office of the Company and members holding shares in dematerialised form may inform the same to their respective Depository Participant.
7. Pursuant to Section 205A of the Companies Act, 1956, the Company has transferred all unclaimed equity dividends upto 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, Stock Exchange Buildings, II Floor, Trichy Road, Singanallur, Coimbatore – 641 005 in the prescribed form which will be supplied by the Company on request.

Pursuant to Section 205C of the Companies Act, 1956, the Company has transferred all unpaid dividends for the year ended 31.03.1995 to the Investor Education and Protection Fund and no claim shall lie against the Company or the Central Government for such transferred amount.

The unpaid dividend for the period ended 30.06.1996 and for the year ended 30.06.1997 and 30.06.1998 which remains unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account will be transferred to the Investor Education and Protection Fund; upon such transfer, no claim shall lie against the Company or the Central Government for such unclaimed dividend. Members who have not encashed the dividend warrants for the period ended 30.06.1996 and for the year ended 30.06.1997 and 30.06.1998 are requested to make the claim to the Company accordingly, without any delay.

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

Item Nos.5 & 6

Sri.P.Palaniappan was appointed as Chairman cum Managing Director and Smt.P.Umayal was appointed as Joint Managing Director for a period of five years from 19.12.1997 at the General meeting of the Company held on 19.12.1997 and their period of appointment expires on 18.12.2002.

As recommended by the Remuneration Committee, the Board of Directors at the meeting held on 27.09.2002 have reappointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of five years from 19.12.2002 on the revised remuneration and perquisites and other terms and conditions as set out in the resolution.

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

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

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

Sri.P.Palaniappan and Smt.P.Umayal are related to Smt.RM.Umaiya, Director of the Company.

This may also be treated as a Memorandum issued pursuant to provision 302 of the Companies Act, 1956.

Item No. 7

Due to the amendments made in the Companies Act, 1956, the Clause No.14 and 21 of the Articles of Association became inappropriate. Further the approval of the Remuneration Committee is a necessary requirement under the amended Schedule XIII, with such Remuneration Committee being constituted as per explanation IV and therefore there cannot be a fixation of remuneration by the Board of Directors without the Remuneration Committee as set out above. Accordingly the Special Resolutions set out in Item No.7 has been proposed before the Members for approval.

A copy of the Articles of Association together with the proposed amendment is available for inspection at the Registered Office of the Company between 11.00 A.M and 1.00 P.M on any working day prior to the date of Meeting.

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

Salem

27th September, 2002

By Order of the Board
P.PALANIAPPAN

Chairman cum Managing Director

Reappointment of Directors

A brief resume in respect of the proposed reappointment of Directors is given below in terms of Clause 49 of the Listing Agreement.

Name	: Sri Amrathlal A. Gandhi	Name	: Sri. A. Annamalai
Age	: 47 years	Age	: 47 years
Qualification	: B.Sc.,	Qualification	: SSLC
Date of Appointment	: 27.09.1996	Date of Appointment	: 19.06.1997
Experience	: 22 years of business experience	Experience	: 25 years of experience
Other Directorships	: Nil	Other Directorships	: Supreme Yarn Spinners Ltd.,
Member of Committees	: Audit Committee Remuneration Committee	Member of Committees	: Remuneration Committee

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 22nd Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2002.

FINANCIAL RESULTS FOR THE YEAR

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

		Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		5,25,11,543
Less : Interest		3,23,66,586
GROSS PROFIT		2,01,44,957
Less : Depreciation		2,56,72,239
NET LOSS FOR THE YEAR		(-) 55,27,282
Add : Deferred Tax Assets		60,43,027
Income Tax Refund for Prior Year		13,12,303
Legal Fees reversed		30,000
Increase in value of Investments		1,22,550
		19,80,598
Less: Bonus paid for prior year	6,84,797	
Prior Year Expenses	15,43,808	
Income Tax paid for Prior years	38,02,475	
Share Issue Expenses	5,28,223	65,59,303
Balance carried over to next year		(-) 45,78,705

DIVIDEND

Your Directors regret their inability to recommend any Dividend on Equity Shares for the year ended 30.06.2002, due to loss incurred by the Company.

REVIEW OF OPERATIONS

During the year under report, the Gross profit of the Company has gone up from Rs. 91.71 Lakhs to Rs.201.45 Lakhs . The performance of the Company was however affected by lower yarn prices and introduction of the Excise Duty on Hank Yarn.

To improve current working, the Company is maximising production of highest quality of yarn at lowest cost. All resources are being mobilised and optimised to achieve better results. To improve results further, balancing machinery upgradation and modernisation of machinery are being currently carried out wherever necessary.

FIXED DEPOSITS

As on 30.6.2002, 10 deposits amounting to Rs. 88,000 remaining unclaimed on the due dates, since then 5 deposits involving Rs. 62,000 were transferred to Investor Education and Protection Fund Account and 5 deposits involving Rs.26,000/- still remain unclaimed and close follow up is being made to obtain instruction from the depositors.

DIRECTORS

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

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 30.06.2002.

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 30.06.2002 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 30.06.2002 on a going concern basis.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India, vide an amendment to the listing Agreement, has now directed listed Companies to follow a uniform Code of Corporate Governance, which applies, to your Company from the current year. Necessary reporting will be made from the ensuing Annual Report.

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 2002-2003.

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.24 lakhs per annum and Rs.2,00,000 per month is Nil.

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.

REPLY TO AUDITORS' REMARKS:

Regarding non-reconciliation/confirmation of balances of Sundry Debtors, Sundry Creditors and Advances, written off deferred payment charges and charging of prior year expenses, non provision of deferred tax liability the explanation given in the notes no. 9, 10,12 and 15 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
27th September 2002

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