

SRI NACHAMMAI COTTON MILLS LIMITED



23rd ANNUAL REPORT 2002 - 2003



SRI NACHAMMAI COTTON MILLS LIMITED

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.,

Directors

Smt.RM.UMAIYAL
Shri.AR.ANNAMALAI
Shri.R.VIJAYARAGHAVAN, M.Sc., M.B.A., B.L.
Shri.AMRATHLAL A.GANDHI, B.Sc.,
Shri.A.ALAGAPPAN, B.B.A.,
Shri.A.ANNAMALAI
Shri.C.S.THIRUMALAI, M.A., PGDMA, ACMA, AICWA, MIIE.,

Auditors

Messrs.M.S.JAGANNATHAN & VISVANATHAN
Chartered Accountants
No.6, D.B.Road, R.S.Puram,
Coimbatore - 641 002.

Internal Auditor

Shri.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.

Registrar and Share Transfer Agents
CAMEO CORPORATE SERVICES LIMITED
'Subramanian Building'
No.1, Club House Road,
Chennai - 600 002.

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 Third Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Thursday 11th December 2003 at 5.00 P.M. at Hotel Cenneys Gateway, 97/4, Sarada College Main Road, Five Roads, 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 2003, the audited Profit and Loss Account as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Smt.RM.UmaiyaI who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in the place of Shri.R.Vijayaraghavan 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.

Salem
27.08.2003

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



SRI NACHAMMAI COTTON MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING (Contd...)

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member of the Company.
2. Information as required under Clause 49 of the Listing Agreement in respect of re-appointment of Directors are provided in the Annexure to the notice.
3. The instrument appointing Proxy should however be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 02.12.2003 to 11.12.2003 (both days inclusive).
5. Members holding share in Physical form are requested to intimate immediately any changes in their address to the Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building' No. 1, Club House Road, Chennai – 600 002 and members holding shares in dematerialized form may inform the same to their respective Depository Participant.
6. 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 – 641005 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 and for the period ended 30.06.1996 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 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 year ended 30.06.1997 and 30.06.1998 are requested to make the claim to the Company accordingly, without any delay.



SRI NACHAMMAI COTTON MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING (Contd...)

Annexure:

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	:	Smt. RM. Umaiyal
Age	:	75
Qualification	:	-
Date of Appointment	:	18.08.1982
Experience	:	20 Years
Other Directorships	:	Supreme Yarn Spinners Limited
Member of the Committee	:	Nil

Name	:	Shri. R. Vijayaraghavan
Age	:	53
Qualification	:	M.Sc., M.B.A., B.L.,
Date of Appointment	:	04.06.1992
Experience	:	28 years
Other Directorships	:	Redington (India) Private Limited Thiru Arooran Sugars Limited Amrutanjan Limited Sanco Trans Limited Shree Ambika Sugars Limited Terra Energy Limited
Member of the Committee	:	Nil



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 23rd Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2003.

FINANCIAL RESULTS FOR THE YEAR

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

		Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		57,938,570
Less : Interest		29,749,242
GROSS PROFIT		28,189,328
Less : Depreciation		23,616,488
NET PROFIT		4,572,840
Add : Excess Provision of prior years reversed		1,291,008
		5,863,848
Less : Brought Forward Loss	4,578,705	
Deferred Tax Liability	554,779	
		5,133,484
Balance surplus carried over to next year		730,364



SRI NACHAMMAI COTTON MILLS LIMITED

REPORT OF BOARD OF DIRECTORS (Contd...)

DIVIDEND

Your Directors regret their inability to recommend any Dividend on Equity Shares for the year ended 30.06.2003, due to inadequacy of Profits earned by the Company.

REVIEW OF OPERATIONS

During the year under report, the Gross profit of the Company has gone up from Rs.201.45 lakhs to Rs.281.89 lakhs. Though the Company earned a net profit of 104.10 lakhs for the 6 months ended 31.12.2002, the performance of the Company was adversely affected during the later part of the year due to strike by workers for the period from 25.01.2003 to 02.04.2003. Also with power loom owners strike, lorry strike, higher cotton prices, stiff increase in power cost and lower yarn realization have affected the working of the Company.

To improve the current working of the Company, the Company has switched over its production in 'B' Unit to blended yarn to cater to the niche market and also it has identified various new markets for better realisation of yarn produced.

FIXED DEPOSITS

As on 30.06.2003, 5 deposits amounting to Rs.23000/- remaining unclaimed on the due dates, since then a deposit involving Rs.5000/- was repaid as per the instruction from the depositor and 4 deposits involving Rs.18000/- 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 12% to 10% with effect from the date of release of newspaper advertisement.

DIRECTORS

The Directors Smt. RM. Umaiyal and Sri. R. Vijayaraghavan 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 state that in the preparation of Annual Accounts for the year ended 30.06.2003

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 30.06.2003 and of the profit 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 30.06.2003 on a going concern basis.

CORPORATE GOVERNANCE

Reports on Management Discussion and Analysis and Corporate Governance along with a certificate from the auditors of the Company regarding compliance in accordance with Clause 49 of the Listing Agreements with Stock Exchanges are made a part of the Annual Report.



SRI NACHAMMAI COTTON MILLS LIMITED

REPORT OF BOARD OF DIRECTORS (Contd...)

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 2003-2004.

M/s. Cameo Corporate Services Limited, Chennai is the Registrar for providing depository services through National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for holding Shares in Electronic mode (De-mat) by our Shareholders and also Registrar for Share Transfer Services for physical segment.

AUDITORS

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

PARTICULARS OF EMPLOYEES

In accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, 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 and Sundry Creditors and Advances and provisions thereof bad and doubtful debts / advances, the explanation given in note no. 7 (b) is self-explanatory.

Regarding non remittance of share application money amounting to Rs.63,995/- which was lying unclaimed beyond 7 years to the Investor Education and Protection Fund within due date, your directors wish to state that the said amount has been remitted on 25.08.2003 and that the delay is caused due to discrepancy in the Bank Statement which is beyond the control of the Company.

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 good work done by the staff and employees of the Company.

Salem.

27th August, 2003

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

Chairman cum Managing Director



SRI NACHAMMAI COTTON MILLS LIMITED

ANNEXURE TO DIRECTORS' REPORT

Forming part of the Report of the Board of Directors for the year ended 30th June, 2003. Particulars as required under Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 made under Section 217(1)(e) of the Companies Act, 1956.

FORM A

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

	<u>Current Year</u> Year ended 30.06.2003	<u>Previous Year</u> Year ended 30.06.2002
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units	17,063,118	19,069,682
Total Amount (Rs.)	69,995,513	77,806,912
Rate Per unit (Rs.)	4.10	4.08
(b) Own Generation		
(i) Through Diesel Generator		
Units	3,209,758	2,962,023
Units per litre of Diesel	3.33	3.22
Cost/Unit (Rs.)	4.14	4.44
(ii) Through Steam Turbine/ Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other/Internal Generation	Nil	Nil
B. Consumption per unit of Production		
Yarn produced (kgs)	7,061,986	7,591,076
Electricity Consumed (Units)	20,272,876	22,031,705
Electricity Consumed per Kg. of Yarn (Units)	2.87	2.90

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.

PARTICULARS ON FOREIGN EXCHANGE EARNINGS AND OUTGO

EARNINGS:	Direct Exports :	Rs.	Nil
OUTGO:	Import of Raw Material	Rs.	74,895,996
	Import of Spares	Rs.	2,092,917
	Import of Capital Goods	Rs.	11,917,292
			88,906,205

Salem
27th August, 2003

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



SRI NACHAMMAI COTTON MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENT :

Textile Industry is the largest employer of workforce after agriculture. Its importance in the Indian economy is recognized for its contribution to industrial production and export earnings. The textile industry can be classified under 4 categories: Spinning, Weaving, Knitting and Processing. The Indian Spinning sector is largely in the organized sector and continues to be the predominant supplier of cotton yarn in the world with its share exceeding 25% of the total.

The cotton yarn retail markets were good in the first 10 months of the reporting accounting year but had slowed down in the months of May & June 2003. This slowdown could be attributed to factors like the higher cotton prices, lorry strike and powerloom owners strike.

During the latter part of the reporting accounting year, the cotton prices sky-rocketed due to short supply of cotton throughout the world. The increase in cotton prices were not matched by a corresponding increase in the yarn prices.

Sri Nachammai Cotton Mills Limited, B Unit, has bagged the prestigious AOTS-CUMI 5S award, for its outstanding housekeeping.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS :

The Indian textile industry was not able to grow and develop to its full potential, due to several years of distorted fiscal structure, which favoured fragmentation and tax evasion. The Budget 2003-04 has removed the above said distortions and thus provided a level playing field for all segments in the textile industry.

The competitiveness of the Indian textile industry could improve due to measures like the Technology Upgradation Fund, the slashing of import duties on textile machinery and the proposed setting up of the Textile Reconstruction Fund to provide financial support to viable and potential viable units.

Cotton availability has been highly volatile and will continue to do so in the future due to various natural factors. The quality of the Indian cotton has been deteriorating year to year due to high level of contamination. The management is continuously keeping a watch on the cotton market and has purchased good cotton at reasonable prices and has adequately covered the Company's requirement.

In the prevailing situation, it is favourable to import cotton due to the availability of better quality cotton and declining US dollar value. The management has made good use of this opportunity.

C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE :

At present, the segmental reporting are not applicable to the Company as the Company has only single reportable business segment i.e. "Yarn Segment".

D. OUTLOOK :

The future of the textile industry is full of surprises and challenges. Only the mills which warrant customer satisfaction, value for money at a low cost, good working capital management and clear vision for the future can survive in the highly competitive years to come. The management of your company is working in that direction.

Considering the volatility of the cotton yarn markets, your company has decided to enter into blended yarn markets. The first production of the blended yarn was successfully out in the second week of August 2003. By venturing into the blended yarn market, your company will be able to counter the challenges which arise when cotton yarn markets are dull or when cotton prices increase drastically without a corresponding increase in the cotton yarn prices.