

SRI NACHAMMAI COTTON MILLS LIMITED



25th ANNUAL REPORT 2004 - 2005



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.Umaiya 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., MIE.,

COMPANY SECRETARY

Shri. V. Venkatesan, M.Com., M.B.A., ACS.,

AUDITORS

Messrs.M.S.Jagannathan & Visvanathan
Chartered Accountants, Coimbatore - 641 002.

INTERNAL AUDITOR

Shri.PL.Arumugam, M.Com.,FCA.,
Chartered Accountant, 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.

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**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 Fifth Annual General Meeting of Sri Nachammai Cotton Mills Limited** will be held on **Wednesday the 7th day of December, 2005** at **5.00 P.M.** at **Hotel Sarathy Classics, 8/3, Park Street, Fairlands, Salem – 636 016** 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 2005**, 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. AR.ANNAMALAI** who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of **Sri. AMRATHLAL A GANDHI** 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, with or without modification, the following resolution as an **"Special Resolution"**
"RESOLVED that the Company may De-list its shares from , **Madras Stock Exchange** and **Coimbatore Stock Exchange** subject to **SEBI** Guidelines.

Salem
22.08.2005

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



SRI NACHAMMAI COTTON MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING (Contd...)

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO.5

Voluntary De-listing of Shares :

Your Company has proposed Voluntary De-listing of its Equity Shares from Stock Exchanges Viz. **Madras** and **Coimbatore**. In view of recent **SEBI (Delisting of Securities) Guidelines, 2003**, an EXIT opportunity need not be given in cases where Securities continue to be listed and traded with stock Exchanges having Nationwide terminals Viz. the Stock Exchange-Mumbai. Hence your Directors propose to seek approval from members by way of a Special Resolution Pursuant to Clause 6 of SEBI (De-Listing of Securities)

For the last few years Our Company, Sri Nachammai Cotton Mills Limited's Shares are regularly traded only in the Stock Exchange- Mumbai. (BSE). Sri Nachammai Cotton Mills Limited does not receive any price list or related information on trading from Coimbatore Stock Exchange and Madras Stock Exchange. On assessment of the requirement, it is found that for the present, listing with the **BSE** is adequate. Therefore it is proposed that the shares be de-listed from the Coimbatore Stock Exchange and Madras Stock Exchange subject to SEBI Guidelines.

Salem
22.08.2005

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 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 **01.12.2005 to 07.12.2005** (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 30th June, 1996 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.



SRI NACHAMMAI COTTON MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING (Contd...)

Pursuant to Section 205C of the Companies Act, 1956, the Company has transferred all unpaid dividends for the period ended 30.06.1998 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 30.06.1999 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 30.06.1999 are requested to make the claim to the Company accordingly, without any delay.

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	: Sri. Amrathlal A Gandhi
Age	: 72 Years
Qualification	: B.Sc.
Date of Appointment	: 05-06-1995
Experience	: 50 Years
Other Directorships	: Nil
Member of the Committee	: Audit Committee, Remuneration Committee and Share Holders Grievances Committee.
Name	: Shri. AR.Annamalai
Age	: 87 years
Qualification	:
Date of Appointment	: 21.07.1980
Experience	: 60 Years
Other Directorships	: Supreme Yarn Spinners Limited. Yoha Securities Limited. Abirami Financial Services(India) Limited.
Member of the 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 25th Annual Report together with the Audited Statement of Accounts for the Year ended 30th June 2005.

FINANCIAL RESULTS FOR THE YEAR

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

			Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION			4,70,36,099
Less : Interest			2,73,78,525
GROSS PROFIT			<u>1,96,57,574</u>
Less : Depreciation			1,54,80,719
NET PROFIT			<u>41,76,855</u>
Add : Increase in value of Investments	3,04,920		
Excess Income Tax provision reversed	9,091		
B/F Surplus	4,48,158		7,62,169
			<u>49,39,024</u>
Less : Provision for Fringe Benefit Tax	40,305		
Deferred Tax Liability	4,98,690		
Prior Year Adjustments	23,55,889		28,94,884
			<u>20,44,140</u>
NET PROFIT BEFORE APPROPRIATION			<u>20,44,140</u>
SURPLUS CARRIED OVER TO BALANCE SHEET			<u>20,44,140</u>



SRI NACHAMMAI COTTON MILLS LIMITED

REPORT OF BOARD OF DIRECTORS (Contd...)

REVIEW OF OPERATIONS

During the year under report, the Gross profit of the Company is Rs.196.58 lakhs. We are glad to inform you that we have got **ISO Certification** for our Registered Office, Tirupur Sales Centre and B Unit. We would be subsequently getting ISO Certification for our other units. During the current year, the Company is expected to improve its performance due to adequate steps taken in timely procurement of raw materials, upgradation of technology and various cost control measures taken across the units.

FIXED DEPOSITS

As on **30.06.2005**, 5 deposits amounting to **Rs.45,000** remaining unclaimed on the due dates and close follow up is being made to obtain instruction from the depositors.

DIRECTORS

The Directors **Sri. AR. Annamalai** and **Sri. Amrathlal A Gandhi** 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 **30.06.2005**

1. That in the preparation of Annual Accounts for the year ended **30.06.2005**, 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 **30.06.2005** 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 **30.06.2005** 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 **2005-2006**.

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. 10b is self-explanatory.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their deep sense of appreciation for the 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.
22nd August, 2005

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



SRI NACHAMMAI COTTON MILLS LIMITED

ANNEXURE TO DIRECTOR'S REPORT

Forming part of the Report of the Board of Directors for the year ended 30th June, 2005. 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.

	Current Year Year ended 30.06.2005	Previous Year Year ended 30.06.2004
A. POWER AND FUEL CONSUMPTION:		
1. Electricity		
(a) Purchased		
Units	2,38,28,092	2,37,41,372
Total Amount (Rs.)	9,70,79,370	9,70,71,226
Rate Per unit (Rs.)	4.07	4.09
(b) Own Generation		
(i) Through Diesel Generator		
Units	6,47,772	18,35,221
Units per litre of Diesel	3.17	3.37
Cost/Unit (Rs.)	7.51	4.51
(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)	79,69,217	95,89,148
Electricity Consumed (Units)	2,44,75,864	2,55,76,593
Electricity Consumed Per kg. of yarn (Units)	3.07	2.67

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.	9,81,00,993
	Import of Spares	Rs.	36,48,636
	Import of Capital Goods	Rs.	69,53,375
			<u>10,87,03,004</u>

For and on behalf of the Board of Directors,

Salem
22nd August, 2005

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, playing a crucial and pivotal role in the Indian Economy. Its importance to the Indian economy is recognised for its significant contribution to Industrial production and export earnings. The textile Industry can be classified under 5 categories: Spinning, Weaving, Knitting, Processing and Garments. The Indian Spinning is largely in the organized Sector and continues to be the predominant supplier of Cotton Yarn in the world.

During the latter part of the reporting accounting year, the cotton prices have reduced due to good supply of quality cotton both from the local and the international markets. For the coming year, there is expected to be a good cotton crop as in the last year, thus we expect the cotton prices to remain relatively stable. Yarn selling prices in coarse counts reduced considerably due to lack of adequate demand and a decrease in cotton prices.

Company's strong emphasis on technology upgradation and modernization has helped the Company to have a qualitative edge in the market. Besides your Company is continuously enhancing its operational efficiency, productivity and cost control.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS:

The health of textile Industries is primarily dependent on adequate availability of quality cotton at competitive prices and right blend of Technology. 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, the setting up of the textile construction fund to provide financial support to viable and potentially viable units and TMC's support to improve market yards and ginning units. The phase out of quota is both an opportunity and a threat. The threat being competition from units situated in different parts of the world and the opportunity being unlimited export access to other countries. 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. The units, which are cost-effective, superior in technology, quality – conscious and service oriented will only survive.

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.

Your company continues to be a significant player in the medium & fine segment in the Indian Cotton Yarn Market. Owing to a good monsoon, we expect a bumper cotton crop, thus resulting in reduced input prices. With the **phase out** of quota regime, we are expecting an increase in demand for Indian Textiles as a whole.