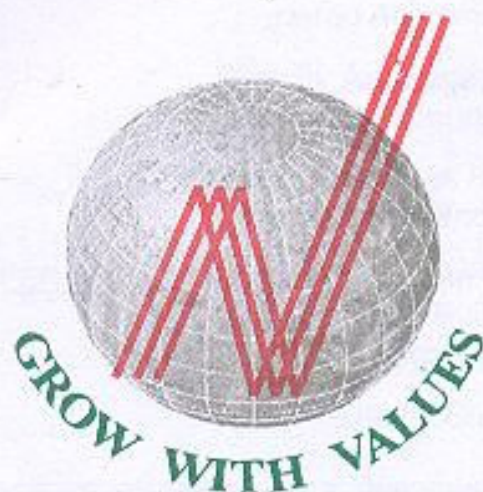


# SRI NACHAMMAI COTTON MILLS LIMITED



**31<sup>st</sup> ANNUAL REPORT 2010 - 2011**





# SRI NACHAMMAI COTTON MILLS LIMITED

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## BOARD OF DIRECTORS

<b>Chairman cum Managing Director</b>	Shri P. Palaniappan, B.E., M.S.(U.S.A.),
<b>Joint Managing Director</b>	Smt. P. Umayal, B.Sc.,
<b>Whole Time Director</b>	Shri A. Annamalai,
<b>Directors</b>	Smt. RM. Umaiyal, Shri Amarthal A. Gandhi, B.Sc., Shri A. Alagappan, B.B.A., Shri Perumal Madhavagopal, L.T.M., Shri PL. Subbiah, B.E., Shri S. Ravichandran, B.E., M.B.A.,

## AUDITORS

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

## INTERNAL AUDITOR

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

## COMPLIANCE OFFICER

Mrs. R. Tamil Selvi

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Contact Details	
<b>Registered Office</b>	30, Sugavaneswara Road, Balaji Nagar, Salem - 636 004.
<b>Mills at</b>	Near Railway Station, Chettinad - 630 102. Sivaganga District.
<b>Phone Numbers</b>	0427-2331879, 2330847, 2330466.
<b>Fax</b>	0427 - 2331951
<b>E-mail</b>	sncm@rediffmail.com
<b>Website</b>	www.sncmindia.com





# SRI NACHAMMAI COTTON MILLS LIMITED

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

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty First Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday the 14<sup>th</sup> day of December, 2011 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 consider and adopt the Audited Balance Sheet as at 30<sup>th</sup> June 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Smt. RM. Umaiyal who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in the place of Sri Amarthial A. Gandhi who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint an 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 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 one year from 19.12.2011 on the following remuneration perquisites and other terms and conditions:
  - I Salary  
Rs.1,25,000/- p.m. (Rupees One Lakh and 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 Part II of Schedule XIII).
  - III 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 of Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
      - ii) Encashment of leave at the end of tenure.
    2. 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.
    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.





# SRI NACHAMMAI COTTON MILLS LIMITED

## NOTICE OF ANNUAL GENERAL MEETING (Contd...)

### 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 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 one year from 19.12.2011 on the following remuneration, perquisites and other terms and conditions:

#### I Salary

Rs.1,25,000/- p.m. (Rupees One Lakh and 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 Part II of Schedule XIII).

#### III. 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 of Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
- ii) 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.

### 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 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.





# SRI NACHAMMAI COTTON MILLS LIMITED

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7. To consider and if thought fit, to pass the following resolution as "Special Business".

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 A. Annamalai as Whole Time Director for a period of one year from 01.09.2011 on the following terms and conditions.

**1. Salary**

Rs.25,000/- p.m. (Rupees Twenty Five Thousand Only).

**2. Other Terms and Conditions**

- The salary shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- In the event of Loss or inadequacy of profits in any financial year during the tenure of the Whole time Director, he shall be paid the salary as specified above, subject to the ceiling under Paragraph 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 as modified from time to time.

**Notes:**

- 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.
- 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.
- 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.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 08.12.2011 to 14.12.2011 (both days inclusive).
- Pursuant to Section 205C of the Companies Act, 1956, unclaimed dividends are to be transferred to the 'Investor Education and Protection Fund' of the Central Government after a period of 7 years from the date of declaration. Shareholders who have not encashed/misplaced/not received the dividend warrant for the year 2003-04 are requested to make the claim to the Company accordingly, without further delay. Due date for the transfer of the unclaimed dividend of the year 2003-04 to the said fund is 08.01.2012 and shareholders cannot make a claim after that date.
- 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.
- Disclosure relating to particulars of Cost Auditor as per General Circular No. 15/2011 dated 11<sup>th</sup> April, 2011 for the year ended 31.03.2010.  
Name : Mr. V. Balasubramanian, Cost Accountant  
Address : 31/3-E, Sri Ramakrishna Nagar, Kavundampalayam, Coimbatore 641030. Ph: 0422- 2446406  
Cost Audit Report : 2009 - 2010  
Due Date for filing : 31.12.2010  
Actual date of filing : 24.12.2010

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

**Item Nos. 5 & 6**

Shri P.Palaniappan was appointed as Chairman cum Managing Director and Smt. P.Umayal was appointed as Joint Managing Director for a period of one year with effect from 19.12.2010 by the Board of Directors at its Meeting held on 27.08.2010 and their period of reappointment expires on 18.12.2011.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 25.08.2011 has reappointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of one year from 19.12.2011 on the same remuneration and perquisites and other terms and conditions as set out in the resolution.

Shri 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 as recommended by the Remuneration Committee and the Board of Directors for approval of this General Meeting.





## SRI NACHAMMAI COTTON MILLS LIMITED

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Shri 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 and Smt. RM. Umaiyal is interested being related to Shri P.Palaniappan and Smt. P.Umayal.

### Item No.7

Shri A. Annamalai was appointed as Whole Time Director for a period of one year with effect from 01.09.2010 by the Board of Directors at its Meeting held on 27.08.2010 and his period of appointment expires on 31.08.2011.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 25.08.2011 has reappointed him as Whole Time Director for a period of one year from 01.09.2011 on the same terms and conditions as set out in the resolution.

Shri A. Annamalai has rich experience in the field of finance. His experience will benefit the company immensely.

None of the Directors expect Shri A. Annamalai may be deemed to be concerned or interested in the above appointment.

Salem,  
25th August, 2011.

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

### Details of the Directors seeking appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name	: Smt. RM. Umaiyal	Name	: Shri Amarthlal A. Gandhi
Age	: 84 Years	Age	: 78 years
Date of Appointment	: 18.08.1982	Date of Appointment	: 05.06.1995
Qualification	: —	Qualification	: B.Sc.
Experience	: —	Experience	: 30 years
No. of Shares	: 1000	No. of Shares	: 500
Other Directorships	: Supreme Yarn Spinners Limited	Other Directorships	: Nil
Member of the Committee	: Nil	Member of the Committee	: Audit Committee, Remuneration Committee and Shareholders Grievances Committee





# SRI NACHAMMAI COTTON MILLS LIMITED

## REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors are hereby presenting this 31st Annual Report together with the Audited Statement of Accounts for the Year ended 30<sup>th</sup> June, 2011.

### FINANCIAL RESULTS FOR THE YEAR

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

		30.06.2011	30.06.2010
		Rs.	Rs.
<b>OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION</b>		<b>7,90,21,945</b>	<b>13,04,06,733</b>
Less: Interest	7,18,26,960		4,65,89,107
Depreciation	3,17,66,492		2,16,74,134
		<b>10,35,93,452</b>	<b>6,82,63,241</b>
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>( 2,45,71,507)</b>	<b>6,21,43,492</b>
Current Tax (MAT)	51,94,388		23,20,000
Less: MAT credit entitlement	51,94,388		23,20,000
Less: Deferred Tax (Liability) / Asset		<b>(89,69,095)</b>	<b>(1,05,15,176)</b>
Excess income tax provision reversed		<b>9,64,088</b>	<b>—</b>
<b>(LOSS)/PROFIT AFTER TAX</b>		<b>(3,25,76,514)</b>	<b>5,16,28,316</b>
Increase/(Provision for Diminution in Value of investments)		<b>—</b>	<b>3,13,500</b>
<b>(DEFICIT) /SURPLUS TRANSFERRED TO BALANCE SHEET</b>		<b>( 3,25,76,514)</b>	<b>5,19,41,816</b>

**Dividend :** Due to inadequacy of Profit, the Company is unable to declare any Dividend for this year 2010-11.

### REVIEW OF OPERATIONS

The Company incurred a Loss before tax of Rs. 245.72 lakhs as compared to previous year Profit before tax of Rs. 621.43 lakhs. The loss during the current year was on account of the following factors.

- Slow off take of yarn :
  - The Tirupur market is the main market for our yarn, from January, 2011, about 740 dyeing units in Tirupur were closed, so virtually Tirupur had come to a standstill.
  - There was no off-take of yarn because quantity restrictions were placed on cotton yarn export.
  - In the Budget, branded garments were subject to excise duty. Earlier it was not subject to the same.
- The power situation has deteriorated in Tamilnadu, hence, we were able to utilize only 50% to 70% capacity in our mills. Thus our operating cost went up per kg of yarn.
- Cotton price started falling and there was no off-take of yarn, hence there was an incremental fall in yarn prices.

**FIXED DEPOSITS :** As on 30.06.2011, two deposits amounting to Rs.16,000/- remaining unclaimed on the due dates and since paid.

### DIRECTORS

The Directors Smt. R.M. Umaiyal and Shri Amarthlal 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.

Shri C. S. Thirumalai, Director has resigned on 28.09.2010.

The Board expresses its appreciation for the services rendered by Shri C. S. Thirumalai towards growth of the Company.

The Particulars of the Directors proposed to be appointed or re-appointed are given in the Report on Corporate Governance of this Annual Report.

### 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 30.06.2011





## REPORT OF BOARD OF DIRECTORS (Contd...)

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 30.06.2011 and of the Loss 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 30.06.2011 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 annexed as part of the Annual Report.

**LISTING :** The Equity Shares of the Company are listed in Mumbai and Coimbatore Stock Exchanges and the Company has duly paid the Annual listing fees for the year 2011-2012, except to Coimbatore Stock Exchange to which the Company has applied for de-listing on 22.08.2005.

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, there are no employees who are in receipt of remuneration of Rs. 60 lakhs or more per annum and Rs. 5 lakhs or more per month.

## 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.

## 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 contribution made by the employees at all levels.

Salem,  
25th August, 2011.

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





# SRI NACHAMMAI COTTON MILLS LIMITED

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## ANNEXURE TO DIRECTOR'S REPORT

Particulars Pursuant to Section 217(1)(c) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### A. CONSERVATION OF ENERGY

a. Conservation of energy receives top most priority due to energy quota restrictions and also high costs.

The Company continuously monitors the energy usage in all its Units on a weekly basis and in depth studies are carried out.

Energy Conservation Measures adopted by our Company during the year are as follows:

- Installation of Power Capacitors.
  - Installation of energy saving fans.
  - Thermography studies
  - Installation of energy efficient Motors.
- b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy will be an ongoing process.
- c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

### FORM A

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

	Current Year Year ended 30.06.2011	Previous Year Year ended 30.06.2010
<b>POWER AND FUEL CONSUMPTION :</b>		
1. Electricity		
(a) Purchased		
Units	2,54,84,230	2,01,39,077
Total Amount (Rs.)	13,12,15,849	9,46,37,132
Rate Per unit (Rs.)	5.15	4.70
(b) Own Generation		
(i) Through Diesel Generator		
Units	19,75,945	52,34,437
Units per litre of Diesel	3.50	3.56
Cost/Unit (Rs.)	9.86	9.26
(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:</b>		
Yarn produced (kgs)	85,26,902	87,69,412
Electricity Consumed (Units)	2,74,60,175	2,53,73,514
Electricity Consumed per Kg. of Yarn (Units)	3.22	2.89

### B. 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.

### C. PARTICULARS ON FOREIGN EXCHANGE EARNINGS AND OUTGO

<b>EARNINGS:</b>	Direct Exports	Rs.	Nil	Rs.	Nil
<b>OUTGO :</b>	Import of Spares	Rs.	42,04,112	Rs.	20,82,849
	Import of Capital Goods	Rs.	3,53,63,766	Rs.	4,14,18,127
	Import of Raw Material	Rs.	Nil	Rs.	12,54,51,801
		Rs.	<u>3,95,67,878</u>	Rs.	<u>16,89,50,777</u>

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

Salem,  
25th August 2011.





# SRI NACHAMMAI COTTON MILLS LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS

### A. INDUSTRY STRUCTURE AND DEVELOPMENTS

Textile industry is the largest employer of workforce after agriculture. It plays a crucial role in the Indian Economy. Its importance to the Indian Economy is recognized for its significant contribution to industrial production and export earnings. The Indian Spinning Sector is largely organized and continues to be a predominant supplier of cotton yarn in the world. The cotton yarn manufactured by the Indian Spinning mills is said to be among the best in the world.

The accounting year 2010-11 was a mixed year for the spinning industry. The first half up to December 2010 was a period of unprecedented good business for the spinning sector. Good movement of cotton yarn coupled with highly remunerative prices has helped the industry do brisk business. But the second half year ended June 2011 was just the opposite. The spinning mills started feeling the pinch of quantitative restriction placed on cotton yarn exports. Around 740 dyeing units in Tirupur were closed due to pollution problems. In the Union Budget, excise duty was imposed on branded garments which were earlier free from excise duty. All these factors contributed to the slow off take of yarn and thus now most of the spinning mills are saddled with huge inventory of yarn. On top of this, cotton yarn prices started falling drastically. The Duty drawback and DEPB schemes were withdrawn for cotton yarn exports. The TUF (Technology Upgradation Fund) scheme was suspended for about 9 months.

Now, the Central Government has again provided DEPB benefits for cotton yarn exports and has brought Cotton Yarn exports under Open General License (OGL).

### B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS :

The cotton prices have come down from historically high levels of about Rs.65,000/- per candy to about Rs.35,000/- per candy. The demand for yarn is gradually picking up. Due to above factors, there is a general expectation that the industry will return to normality.

The Government interventions in the textile industry even in the liberalized economy are frequently occurring partly because of the linkage of the agricultural sector and also due the lobbying by the garment manufacturers. These sudden policy changes by the government may hinder the growth of the Indian textile industry.

Power shortages and non-availability of labour continue to be of concern.

### C. SEGMENT WISE OR PRODUCT WISE PERFORMANCE :

At present, the segmental reporting is not applicable to the Company as it operates only in single reportable business i.e. "Textiles".

### D. OUTLOOK :

There is a lot of optimism that the cotton crop throughout the world will be larger than the previous year and hence the cotton prices will be at moderate levels.

With the Tamil Nadu Government taking all efforts to solve the Tirupur Dyeing pollution problem, there is hope that Tirupur once again will become vibrant. Your company stands to gain immensely by this because the primary market for your company is Tirupur. Moreover, your Company has started developing more markets for its yarn.

### E. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition. All transactions are authorized, recorded and reported correctly. The internal control is supplemented by an extensive program of internal checks. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

### F. FINANCIAL AND OPERATIONAL PERFORMANCE :

Please refer Board Report on Financial and operational performance review.

### G. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT :

The Company has been conducting skills training and motivational programmes for both management staff and workers. The purpose is to increase the competency level in the organisation. The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people.

### H. CAUTIONARY STATEMENT :

Certain statements made in the Management Analysis and Report relating to companies outlook, expectations, etc. may constitute forward looking statements within the meaning of the applicable laws and regulations. Actual results may vary from outlook, expectations, etc whether express or implied. Several factors could make a significant difference to the Company's operations which may include climate conditions, economic conditions affecting demand and supply, Government regulations, natural calamity, etc. over which the company does not have any control.