

SRI NACHAMMAI COTTON MILLS LIMITED



32nd ANNUAL REPORT 2011 - 2012



SRI NACHAMMAI COTTON MILLS LIMITED

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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.,
Whole Time Director	Shri A. Annamalai,
Directors	Smt. RM. Umayal, 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 & Visvenathan
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. Thamiz Selvi

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Contact Details	
Registered Office	30, Sugavaneswara Road, Balaji Nagar, Salem - 636 004.
Mills at	Near Railway Station, Chettinad - 630 102. Sivaganga District.
Phone Numbers	0427-2331879, 2330847, 2330466.
Fax	0427 - 2331951
E-mail	snom@rediffmail.com
Website	www.snomindia.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 Second Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday, the 19th day of December, 2012 at 5.00 P.M. at Hotel Sarathy Classics-8/3, Park Street, Fairlands, Salem - 636 018 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 30th June, 2012, 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 Shri S. Ravichandran who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Shri PL. Subbiah who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint 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 Shri P.PALANIAPPAN, as Chairman cum Managing Director for a period of one year from 19.12.2012 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 ceiling. 50th 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 purposes shall be billed by the Company.



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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 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.

8. 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 18.12.2012 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 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.



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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 Section 198, 289, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Shri A. Annamalai as Whole Time Director for a period of one year from 01.09.2012 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 13.12.2012 to 19.12.2012 (both days inclusive).
- 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.
- As per the green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their e-mail address with the Company in respect of shares held in physical form and with the concerned Depository Participant in respect of shares held in Demat form to enable the Company to serve documents in electronic form.
- Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

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 19.12.2011 by the Board of Directors at its Meeting held on 25.08.2011 and their period of reappointment expires on 18.12.2012.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 23.06.2012 has reappointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of one year from 18.12.2012 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.

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. R.M. Umayal is interested being related to Shri P. Palaniappan and Smt. P. Umayal.



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Item No.7

Shri A. Annamalai was appointed as Whole Time Director for a period of one year with effect from 01.09.2011 by the Board of Directors at its Meeting held on 25.08.2011 and his period of reappointment expires on 31.08.2012.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 23.08.2012 has reappointed him as Whole Time Director for a period of one year from 01.09.2012 on the same terms and conditions as set out in the resolution:

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

Salem,
23rd August, 2012.

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

Details of the Directors seeking appointment at the Annual General meeting (Pursuant to clause 49 of the Listing Agreement)

Name	: Shri S. Ravichandran	Name	: Shri PL. Subbiah
Age	: 66 Years	Age	: 42 years
Date of Appointment	: 27.08.2010	Date of Appointment	: 27.08.2010
Qualification	: B.E., M.B.A	Qualification	: BE
Experience	: 33 years	Experience	: 20 years
No. of Shares	: 6234	No. of Shares	: Nil
Other Directorships	: Raja Yarns Private Limited	Other Directorships	: Egston Electronics (India) Private Limited
Member of the Committee	: Audit Committee, Remuneration Committee and Shareholders Grievances Committee.	Member of the Committee	: Nil



SRI NACHAMMAI COTTON MILLS LIMITED

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REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors are hereby presenting this 32nd Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2012.

FINANCIAL RESULTS FOR THE YEAR

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

Particulars	30.06.2012	30.06.2011
Profit before Interest and Depreciation	1,90,58,725	7,88,21,845
Interest	(5,88,89,551)	(7,18,28,980)
Depreciation	(3,71,54,877)	(3,17,86,482)
Loss before tax	(10,69,65,603)	(2,45,71,507)
Tax expenses:		
Current Tax(MAT)	-	51,84,388
MAT credit entitlement	-	(51,84,388)
Deferred Tax (Liability) / Asset	2,88,15,875	(88,88,095)
Excess income tax provision reversed		8,64,068
Loss transferred to Balance Sheet	(7,74,47,827)	3,25,76,514

Dividend : Due to inadequacy of Profit, the Company is unable to declare any Dividend for the year 2011-12

REVIEW OF OPERATIONS

The disparity between the cotton prices and yarn prices prevailed for most part of the year leading to huge losses in the year under review. With the RBI continuing its policy of increasing interest rates, there was a sharp increase in financing costs. Energy costs continued to remain high in view of the critical power situation that prevailed through the financial year. Salary and wages continued to escalate in line with increased demand for human capital and increases in the cost of living. All these factors added to the pressure on the bottom line. Hence resulting in a loss of Rs. 774.48 lakhs.

FIXED DEPOSITS : No Fixed Deposit remained unclaimed as on 30.06.2012.

DIRECTORS

The Directors Shri S. Ravichandran and Shri PL. Subbiah retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The details as required under Clause 48 of the Listing Agreement is attached.

Shri Ananthial A. Ganathi, tendered his resignation from directorship due to his ill health on 15.10.2011.

The Board expresses its appreciation for the services rendered by Shri Ananthial A. Ganathi during his tenure as director towards the 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 30.06.2012

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 30.06.2012 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 30.06.2012 on a going concern basis.



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REPORT OF BOARD OF DIRECTORS (Contd...)

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 2012-2013, 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.

EROSION OF NET WORTH & THE REASON FOR THE EROSION

The year 2011-12 was a very tough year for the textile industry. Our Company was also affected and it resulted in 50% erosion of peak net worth of the Company calculated in accordance with Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. The reasons for erosion are as follows.

- The disparity between cotton prices and yarn prices prevailed during the year under review which led to losses.
- The demand for yarn had dropped significantly due to slowdown in the US, the economic crisis in Europe and uncertain domestic and world economic scenario.
- The power situation had deteriorated in Tamil Nadu. There were 12 hours power shedding, 2 days power holidays per week and 40% demand cut for HT line industries. Hence, energy costs per kg of yarn had gone up significantly.
- The financing costs had gone up significantly because of RBI policy on bank rates.

STEPS TAKEN FOR IMPROVEMENT:

The Promoters converted their Unsecured loans amounting to Rs. 15 Crores into Preference Shares Capital by issuing 10% Cumulative Redeemable Preference Shares to improve the Net worth of the Company.

The Cotton prices have since stabilized and the yarn markets are also significantly improving. This will help the Company to fetch better prices. Further, due to reduction in unsecured loans the finance costs will also come down.

REPORTING TO BIFR:

Due to erosion of 50% of peak net worth during the immediately preceding four financial years, calculated in accordance with Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, the Company has to report such erosion to the Board for Industrial and Financial Reconstruction and the Company will take steps to report the same within the time stipulated.

AUDITORS : M/s. M.B.Jagannathan & Viswanathan, Auditors retire at the ensuing Annual General Meeting and they are eligible for reappointment.

COST AUDITORS : The Board of Directors has re-appointed Shri V. Balasubramanian, Cost Accountant, Coimbatore as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956, for the year 2012-13. The Cost Auditors Report for the year ended 30th June, 2011, the due date of filing the Cost Audit Report was 31st December, 2011, and the actual date of filing the cost audit report was 24.12.2011.

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. 80 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,
23rd August, 2012.

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.

- 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.

	<u>Current Year</u> Year ended 30.06.2012	<u>Previous Year</u> Year ended 30.06.2011
POWER AND FUEL CONSUMPTION :		
1. Electricity		
(a) Purchased		
Units	1,49,73,299	2,64,84,230
Total Amount (Rs.)	8,84,53,990	13,12,15,849
Rate Per unit (Rs.)	5.77	5.15
(b) Own Generation		
(i) Through Diesel Generator		
Units	27,50,976	18,75,845
Units per litre of Diesel	3.22	3.50
Cost/Unit (Rs.)	11.76	9.86
(ii) Through Steam Turbine / Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other/Internal Generation	Nil	Nil
Yarn produced (kg)	45,14,865	85,26,802
Electricity Consumed (Units)	1,77,33,185	2,74,80,175
Electricity Consumed per Kg. of Yarn (Units)	3.93	3.22

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

EARNINGS:

Direct Exports	Rs.	Nil	Rs.	Nil
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OUTGO :

Import of Spares	Rs.	6,81,796	Rs.	42,04,112
Import of Capital Goods	Rs.	1,90,21,863	Rs.	3,53,63,786
Import of Raw Material	Rs.	1,81,79,873	Rs.	Nil
	Rs.	<u>2,88,93,502</u>	Rs.	<u>3,95,67,898</u>

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

Salem,
23rd August, 2012.



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 recognised for its significant contribution to Industrial production and export earnings. The Indian spinning sector is largely organised 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 2011-12 was a tough year for the cotton spinning industry. The disparity between cotton and yarn prices continued during the year under review which led to losses for spinning mills. This trend slowly started reversing from April 2012 and now the mills are getting good prices for their yarn. Also in the accounting year 2011-12 Tamil Nadu spinning mills faced unprecedented power shedding which ran upto 12 hours per day coupled with a 40% demand cut and 2 days power holidays per week. From June 2012, the power shedding reduced and the power holidays were withdrawn.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS:

The power situation has improved from beginning of June 2012. One has to wait and see how TANGEDCO is going to manage the power supply when there is no or low wind power generation in the state. Cotton prices were stable for the entire accounting year 2011-12. From July 2012, the rates of cotton have increased. Due to delay in rains, sowing of cotton in India has got delayed and there is a drop in acreage used for cultivation of cotton. Due to this, one can expect that cotton will be priced higher than the accounting year 2011-12. However, prices of yarn have increased. Labour shortage continues to be a concern for all industries.

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:

The outlook is mixed. The cotton yarn prices have gone up but there is also an increase in cotton prices. For the accounting year 2012-13, cotton prices are likely to be higher than the previous accounting year. Your company is working on producing counts which can fetch a premium price and now the company's yarn is also marketed in new markets. The power situation in Tamil Nadu is improving from June 2012 but one has to wait and see how TANGEDCO is going to manage the power supply when there is low or no wind power generation. Your company has applied for a separate dedicated feeder line and it is purchasing power from third parties for the shortfall in supply from TANGEDCO side.

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 unauthorised use or disposition. All the transactions are authorised, recorded and reported correctly.

The Internal Control is supplemented by an extensive programme 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 training & motivational programmes for both the management staff and the workers. The purpose is to increase the competency levels in the organization. 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 company's 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.