

SRI NACHAMMAI COTTON MILLS LIMITED



33rd ANNUAL REPORT 2012 - 2013



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. Umaiyal

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 - 641 030

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. Thamil Selvi

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Contact Details

<u>Registered Office</u>	30, Sugavaneswara Road Balaji Nagar Salem - 636 004
<u>Mills at</u>	Near Railway Station Chettinad - 630 102 Sivaganga District
<u>Phone Numbers</u>	0427-2331879, 2330847 2330466
<u>Fax</u>	0427 - 2331951
<u>E-mail</u>	sncm@rediffmail.com
<u>Website</u>	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 33rd Annual General Meeting will be held on Wednesday, the 18th day of December, 2013 at 5.00 P.M. at Sarathy Classics, 8/3, Park Street, Fairlands, Salem- 636016 to transact the following business. All the Shareholders are requested to attend the same.

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 30th June, 2013, 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 A. Alagappan who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri Perumal Madhavagopal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and 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 19.12.2013 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

- a) The Chairman cum Managing Director shall be eligible to the following perquisites, which are not to be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956.

- (i) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.

- (ii) Encashment of leave at the end of tenure.

b) 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.

c) Gas, Electricity, Water and Furnishings

The expenditure incurred by the Company on gas, electricity, water and furnishing 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.

d) Medical Reimbursement

Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.

e) Leave Travel Concession

For self and family once in a year incurred in accordance with the rules of the Company.

f) Club Fees

Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.

g) Personal Accident Insurance

Premium not to exceed Rs. 10,000/- per annum.

h) 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.

i) Other terms and Conditions

- (a) The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- (b) 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.



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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 19.12.2013 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 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

- a) The Joint Managing Director shall be eligible to the following perquisites, which are not to be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956.

- (i) Contribution to Provident Fund, Superannuation Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.

- (ii) Encashment of leave at the end of tenure.

b) 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.

c) Gas, Electricity, Water and Furnishings

The expenditure incurred by the Company on gas, electricity, water and furnishing 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.

d) Medical Reimbursement

Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.

e) Leave Travel Concession

For self and family once in a year incurred in accordance with the rules of the Company.

f) Club Fees

Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.

g) Personal Accident Insurance

Premium not to exceed Rs. 10,000/- per annum.

h) 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.

i) Other terms and Conditions

- (a) The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.

- (b) In the event of absence or inadequacy of profits in any financial year during the tenure of Joint Managing Director, she shall be paid the salary and perquisites as specified above, subject to the ceiling, under Paragraph 1(A) of Section II of Part II of Schedule XIII to the Companies Act, 1956 as modified from time to time and subject further to the perquisites for the purpose of ceiling being reckoned exclusive of the specified perquisites in Paragraph II of Section II aforesaid.

7. To consider and if thought fit, to pass the following resolution as "Special 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 A. Annamalai as Whole Time Director for a period of one year from 01.09.2013 on the following terms and conditions.

I Salary

Re. 25,000/- p.m (Rupees Twenty Five Thousand only)

II Other Terms and Conditions

- (a) The Salary shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.

- (b) 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.



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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 12th December, 2013 to 18th December, 2013 (both days inclusive).
5. Members holding shares 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 dematerialisation form may inform the same to their respective Depository Participant.
6. 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 2005-06 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 2005-06 to the said fund is 10.02.2014 and shareholders cannot make a claim after that date.
7. 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.
8. 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 19.12.2012 by the Board of Directors at its Meeting held on 23.08.2012 and their period of re-appointment expires on 18.12.2013.

As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 22.08.2013 has re-appointed them as Chairman cum Managing Director and Joint Managing Director respectively for a period of one year from 19.12.2013 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 related to their re-appointment and remuneration and Smt. RM. Umayal 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 01.09.2012 by the Board of Directors at its Meeting held on 23.08.2012 and his period of re-appointment expires on 31.08.2013.



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As recommended by the Remuneration Committee, the Board of Directors at their meeting held on 22.08.2013 has re-appointed him as Whole Time Director for a period of one year from 01.09.2013 on the same terms and conditions set out in the resolution.

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

By Order of the Board

Salem

P. PALANIAPPAN

22nd August, 2013

Chairman cum Managing Director

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

1. Name : Shri Perumal Madhavagopal
Age : 69 Years
Date of Appointment : 28.01.2001
Qualification : LTM
Experience : 43 Years
No. of Shares : 100
Other Director : Supreme Yam Spinners Limited
- ships : Sree Rajendra Mills Limited
Member of the : Audit Committee, Remuneration
Company : Committee, Shareholders Grievances
Committee and Share Transfer
Committee
2. Name : Shri A. Alagappan
Age : 57 Years
Date of Appointment : 29.09.1996
Qualification : B.B.A.
Experience : 32 Years
No. of Shares : 100
Other Director :
- ships : Nil
Member of the : Audit Committee, Remuneration
Company : Committee

By Order of the Board

Salem

P. PALANIAPPAN

22nd August, 2013

Chairman cum Managing Director



SRI NACHAMMAL 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 33rd Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 2013.

FINANCIAL RESULTS FOR THE YEAR

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

Particulars	30.06.2013	30.06.2012
Profit before Interest and Depreciation	13,98,33,855	1,47,88,586
Interest	-6,49,39,149	-8,36,97,411
Depreciation	-3,94,27,398	-3,71,54,977
Profit / (Loss) before tax	3,54,67,308	-10,60,63,802
Tax expense:		
Deferred Tax (Liability) / Asset	-2,99,823	2,86,15,975
Excess income tax provision reversed	2,69,152	-
Profit / (Loss) transferred to Balance Sheet	3,54,36,637	-7,74,47,827

Dividend : Due to inadequacy of Profit, the Company is unable to declare any Dividend for the year 2012-13.

REVIEW OF OPERATIONS

The Company turned around during the current year with Net Profit before tax being Rs. 354.67 lakhs as compared to Net loss before tax being Rs. 1060.63 lakhs during the year 2011-12. The profit during the year was on account of the following factors.

- There was a sustained demand for cotton yarn during the last year.
- Increase in capacity utilization due to reduction of power cut.
- Timely coverage of good cotton at lower prices.

During the current year, the company is expected to improve its performance with energy conservation measures and improved utilization.

FIXED DEPOSITS : No Fixed Deposit remained unclaimed as on 30.06.2013.

DIRECTORS : The Directors Shri Perumal Madhavagopal and Shri A. Alagappan 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.

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 30.06.2013.

- That the applicable accounting standards have been followed and there are no material departures.
- 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 30.06.2013 and of the PROFIT of the Company for that year.
- 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.
- That the Directors have prepared the Annual Accounts for the year ended 30.06.2013 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 Exchange are annexed as part of the Annual Report.

LISTING

The Equity Shares of the Company are listed in Mumbai Stock Exchange and the Company has duly paid the Annual listing fees for the year 2013-14.

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 re-appointment.

COST AUDITORS

The Board of Directors has re-appointed Shri V. Balasubramanian, Cost Accountants, Coimbatore as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956, for the year 2013-14. The Cost Auditors Report for the year ended 30th June, 2012, the due date of filing the Cost Audit Report was 31st January, 2013, and the actual date of filing the cost audit report was 31.01.2013.

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
22nd August, 2013

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

- 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.
- Additional investments and proposals, if any, being implemented for reduction of consumption of energy will be an ongoing process.
- 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 Ended 30.06.2013	Previous Year Ended 30.06.2012
POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchased		
Units	2,12,61,961	1,49,73,209
Total Amount (Rs.)	15,46,09,602	8,64,53,999
Rate Per unit (Rs.)	7.27	5.77
(b) Own Generation		
(i) Through Diesel Generator		
Units	73,85,714	27,59,976
Units per litre of Diesel	3.49	3.22
Cost/Unit (Rs.)	13.56	11.76
(ii) Through Steam Turbine / Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Other/Internal Generation	Nil	Nil
Yarn produced (kgs)	77,66,656	45,14,865
Electricity Consumed (Units)	2,86,47,675	1,77,33,185
Electricity Consumed per Kg. of Yarn (Units)	3.69	3.93

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	Rs.	Nil	Rs.	Nil
Direct Exports				
OUTGO				
Import of Spares	Rs.	25,48,373	Rs.	6,91,766
Import of Capital Goods	Rs.	NIL	Rs.	1,90,21,866
Import of Raw Material	Rs.	18,00,14,277	Rs.	1,01,79,873
	Rs.	18,25,62,650	Rs.	2,98,93,505

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

Salem
 22nd August, 2013



SRI NACHAMMAI COTTON MILLS LIMITED

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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.

There was a distinct improvement for the spinning industry in the accounting year 2012-13 as compared to the previous two years. China emerged as a major importer of Indian made cotton yarn. Thus, mills were able to market all their yarn and also fetch reasonable prices for their yarn.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS

With Chinese cotton, continuing to being highly priced, it is impracticable for the Chinese spinners to spin yarn out of their cotton at workable prices. This will help Indian spinning mills to export their yarn and fabric to China. The cotton crop is expected to be good in the year 2013-14 for India due to the good monsoons and large scale sowing. The volatility of dollar-rupee is a cause of concern. This will create uncertainties in pricing and confusion in the markets in general. Availability of consistent and efficient labour continues to be cause of concern.

C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

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

D. OUTLOOK

The demand for Indian yarn is likely to continue for the coming year also. The power situation in Tamil Nadu is going to get better with new power projects being commissioned and increase in hydel power generation due to good rains. The dollar-rupee stability is a must for all businesses to do well.

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.

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.