

SRI NACHAMMAI COTTON MILLS LIMITED



37th ANNUAL REPORT 2016 - 2017



SRI NACHAMMAI COTTON MILLS LIMITED

Registered Office: 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.
CIN No. L17115TZ1980PLC000916 Phone No. 0427-2331879, Fax No. 0427-2331951
E-mail : sncm@rediffmail.com, Website : www.sncmindia.com

BOARD OF DIRECTORS

Chairman cum Managing Director

Managing Director

Non Executive Independent Director
Non Executive Independent Director
Non Executive Independent Director
Non Executive Independent Director
Non Executive Independent Director
Non Executive Director
Non Executive Director
Non Executive Director

Smt. P. Umayal

Shri P. Palaniappan

Shri A. Alagappan

Shri Perumal Madhavagopal

Shri PL. Subbiah

Shri S. Ravichandran

Smt. Shantha Radhakrishnan

Shri A. Annamalai

Smt. Vasantha

Shri A. Arunkumar

STATUTORY AUDITORS

Messrs. M.S.Jagannathan & Visvanathan
Chartered Accountants, Coimbatore - 641 030

INTERNAL AUDITOR

Shri H. Venugopal
Chartered Accountant, Salem - 636 006

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

COMPANY SECRETARY

Shri Ms. Sarita Jain .G

CHIEF FINANCIAL OFFICER

Shri A. Subramanian

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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
<u>Fax</u>	: 0427 - 2331951
<u>E-mail</u>	: sncm@rediffmail.com
<u>Website</u>	: www.sncmindia.com



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NOTICE TO THE SHAREHOLDERS

Notice is hereby given pursuant to Section 96 and other applicable provisions of the Companies Act, 2013 that the 37th Annual General Meeting will be held on Wednesday, the 27th day of September, 2017 at 5.00 P.M at Sarathy Classic, 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 Annual Financial Statements including Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss Account and Cash Flow Statement for the year ended as on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri. A. Annamalai (DIN. 00625832), Director who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors and to fix their remuneration and in this regard to pass the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to Section 139 and other applicable provisions, if any of the Companies Act, 2013, M/S. V.V.SOUNDARARAJAN & CO., Chartered Accountants (Registration No.003944S) Salem be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the 42nd Annual General Meeting of the Company subject to the ratification at each annual general meeting held after this Annual General Meeting. The Board of Directors be and are hereby authorised to fix their remuneration on the recommendation of the Audit Committee".

SPECIAL BUSINESS

4. To consider and if deemed fit to pass the following Resolution as an Ordinary Resolution.

"RESOLVED that pursuant to the provisions of Sections 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rule, 2014 including any statutory amendments and modifications thereof, for the time being in force, the remuneration payable to Sri V. Balasubramanian, Cost Accountant, Coimbatore having the Membership No.4771 appointed by the Board of Directors to conduct the Audit of the Cost accounting records of the Company for the Financial Year 2017 -18 amounting to Rs.21,000/- per annum exclusive of service tax as applicable and re-imbursement of out of pocket expenses incurred in connection with the aforesaid audit, be and is hereby ratified and confirmed.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and take all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution".

By Order of the Board,
For Sri Nachammai Cotton Mills Limited,

P.Umayal,
Chairman cum Managing Director,
Din.00110260.

Place : Salem
Date : 29th May, 2017.

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. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in aggregate not more than ten percent of the total share capital of the Company. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.



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3. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 and the Register of Contracts or Arrangements in which Directors are interested, as maintained under Section 189 of the Companies Act, 2013 will be available for inspection for the members at the AGM.
4. The Register of Members and Share Transfer books of the Company shall remain closed from **21st September, 2017 to 27th September, 2017** (both days inclusive).
5. Details in respect of the Director seeking appointment/re-appointment at the Annual General Meeting are furnished and form a part of the notice. The Director have furnished the requisite consents/declarations for his appointment/re-appointment.
6. 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 - 600002 and members holding shares in electronic mode may inform the same to their respective Depository Participant.
7. Members who hold shares in physical form in multiple folios and/or in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar and Share Transfer Agents, for consolidation into a single folio.
8. Members are advised to demat the shares held in physical form, as holding of securities in demat form eliminates bad delivery, saves stamp duty on transfers, ensures faster settlement, eases portfolio management and provides 'online' access through internet'.
9. Members are requested to register their e-mail to obtain faster, accurate and complete communications from the Company.
10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat Account (s). Members holding shares in physical form can submit their PAN details to the Registrar and Share Transfer Agent.
11. Copies of the Annual Report 2017, the Notice of the 37th Annual General Meeting and instructions for e-voting, along with the Attendance Slip and Proxy Form are being sent by permitted mode.
12. Members may also note that the Notice of the 37th Annual General Meeting and the Annual Report 2017 will be available on the Company's website, www.sncmindia.com. The physical copies of the aforesaid documents will also be available at the Company's Registered office for inspection during business hours on working days.
Members who require communication, or have any other queries, may write to us at sncmro@gmail.com.
13. A member requiring clarification on account or operations of the Company shall write to the Chief Financial Officer/Company Secretary at least 7 days before the meeting, so that the information required can be provided.

14. Voting through Electronic Means

In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2015, the Company is pleased to provide its members, facility to exercise their right to vote at the 37th Annual General Meeting by Electronic means and the business may be transacted through remote e-Voting Services provided by Central Depository Services (India) Limited (CDSL).

The instructions for members for voting electronically are as under:

- (i) The e-voting period begins on 24th September, 2017 (9.00 a.m) and ends on 26th September, 2017 (5.00 p.m.). During this period, Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date of **20.09.2017** may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The Shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on "Shareholders" tab.



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- (iv) Enter your User ID.
- For CDSL: 16 digits beneficiary ID.
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Enter the image verification as displayed and click on Login.
- (vi) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below.

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as Physical shareholders)</p> <p>*Members who have not updated their PAN with the Company/RTA/DP / are requested to use the first two letters of their name and the sequence number in the PAN field. The Sl. No. Printed on your address slip pasted on the Annual Report envelope added with sufficient 0s in between the first two letters of your name and the Sl. No. to fill the ten digit PAN field for this purpose.</p> <p>Example: If your name is Ramesh Kumar with Sl.No. 1 then enter RA00000001 in the "PAN field".</p>
Date of Birth Dividend Bank Details	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <p>If both the details are not recorded with the depository or Company please enter the member id/folio number in the Dividend Bank details field as mentioned in instruction (iv)</p>

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company in which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of "Sri Nachammai Cotton Mills Limited".
- (xii) On the voting page, there will be "RESOLUTION DESCRIPTION" and against the same the option YES/NO" for voting. Select the option YES or NO as desired. The option YES implies assent to the Resolution and option NO implies dissent to the resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" to view the Resolution details.
- (xiv) After selecting the resolution to vote on, click on "SUBMIT". A confirmation box will be displayed. To confirm the vote, click on "OK", else to change the vote, click on "CANCEL" and accordingly modify the vote.
- (xv) Once the vote on the resolution is "CONFIRM", shall not be allowed to modify the vote.
- (xvi) A print of the votes cast can be taken by clicking on "Click here to print" option.



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(xvii) If a Demat account holder has forgotten the login password then Enter User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Institutional Shareholders, Custodians and Non- individual shareholders

- * Non-individual shareholders (i.e. other than individuals, HUF, NRI etc.) and Custodians are required to log on to www.evoting.com and register themselves as Corporates.
- * A scanned copy of the Registration Form bearing the stamp and sign of the entity should be e-mailed to helpdesk.evoting@cdslindia.com.
- * After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- * The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- * A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xix) In case of members receiving the Physical copy and person who acquire shares of the Company and become a member of the Company as on the Cut-off date.

- a) Please follow all steps from Sl. Nos. (i) to (xvi) above to cast vote.
- b) In case of any queries or issues regarding e-voting, members may refer to Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to heldesk.evoting@cdslindia.com.

VOTING AT THE VENUE OF THE AGM

- i) The Company offers the facility for voting through polling paper at the meeting. The Members as on the cut-off date **20.09.2017** attending the AGM are entitled to exercise their voting right at the meeting.
- ii) Members who have cast their vote by e-Voting may attend the AGM and shall not be entitled to cast their vote.
- iii) The Chairman will fix the time for voting at the Meeting. Shareholders present in person or by Proxy can vote.

General Instructions

1. The cut-off date for the purpose of e-voting has been fixed as **20.09.2017**. Members holding shares as on this cut off date should endeavour to cast their vote.
2. Voting rights of Shareholders shall be in proportion to their shareholding in the Company as on the cut-off date of **20.09.2017**
3. In case a Shareholder by inadvertence or otherwise has voted under more than one option, his voting by only one mode shall be taken as final and valid.
4. Mr.M.R.L. Narasimha, Company Secretary in Practice, Coimbatore (Membership No. 2851' CP No. 799) has been appointed as Scrutinizer to scrutinize the e-voting.
5. The Scrutinizer shall after the conclusion of voting at the AGM.
 - (i) Count the votes cast at the Meeting through polling paper.
 - (ii) Thereafter unlock the votes cast through remote e-voting which will be done in the presence of two witnesses, not in the employment of the Company.
 - (iii) The Scrutinizer not later than two days of the conclusion of the AGM shall submit a Consolidated Scrutinizer Report of the total votes cast through remote e-voting process and poll cast at the AGM to the Chairman.



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- (iv) The Chairman or a person authorised by him in writing shall declare the result of the voting based on Scrutiniser's Report.
- (v) Subject to receipt of requisite number of votes, the Resolution shall be deemed to be passed on the date of AGM.
- (vi) The results declared along with the Scrutiniser's Report will be placed on the Company's website www.sncmindia.com and on the website of CDSL www.evoting.cdsi.com immediately after the result is declared and also communicated to BSE.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 102 OF THE COMPANIES ACT, 2013.

ITEM No.4

The Board of Directors on the recommendation of the Audit Committee, has approved the appointment of Sri V. Balasubramanian, Cost Accountant for the audit of Cost accounting records of the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014 for the financial year 2017-18 at a remuneration of Rs.21,000/- per annum excluding the applicable service tax and reimbursement of out of pocket expenses incurred by him in connection with the audit. Board of Directors has accepted the recommendation of the Audit Committee and approved his appointment. As per the provisions of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rule, 2014, Remuneration payable to the Cost Auditor as approved by the Board of Directors of the Company shall be ratified by the Shareholders.

The Company has received a Certificate from the Cost Auditor confirming his independence and his willingness to act as the Cost Auditor of the Company.

None of the Directors, Key managerial personnel or their relatives is concerned or interested in the resolution.

By Order of the Board,
For Sri Nachammai Cotton Mills Limited,

P.Umayal,
Chairman cum Managing Director,
Din.00110260.

Place : Salem
Date : 29th May, 2017.

Details of Director seeking appointment / and re-appointment as required under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Name	:	Sri. A. Annamalai
DIN No.	:	00625832
Date of Birth & Age	:	15.02.1956 (61 yrs)
Nationality	:	Indian
DOA on the Board	:	19.09.1997
Relation with other Director	:	Father of Sri. A. Arunkumar
Qualification	:	SSLC
Experience	:	27 Years in Business
No. of Shares held	:	3718
List of Directorships held in other Companies	:	Supreme Yarn Spinners Limited
Chairman/Member of the Committees of the Board of other Companies in which he / she is Director	:	Nil



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REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Dear Shareholders,

The Board of Directors of your Company is pleased to present the 37th Annual Report on the business of the Company along with summary of financial statements for the year ended 31st March, 2017. The report is prepared in accordance with the provisions of the Companies Act, 2013.

Financial Highlights

During the year under review, performance of your company is as under:

Particulars	31.03.2017	31.03.2016 (9 months)
Profit before finance costs and Depreciation	95,034,029	47,122,720
Finance costs	(45,157,469)	(40,437,929)
Depreciation	(43,591,420)	(30,081,041)
Profit / (Loss) before taxation	6,285,140	(23,396,250)
Less : Tax expense	685,604	2,431,163
Profit / (Loss) after tax	6,970,744	(20,965,087)

Dividend

The Company is unable to declare any Dividend on account of accumulated losses.

Review of Operations

During the year, the Company has made a turnover of Rs. 1,684,213,449/- as against Rs. 1,135,464,664/- in the previous year. The Company has made a net Profit of Rs. 6,970,744/- during the current year as compared to Net Loss of Rs. -20,965,087/- during the period ended (9 months) 2015 - 2016.

The Financial year 2016 - 2017 was a difficult year for the spinning industry inspite of this the Company made a profit because of timely purchase of imported cotton.

Management's Discussion and Analysis

As per the Regulation 34(1) (e) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the report on "Management Discussion and Analysis" forms an integral part of Annual Report as **Annexure -1**

Deposits

Company has not accepted any deposits from public.

Directors and Key Managerial Personnel

Pursuant to the provisions of Section 152 of the Companies Act, 2013 Sri A. Annamalai retire by rotation and being eligible offers himself for appointment and the resolution is placed before the Shareholders for approval.

A brief resume, expertise, shareholding in the Company and details of other entities in which the Director is interested as stipulated under Regulation 36(3)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as per Secretarial Standard is provided in the Notice attached.

At the Board Meeting held on 21st August, 2014 Sri P. Palaniappan, Chairman cum Managing Director and Smt. P. Umayal, Joint Managing Director of the Company was reappointed for a term of five years from 19.12.2014 to 18.12.2019 and designated as "Key Managerial Personnel" of the Company pursuant to Section 2(51), 203 of the Companies Act, 2013 read with Companies (Appointment and remuneration of Managerial Personnel) Rules, 2014.



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Sri.P.Palaniappan, resigned from the post of Chairman cum Managing Director with effect from 18th November, 2015 but shall continue to be the Managing Director of the Company.

Smt. P.Umayal was appointed as the Chairman of the Board of Directors with effect from 18th November, 2015 and she shall remain as Chairman cum Managing Director of the Company.

Pursuant to the provisions of Section 149 of the Act, Sri Perumal Madhavagopal, Sri A.Alagappan, Sri S.Ravichandran, Sri PL.Subbiah and Smt. Shantha Radhakrishnan were appointed as independent Director at the 34th AGM of the Company held on 10th December, 2014 for a term of five consecutive years from 10th December, 2014 to 9th December, 2019.

All the Directors of the Company have confirmed that they are not disqualified from being appointed as directors in terms of Section 184(1) and Rule 9 (1) of the Companies Act, 2013.

Declaration by Independent Directors

The Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (LODR).

During the year, all the independent Directors were present in meeting of Independent Directors. The Independent Directors assessed the quality, quantity and timeliness of flow of information between the management and the Board and expressed that the Current flow of information and contents were adequate for the Board to effectively perform its duties.

Familiarization Programmes

The Company had conducted various sessions during the financial year to familiarize all the Directors including the Independent Directors with the updates of Company, their rules, responsibilities in the Company, and the technology and the risk management systems of the Company. Further, the Directors are encouraged to attend the training programmes being organized by various regulators/bodies/institutions on above matters.

Number of Board Meetings and Committee Meetings

The Board met five (5) times during the financial year on 23rd May, 2016, 6th August, 2016, 7th November, 2016, 2nd February, 2017, and 13th March, 2017.

Statutory Auditors

The Company's Auditors, M/S.M.S.Jagannathan & Visvanathan, Chartered Accountants, hold office till the conclusion of the ensuing Annual General Meeting.

The Auditors' Report for FY 2016-2017 does not contain any qualification, reservation or adverse remark. The auditors' report is enclosed with the financial statements in the Annual Report.

As per provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the present Statutory Auditors of the Company have completed a period of 10 years and hence they are not eligible for re-appointment as Statutory Auditors for the financial year 2017-18.

It is proposed to appoint M/S.V.V.Soundararajan & CO., Chartered Accountants, Salem as Statutory Auditors of the Company for a term of five years (5) commencing from the financial year 2017-18 till the conclusion of the Annual General Meeting to be held in the year 2022, subject to ratification by Shareholders at every Annual General Meeting. The Company received a certificate from the said Auditors that they are not disqualified and the new Audit firm confirmed their eligibility and willingness to accept office, if appointed.

Secretarial Auditor

As required under Section 204 of the Act, and Rules made there under Sri M.R.L. Narasimha, Practising Company Secretary was appointed to conduct the Secretarial Audit of the Company for the financial year 2016-17. The Secretarial Audit Report for the financial year 2016-17 forms part of the Annual Report as **Annexure No. VII** to the Board's Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.



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Cost Auditor

Section 148 of the Companies Act, 2013 pertaining to audit of Cost Records is applicable to the Company. Based on the recommendation of the Audit Committee, Mr. V. Balasubramanian, Cost Accountant was reappointed as Cost Auditor of the Company for the financial year 2017-18 and Resolution for the remuneration payable to Cost Auditor is placed before the Shareholders for ratification.

Internal Auditor

The Company has re-appointed Mr. H. Venugopal as the Internal Auditor of the Company for a further period of one year for the financial year 2017-18. The scope of work includes review of process for safeguarding the assets of the Company, review of operational efficiency, effectiveness of system and processes and assessing the strength and weaknesses of internal control. Internal Auditor reports are placed before the Audit Committee on a regular basis for taking suitable action for improvement, wherever required.

Subsidiaries, Joint Ventures and Associates

The Company does not have any Subsidiary, Joint venture or Associate Company.

Corporate Social Responsibility

Corporate Social Responsibility is not presently applicable as the Company does not satisfy the conditions laid down in Section 135 with regard to net worth, turnover and net profits.

Material Changes and Commitments

There have been no material changes and commitments between the end of financial year (March 31, 2017) and the date of the report affecting the financial position of the Company.

Adequacy of Internal Financial Controls and Internal Control System

The Company has in place adequate internal financial controls with reference to financial statements. During the year under review, such controls were tested and no reportable material weakness in the design or operation was observed.

Company has established adequate Internal Control procedures, commensurate with the nature of its business and size of its operations and for ensuring the orderly and efficient conduct of its business for safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

The Company has appointed Internal Auditor to observe the Internal controls, whether the work flow of organization is being done through the approved policies of the Company. In every quarter during the approval of Financial statements, Internal Auditors will present the Internal Audit Report and Management Comments on the Internal Audit observation.

Particulars of Loan, Guarantees and Investments under Section 186 Details of Loan

Sl. No.	Period of making Loan	Details of Lender	Amount in Rs.	Purpose for which the loan is to be utilized by the recipient	Time period for which it is given	Date of BR	Rate of interest
1	01.04.2016 to 31.03.2017	Supreme Yarn Spinners Limited 30, Sugavaneswara Road, Salem - 4	13,525,000/-	Inter Corporate Loan	Repayable on Demand	23.05.2016 06.08.2016 07.11.2016 02.02.2017	12%
2	01.04.2016 to 31.03.2017	Raja Yarn Spinners Limited 30, Sugavaneswara Road, Salem - 4	52,472,500/-	Inter Corporate Loan	Repayable on Demand	23.05.2016 06.08.2016 07.11.2016 02.02.2017	5.25%