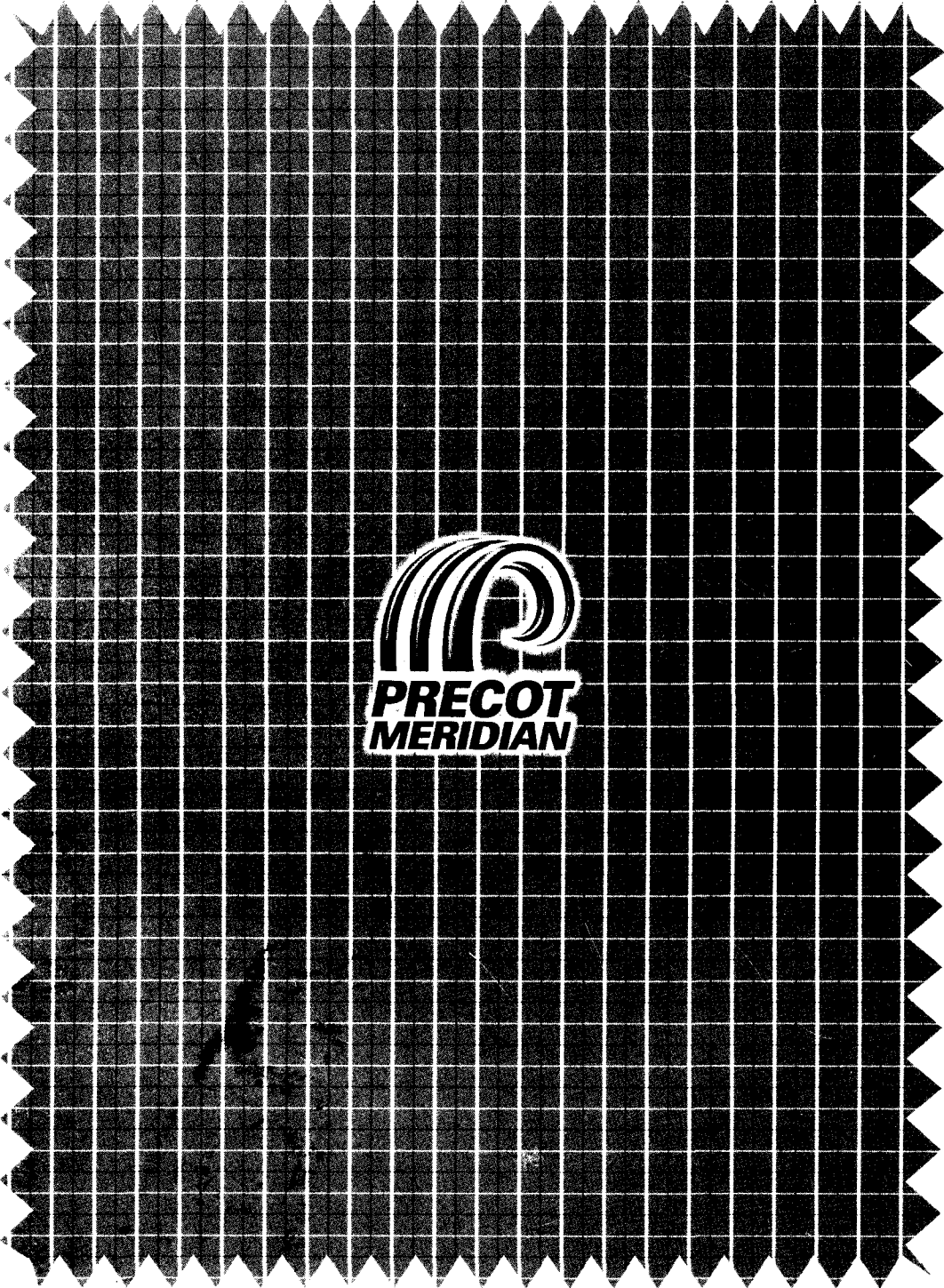


Precot Meridian Limited



ANNUAL REPORT 2010

| | |
|------------------------------------|--|
| Directors | Jairam Varadaraj A Ramkrishna C N Srivatsan M V Subaraman Sumanth Ramamurthi Suresh Jagannathan Vijay Mohan Vijay Venkataswamy K Muthukumaran (Nominee of EXIM Bank) |
| Chairman & Managing Director | D Sarath Chandran |
| Joint Managing Director | Ashwin Chandran |
| Executive Director | Prashanth Chandran |
| Head - Finance & Accounts | R Murali |
| Company Secretary | C Murugesh |
| Auditors | M/s Suri & Co M/s K S G Subramanyam & Co |
| Registered Office | SUPREM, P B No 7161, 737 Green Fields, Puliakulam Road, Coimbatore - 641045. Email : secretary@precot.com |
| Registrar and Share transfer agent | Link Intime India Pvt Limited, Coimbatore Branch, "Surya", 35, Mayflower Avenue, Senthil Nagar, Sowripalayam Road, Coimbatore - 641028. Email : coimbatore@linkintime.co.in |

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Notice is hereby given that the 48th Annual General Meeting of the Shareholders of the Company will be held on Friday, the 6th August 2010 at 4.30 PM at Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018 to transact the following business.

Ordinary Business:

1. To Consider and adopt the following:
 - a) The audited Profit & Loss Account for the year ended 31st March, 2010.
 - b) The audited Balance sheet as at 31st March, 2010.
 - c) The reports of the Directors and the Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Mr Vijay Mohan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr C N Srivatsan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr Vijay Venkataswamy who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

Special Business :

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.

Resolved that Mr Prashanth Chandran, who was appointed as an Additional Director of the Company with effect from 01.04.2010, whose term of office as an Additional Director expires at this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956 in writing proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company, whose period of office shall not be liable to retire by rotation.

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.

Resolved that pursuant to the provisions of Section 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 Mr Prashanth Chandran be and is hereby appointed as Executive Director of the Company for a period of 3 years effective from 1st April 2010 to 31st March, 2013 on the following terms and conditions:

- I. Salary : Rs 60,000/- per month with an annual increment of Rs 6,000/-
- II. Commission : up to 1% of the Net Profit of the Company in each financial year computed in accordance with Section 349 of the Companies Act 1956.

III. In addition to the above Mr Prashanth Chandran shall also be entitled to the following:

Allowances:

1. House Rent Allowance - 60% of the Salary
2. Medical and other allowances - 40% of the Salary

Perquisites:

1. Provision of telephone and car.

Mr Prashanth Chandran shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration:

- a. Contribution to Provident Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income tax Act.
- b. Payment of Gratuity at the end of the tenure shall not exceed 15 days salary for each completed year of service or at the rate as may be notified by the Government from time to time.

Resolved further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr Prashanth Chandran shall not exceed the limits specified in Section II of Part II of schedule XIII of the Companies Act, 1956.

Resolved further that the Board of Directors be and is hereby authorized to alter or vary the component and elements of remuneration payable to Mr Prashanth Chandran within the overall limits under the Companies Act, 1956 and to do all such acts, deeds and things and execute all such documents, instruments and forms as may be required and to give effect to the resolution.

9. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.

Resolved that pursuant to the provisions of Section 198, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, be and is hereby revise the remuneration of Mr Ashwin Chandran, effective from 1st April, 2010 on the following terms and conditions and his tenure of office remains unaltered-i.e 31.03.2011:

- I. Salary : Rs 81,000/- per month
- II. Commission : up to 1% of the Net Profit of the Company in each financial year computed in accordance with Section 349 of the Companies Act 1956.
- III. Special allowance: 15% of salary
- IV. In addition to the above Mr Ashwin Chandran shall also be entitled to the following:

Allowances:

1. House Rent Allowance - 60% of the salary
2. Medical and others allowances - 40% of the salary.

Perquisites:

1. Provision of telephone and car.

Mr Ashwin Chandran shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration:

- a. Contribution to Provident Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income tax Act.
- b. Payment of Gratuity at the end of the tenure shall not exceed 15 days salary for each completed year of service or at the rate as may be notified by the Government from time to time.

Resolved further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr Ashwin Chandran shall not exceed the limits specified in Section II of Part II of schedule XIII of the Companies Act, 1956.

Resolved further that the Board of Directors be and is hereby authorized to alter or vary the component and elements of remuneration payable to Mr Ashwin Chandran within the overall limits under the Companies Act, 1956 and to do all such acts, deeds and things and execute all such documents, instruments and forms as may be required and to give effect to the resolution.

10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.

Resolved that pursuant to the provisions of Section

198, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, be and is hereby revise the remuneration of Mr D Sarath Chandran effective from 01.04.2010 on the following terms and conditions and his tenure of office remains unaltered - i.e up to 31.03.2011:

- I. Salary : Rs 1,08,000/- per month
- II. Commission : up to 1.5% of the Net Profit of the Company in each financial year computed in accordance with Section 349 of the Companies Act 1956.

III. Special Allowance : 15% of salary

IV. In addition to the above Mr D Sarath Chandran shall also be entitled to the following:

Allowances:

1. House Rent Allowance - 60% of the salary
2. Medical and other allowances - 40% of the salary

Perquisites:

1. Provision of telephone and car.

Mr D Sarath Chandran shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration:

- a. Contribution to Provident Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income tax Act.
- b. Payment of Gratuity at the end of the tenure not exceeding 15 days salary for each completed year of service or at the rate as may be notified by the Government from time to time.

Resolved further that in the event of no profits or inadequacy of profits, the remuneration payable to Mr D Sarath Chandran shall not exceed the limits specified in Section II of Part II of schedule XIII of the Companies Act, 1956.

Resolved further that the Board of Directors be and is hereby authorized to alter or vary the component and elements of remuneration payable to Mr D Sarath Chandran within the overall limits under the Companies Act, 1956 and to do all such acts, deeds and things and execute all such documents, instruments and forms as may be required and to give effect to the resolution.

Coimbatore
29.05.2010

By the Order of the Board
D Sarath Chandran
Chairman and Managing Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer books of the Company will remain closed from 30.07.2010 to 06.08.2010 (both days inclusive).
3. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956 (the Act), dividend remaining unclaimed for a period of seven years from the date they became due for the payment are required to be transferred to Investor Education and Protection Fund (IEPF) established by the Central Government in accordance with the provisions of Section 205C of the Act. It may be noted that the unclaimed dividend, declared by the company on August, 08th 2003 for the financial year 2002-03, is due for transfer to IEPF on August 7th 2010. Members who have not encashed their dividend warrants pertaining to the year 2002-03 and/or any subsequent years that still remains outstanding should approach either company or Link Intime India Pvt Limited, the Registrar and Share Transfer Agent, for obtaining payments thereof. In terms of Section 205C of the Act, shareholders are requested to note that no claim shall lie either with IEPF or against the Company in respect of dividend amounts unclaimed for a period of seven years from the dates they first became due for payment and transferred to the IEPF. During the year, the Company has already transferred unclaimed dividend for the financial year 2001-02 to the IEPF.
4. Members are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses, either to the Company or its Registrar and Share Transfer Agent, viz, Link Intime India Pvt Limited, or to their respective Depository Participant in case the shares are held in demat form.
5. Members who are holding shares in Electronic form are requested to intimate immediately their change of address / change of bank account, if any to their respective Depository Participant.
6. Members who hold shares in physical form in multiple accounts in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrar and Transfer Agents, Link Intime India Pvt Limited for consolidation into a single account.

7. Appointment of Directors:

Information as required by Clause 49(IV)(G) of the Listing Agreement:

The information relating to the Directors proposed to be appointed is given hereunder.

I

| | |
|---------------------------|--|
| Name | : Mr Vijay Mohan |
| Age | : 63 years |
| Qualifications | : B E (Mech), M M S |
| Expertise | : 35 years in the Automobile Industry. |
| Number of Shares held | : 1300 |
| Director of Company since | : 1989 |
| Relationship with other | : Mr Vijay Mohan is the brother of Mr D Sarath Chandran. |

Directorships

| Name of Company | Member of Committees |
|---------------------------------------|--|
| 1. Pricol Limited | Shareholder/Investor relations |
| 2. Precot Meridian Limited | Investors relations (up to 31.03.2010) |
| 3. English Tools and Castings Limited | - |
| 4. Pricol Holdings Limited | - |
| 5. Pricol Packing Limited | - |
| 6. Pricol Properties Limited | - |
| 7. Pricol Technologies Limited | - |
| 8. Xenos Technologies Limited | - |
| 9. Synoro Technologies Limited | - |
| 10. Ananya Innovations Limited | - |
| 11. Pricol Medical Systems Limited | - |

II

| | |
|---------------------------|--------------------------------------|
| Name | : Mr C N Srivatsan |
| Age | : 53 years |
| Qualifications | : Chartered Accountant |
| Expertise | : 25 years as Management consultant |
| Number of Shares held | : - |
| Director of Company since | : 2004 |
| Relationship with other | : He is not related to any directors |

Directorships

| Name of Company | Member of Committees |
|--------------------------------|-----------------------------|
| 1. Precot Meridian Limited | Audit Committee |
| 2. Elgi Rubber company Limited | Audit Committee |
| 3. Rane Engine Valve Limited | Audit Committee |
| 4. Astral Consulting Limited | - |
| 5. Kar Mobiles Limited | - |

III
 Name : **Mr Vijay Venkataswamy**
 Age : 63 years
 Qualifications : M B A
 Expertise : 36 years in the Textile Industry
 Number of Shares held : 550 Equity shares.
 Director of Company since : 2004
 Relationship with other directors : He is not related to any director.

Directorships

Name of Company Member of Committees

1. Precot Meridian Limited Audit Committee
2. Super Spinning Mills Limited Audit Committee
3. Coimbatore Pioneer Fertilizers Limited -
4. Vantex Limited -
5. Super Sara Textiles Limited -

IV
 Name : **Mr Prashanth Chandran**
 Age : 29 years
 Qualifications : B. Engg,
 Expertise : 5 years in the Textile Industry.
 Number of Shares held : 1014595 Equity shares.
 Relationship with other directors : Mr Prashanth Chandran is the son of D Sarath Chandran and brother of Ashwin Chandran.

Directorships

Name of Company Member of Committees

Precot Meridian Limited -

Coimbatore 29.05.2010
 By Order of the Board,
 D Sarath Chandran
 Chairman and Managing Director

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956.

Item 7 & 8

The Board of Directors, at its meeting held on 29th January, 2010 appointed Mr Prashanth Chandran as an additional Director with effect from 01st April 2010 pursuant to Section 260 of the Companies Act, 1956(Act), read with Article No.4 of the Articles of Association of the Company. Mr Prashanth Chandran will hold office of a Director up to the date of forthcoming Annual General Meeting of the company. In terms of Section 257 of the Act, the Company has received notice in writing along with a deposit of Rs.500 from a Member signifying his intention to propose the candidature of Mr Prashanth Chandran for the office of a Director.

The Remuneration Committee, at its meeting held on 23rd January 2010 and the Board of Directors, at its aforesaid meeting, appointed Mr Prashanth Chandran as Executive Director for a period of three years effective from 01st April 2010 and also pay him remuneration in accordance with the Companies act 1956 on the terms and conditions set out in the resolution.

As per Section 269 read with schedule XIII of the Companies act 1956, the appointment and payment of remuneration shall be subject to the approval of shareholders of the company in the general meeting. Hence, the resolution is placed for your approval.

The profile of Mr Prashanth Chandran is given elsewhere to this notice.

None other Directors except Mr Prashanth Chandran, Mr D Sarath Chandran and Mr Ashwin Chandran is interested or concerned in the above resolutions.

The Board of Directors and the remuneration committee recommends passing of the resolutions.

Item 9

The Remuneration policy of the company was changed with effect from 01.04.2009. The contribution at 15 % of salary towards the Superannuation fund was stopped and the same was paid as a special allowance. In line with the remuneration policy of the Company, the remuneration of Mr Ashwin Chandran, Joint Managing Director needs to be changed.

The Remuneration Committee, at its meeting held on 23rd January 2010 and the Board of Directors, at its meeting held on 29th January, 2010 revised the remuneration of Mr Ashwin Chandran with effect from 01st April 2010. The office of tenure remains unaltered. i.e until 31.03.2011. The revised remuneration is laid out in the resolutions.

As per schedule XIII of the Companies act 1956, the change in the remuneration shall be subject to the approval of shareholders of the company in the general meeting. Hence, the resolutions are placed for your approval.

The Board of Directors and the remuneration committee recommends passing of the resolution.

None of the other Directors except Mr Ashwin Chandran, Mr D Sarath Chandran and Mr Prashanth Chandran, is interested or concerned in the above resolution.

Item 10

The Remuneration policy of the company was changed with effect from 01.04.2009. The contribution at 15 % of salary towards the Superannuation fund was stopped and the same was paid as a special allowance. In line with the remuneration policy of the Company, the remuneration of Mr D Sarath Chandran, Chairman & Managing Director needs to be changed.

The Remuneration Committee, at its meeting held on 23rd January 2010 and the Board of Directors, at its meeting held

on 29th January, 2010 revised the remuneration of Mr D Sarath Chandran with effect from 01st April 2010. The office of tenure remains unaltered. i.e until 31.03.2011. The revised remuneration is laid out in the resolutions.

As per schedule XIII of the Companies act 1956, the change in the remuneration shall be subject to the approval of shareholders of the company in the general meeting. Hence, the resolutions are placed for your approval.

The Board of Directors and the remuneration committee recommends passing of the resolution.

None of the other Directors except Mr D Sarath Chandran, Mr Vijay Mohan, Mr Ashwin Chandran and Mr Prashanth Chandran is interested or concerned in the above resolution.

Information to be provided under Schedule XIII, Part II (B) of the Companies Act, 1956.

I. General Information

1. Nature of Industry: Textiles
2. Date or expected date of commencement of commercial production: Not applicable
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable
4. Financial performance based on given indicators:

| Particulars | 2009-2010 | 2008-2009 |
|------------------------------------|-------------|-------------|
| | Amount | Amount |
| | Rs. in Lacs | Rs. in Lacs |
| Sales and other Income | 43997 | 38973 |
| Profit before Tax and depreciation | 5559 | 2327 |
| Profit after Tax | 1572 | (871) |
| Paid up Equity Capital | 695 | 695 |
| Reserves and Surplus | 13904 | 11739 |
| Basic Earnings per share | 22.62 | (12.54) |

5. Export performance and net foreign exchange : Export turn over amounts to Rs. 9618 lacs, foreign currency expenditure was Rs.465 lacs resulting in net foreign exchange earning of Rs. 9153 lacs
6. Foreign investments and collaborators, if any: Benwood corp in Malaysia, Subsidiary of Precot Meridian Ltd

II. Information about the Appointee:

1. Back ground details: Mr Sarath Chandran, aged 64, is an industrialist, having 38 years experience in the Textile industry and is a Director in seven Public limited companies
2. Past remuneration: Rs.100000 per month with an annual increment of Rs.8000 and commission up to 1.5% of net profit Plus allowances and perquisites.
3. Recognition or awards: B.Sc (Hons),MBA
4. Job profile and his suitability: Mr D Sarath Chandran is

the Chairman and Managing Director of the company and he has been the Managing Director since 1975. He is well known in the Textile world and is the Chairman of South Indian Textile Research Association (SITRA)

5. Remuneration Proposed: Refer resolution no. 8.
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person: Taking into consideration the size of the Company, the profile of the appointee, the responsibilities shouldered on him and the industry bench marks, the remuneration proposed to be paid is commensurate with the remuneration packages paid in comparable companies.
7. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any: Besides the remuneration proposed, the Chairman and Managing Director do not have any other pecuniary relationship with the Company and its managerial personnel.

III. Other Information

1. Reasons of loss or inadequate profits: Not applicable
2. Steps taken or proposed to be taken for improvement: Not applicable
3. Expected increase in productivity and profits in measurable terms: The Company is expects to see growth in turnover of at least 15% and proportionate increase in profitability.

IV. Disclosures:

1. The shareholders of the company shall be informed of the remuneration package of the managerial person: Disclosed
2. The following disclosures shall be mentioned in the Board of Director's report under the heading " Corporate Governance", if any, attached to the annual report:
 - a. All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors: Disclosed.
 - b. Details of fixed component and performance linked incentives along with the performance criteria: Disclosed
 - c. Service contracts, notice period, severance fees: Disclosed
 - d. Stock option details: The Company has not issued any Stock option

The Company has not defaulted in repayment of any of its debt/debentures/public deposits.

Coimbatore
29.05.2010

By Order of the Board,
D Sarath Chandran
Chairman and Managing Director

Dear Shareholders,

Your Directors hereby present the 48th Annual Report along with the financial results for the year ended 31st March, 2010.

| | Rs. in Lacs | |
|---|--------------------|-----------------|
| | 31.03.10 | 31.03.09 |
| Financial Results | | |
| Sales - Domestic | 34044 | 28183 |
| - Exports | 9618 | 9712 |
| | 43662 | 37895 |
| Profit Before Interest, Depreciation & Taxes | 6443 | 2552 |
| Less : Interest | 1220 | 1302 |
| Profit from Operations | 5223 | 1250 |
| Other income | 336 | 1077 |
| Profit before Depreciation and Tax | 5559 | 2327 |
| Less : Depreciation and Amortization | 2791 | 2992 |
| Profit Before Tax | 2768 | (665) |
| Less : Provision for Income Tax | 470 | - |
| Fringe Benefit tax | - | 17 |
| MAT Credit | (49) | - |
| Deferred Tax | (225) | 189 |
| Tax provision for earlier years | 1000 | - |
| Profit After Tax | 1572 | (871) |
| Add : Balance brought forward | (81) | 790 |
| Profit available for appropriation | 1491 | (81) |

Dividend and appropriations

In view of the improved performance, your directors recommend a dividend of Rs.5 per share of Rs.10 each (50%) absorbing a sum of Rs.406 lacs including the tax payable by the company. The amount of Rs.1491 lacs is proposed to be appropriated as under:

| | 09 -10 | 08-09 |
|-------------------------|--------------------|--------------------|
| | Rs. in Lacs | Rs. in Lacs |
| Proposed Dividend | 348 | - |
| Tax on Dividend | 58 | - |
| General Reserve | 1000 | - |
| Balance carried forward | 85 | (81) |

Industry overview and Review of operations

The year under review began with a climate of uncertainty in the economy. Following the financial crisis that spread across the industrialised nations in the second half of 2008-09, there was a significant slowdown in the GDP growth rate in India. The stimulus measures introduced by the Government helped in maintaining liquidity in the financial system and reviving growth in the economy. The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9 percent. However, a

major concern during the year was the rise in inflation which impacted consumer spending.

For the textile industry, the year began on a similar note and your company was looking at the future with uncertainty due to the global recession, shortages of power and labour, and fluctuations in foreign exchange rates.

The Indian cotton crop of 2009-10 is estimated at 292 lac bales, which is a marginal increase from the previous year. However, due to the increase in demand and higher international prices, cotton prices rose sharply in December. With the growth in exports of cotton yarn and apparel from India, sentiments in the domestic market also turned positive and the effect of the increased raw material cost was offset by higher yarn prices.

There were improvements on the power front in Kerala and Andhra Pradesh, which helped to improve the Company's capacity utilisation. However in Tamil Nadu and Karnataka, the power shortages affected utilisation and increased energy costs.

The roof repairs at our unit in Pollachi were carried out as planned and production restarted in July in a phased manner with the unit reaching its full capacity in December.

The weaving division of the company recorded an increase of 7% in turnover. However higher yarn prices and power shortages meant that there was only a marginal improvement in the operating profit. This division continues to disappoint in terms of return on investment.

The turnover of the company grew by 15% to Rs.437 Crores against the corresponding figure of Rs.379 Crores in the previous year due to better capacity utilisation and increased sales realisation. This, coupled with improved operational efficiencies enhanced the Operating Profit to Rs.52.2 Crores for the year, as against the corresponding figure of Rs.12.5 Crores.

Income tax provision for earlier years

Our company has been making regular investments in replacing machinery and these expenses were claimed as revenue expenditure for tax purposes, based on the judgements of the Supreme Court and High Courts and the same was accepted by the IT department during earlier assessments. However, since 1997 the department has disputed the claim and the issue has been under litigation. In 2005, the Madras High Court had ruled in favour of the company but the department made an appeal to the Supreme Court, which in 2008 remanded the issue back to the Commissioner of Appeals Coimbatore, where it stands today.

However, based on recent judicial pronouncements relating to claim of certain expenses as revenue expenditure, as a prudent measure, the Company has made a provision of Rs.10 crores towards income tax and interest charges for earlier years.

Outlook for the current year

The steep increase in yarn prices resulted in government intervention to restrict the export of cotton and removal of export incentives for cotton yarn. The adverse effect of this has been negated to a certain extent by the increase in export prices of cotton yarn as demand remains buoyant. The International Cotton Advisory Council has estimated a 7% increase in the cotton production for 2010-11, which we hope will stabilise the cotton prices for the coming year. The predictions of a normal monsoon point towards improved power availability in Kerala and Andhra Pradesh, but the acute shortage is expected to continue in Tamil Nadu.

The operating margins in cotton yarn continued to be healthy during the first two months of 2010-11. With the present climate in the economy, we expect the performance of the company to improve in the coming year barring any unforeseen circumstances.

The company is looking at various options to improve the weaving division's performance. A major shift in the market segment might be required to improve price realisation and enhance operational efficiencies.

Opportunities, Risks and Concern

While the recovery of the US economy and strong domestic demand indicate a lot of scope for growth in the industry, the recent upheavals in the Euro zone economies could threaten that. The hardening of interest rates in Europe will have an effect on consumer spending, which will affect yarn and apparel exports to these countries. However the bigger concern would be the consequent effect of oversupply globally.

The shortages of power and labour will continue to hinder operations of the company, and increase costs.

Personnel

Labour relations continued to be cordial throughout the year in all the units of the company. We have entered into a five year wage settlement with the permanent workers at our A unit in Kerala.

Internal control systems & Risk Management

The company has adequate internal control systems to monitor business processes, financial reporting and compliance with applicable regulations. The

systems are periodically reviewed for identification of control deficiencies and formulation of time bound action plans to improve efficiency at all the levels.

The Audit committee of the Board reviews internal control systems and their adequacy, significant risk areas, observations made by the internal auditors on control mechanism and the operations of the company, recommendations made for corrective action and the internal audit reports. The committee reviews with the statutory auditors and the management, key issues, significant processes and accounting policies. The company continues its efforts in strengthening internal controls.

Risk Management is an integral part of the business process. The audit committee of the Board reviews the risk management framework.

Mr L G Varadarajulu

It is with deep regret that we inform the members about the sad demise of our beloved Ex-Chairman Mr L G Varadarajulu on 19th May 2010. Mr L G Varadarajulu had been associated with the company since inception as one of the promoter members/directors and was Chairman of the Company from 1992 to 2004.

The Company has benefited immensely under his able leadership and guidance. The Board of Directors places on record its highest appreciation of the contribution and invaluable services rendered by Mr L G Varadarajulu to the growth of the company.

Directors

Mr Vijay Mohan, Mr C N Srivatsan and Mr Vijay Venkataswamy retire by rotation at the ensuing Annual General Meeting. They are eligible for reappointment.

Mr P Sai Prakash resigned from the Board with effect from 31st December 2009. The Directors would like to place on record the valuable contributions made by Mr P Sai Prakash.

Mr Prashanth Chandran was appointed as a Whole time Director effective from 01.04.2010 and designated as Executive Director. The above appointment is subject to the approval of the members at the forthcoming Annual General Meeting.

Subsidiary companies

The Company has four subsidiaries namely 1. Benwood Corporation Sdn Bhd 2. Suprem Textile Processing Limited 3. Multiflora Processing (CBE) Limited and 4. Precot Meridian Energy Limited. Benwood Corporation Sdn Bhd, a subsidiary incorporated in Malaysia, recorded a turnover of

Rs. 13 crores for the year ended 31st December 2009 with a Net Profit of Rs 0.67 crores. The operations of the other subsidiaries are not significant.

The statement pursuant to section 212 of the Companies Act 1956, containing details of subsidiaries of the Company, forms part of this Annual report.

The company has obtained approval from the Ministry of Corporate Affairs, New Delhi vide letter No:47/27/2010-CL-III dated 24/02/2010 in terms of Section 212(8) of the Companies act 1956 exempting the company from attaching the Balance sheet and profit & loss account of the subsidiaries namely 1.Suprem Textile Processing Limited 2 Multiflora Processing (CBE) Limited 3. Precot Meridian Energy Limited and 4. Benwood Corporation Sdn Bhd along with Auditors and Directors report thereon, with the company's accounts for the year ended 31st March 2010. As per the terms of the exemption order the brief financial statement of subsidiaries is included in the Annual report.

Delisting of securities from Regional Stock Exchanges

The Company applied for delisting its securities from the Coimbatore and Madras Stock Exchanges as there is no trading in these Exchanges. The Approval from Madras Stock Exchange for delisting the shares was obtained. The shares of the company will continue to be listed on the National Stock Exchange, Mumbai.

Corporate Governance

The report on Corporate Governance is annexed. The company has complied with the conditions relating to Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

Directors Responsibility statement

The Directors confirm that:

- (a) The applicable accounting standards have been followed and proper explanations provided relating to material departures
- (b) The company has adopted prudent and consistent accounting policies so as to give a true and fair view of the state of affairs of the company
- (c) Proper and sufficient care has been taken for maintenance of adequate accounting records under the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- (d) The annual accounts of the company have been prepared on a going concern basis

Auditors

M/s Suri & Co and KSG Subramanyam & Co, auditors of the company retire at the ensuing Annual General Meeting. While M/s KSG Subramanyam & Co have given their consent for reappointment, M/s Suri & Co have not opted for reappointment. The Board proposes to appoint M/s Haribhakti & Co and M/s KSG Subramanyam & Co, as Statutory auditors of the company subject to approval from the members at the forthcoming Annual General Meeting. The directors have received confirmation from them that, if appointed, it would be within the limits under section 224(1B) of the Companies Act, 1956.

The Board would like to place on record their appreciation of the valuable service rendered by M/s Suri & Co for the past 13 years.

Fixed Deposits

One Fixed Deposit amounting to Rs. 0.15 lacs remained unclaimed as on 31st March, 2010.

Acknowledgement

Your Directors thank the shareholders, customers, suppliers and bankers for their continued support during the year. Your directors also place on record their appreciation of the contributions made by the employees at all levels towards the growth of the company.

Annexure to Directors Report

a. Foreign Exchange Earnings

The company's foreign exchange earnings during the year was Rs. 96.12 crores. Outflow on account of import of raw materials, machinery and spares amounted to Rs. 4.65 crores resulting in a net foreign exchange earnings of Rs. 91.47 crores.

b. Technology Absorption, Adaptation and innovation Research and Development

Research and Development activities are carried out on an ongoing basis for improving the efficiency and also for improving quality of its products. No separate expenditure was incurred for R & D.

c. Conservation of Energy

Conservation of Energy continues to receive increased emphasis at all the units of the Company. Energy audits and Inter unit studies are carried out on a regular basis for taking steps for reduction of the energy consumption. The details of total consumption are as follows.

FORMA

Conservation of Energy (Consolidated for all units)

A. Power & fuel consumption 31.03.2010 31.03.2009

| | Total | Total |
|-------------------------------|----------------|---------|
| 1) Electricity From EB | | |
| Units purchased (lacs) | 605.56 | 607.82 |
| Total cost (lacs) | 2361.02 | 2411.59 |
| Cost per unit | 3.90 | 3.97 |
| 2) Electricity From Gas power | | |
| Units purchased (lacs) | 458.77 | 425.79 |
| Total cost (lacs) | 1144.14 | 1184.30 |
| Cost per unit | 2.49 | 2.78 |
| 3) Own Generation through | | |
| a) Diesel Generator | | |
| Units generated (lacs) | 92.61 | 53.76 |
| Total cost (lacs) | 820.15 | 507.03 |
| Cost per unit | 8.86 | 9.43 |
| Units per Ltr of Diesel | 3.68 | 3.25 |
| b) Wind Mill Power | | |
| Units generated (lacs) | 166.00 | 126.34 |
| Total cost (lacs) | 447.40 | 315.97 |
| Cost per unit | 2.70 | 2.50 |

B. Consumption of electricity (units)

| | | |
|------------------|-------------|------|
| Yarn per Kg | 4.26 | 4.10 |
| Fabric per metre | 1.91 | 2.06 |

Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956
I

Name : **D Sarath Chandran**
 Age : 64 years
 Qualification : B Sc (Hons), MBA
 Exp : 38 years
 Designation : *Chairman & Managing Director*
 Nature of duties : Management of the Company
 Gross remuneration : Rs 67.25 lacs
 Date of commencement of employment : 01.04.1975
 Previous employment : Premier Mills Limited.

Notes:

- The Chairman & Managing Director was appointed for a period of 3 years with effect from 01.04.08.
- Gross remuneration includes salary, allowances, Commission and Company's contribution to Provident and Superannuation Funds.
- Mr D Sarath Chandran is the brother of Mr Vijay Mohan and father of Mr Ashwin Chandran and Mr Prashanth Chandran.

II

Name : **Ashwin Chandran**
 Age : 35 years
 Exp : 13 years
 Qualification : B Sc (Hons), MBA
 Designation : Joint Managing Director
 Nature of duties : Management of the Company
 Gross remuneration : Rs 49.25 lacs
 Date of commencement of employment : 19.09.2002
 Previous employment : -

Notes:

- The Joint Managing Director was appointed for a period of 3 years with effect from 01.04.08.
- Gross remuneration includes salary, allowances, Commission and Company's contribution to Provident and Superannuation Funds.
- Mr Ashwin Chandran is the son of Mr.D Sarath Chandran and brother of Mr Prashanth Chandran.

III

Name : **Mr P Sai Prakash**
 Age : 53 years
 Exp : 28 years
 Qualification : Textile graduate and MBA
 Designation : *President*
 Nature of duties : Whole time director
 Gross remuneration : Rs 20.68 lacs
 Date of commencement of employment : 24.02.1995
 Previous employment : Royal Spinners Limited, Lagos, Nigeria.

Notes:

- The President - Director was appointed for a period of 5 years with effect from 01.04.05.
- Gross remuneration includes salary, allowances, Commission and Company's contribution to Provident and Superannuation Funds.
- None of the directors are related to Mr P Sai Prakash
- The Remuneration to Mr P Sai Prakash as a Whole time Director was up to 31.12.2009. He ceased to be a Whole time Director w.e.f from 01.01.2010.

 Coimbatore
 29.05.2010

 By Order of the Board
 D Sarath Chandran
 Chairman & Managing Director

Annexure to Directors report

Report on corporate governance

Company's philosophy on code of governance

The Company adopts a self governing Corporate Governance model to adhere to all the rules and regulations of the statutory authorities. It also discharge its duties and obligations in a fair and transparent manner with the object of maximizing the value of the stakeholders namely shareholders, employees, financial institutions, customers, suppliers and business partners.

Board of Directors – Composition, Category and Attendance

The Board comprises of Twelve Directors including three Executives and nine Non-Executive directors.

During the year 2009-10 four Board Meetings were held at the Registered office on 28th May 2009, 30th July 2009, 28th October 2009 and 29th January 2010.

Composition of Directors and their attendance:

| Name of the director | Category | Attendance Particulars | | No. of directorships in other companies*** | No. of committees in all companies | |
|---|-------------------------------|------------------------|----------|--|------------------------------------|----------|
| | | Board Meetings | Last AGM | | Member | Chairman |
| D Sarath Chandran Chairman & Managing Director | Executive – Chairman Promoter | 4 | Yes | 6 | 3 | - |
| Ashwin Chandran Joint Managing Director | Executive – Promoter | 4 | Yes | 3 | 1 | - |
| Prashanth Chandran **Executive Director | Executive – Promoter | NA | NA | - | - | - |
| P Sai Prakash* | Executive- Non Promoter | 3 | Yes | - | - | - |
| Vijay Mohan | NonExecutive-Promoter | 4 | No | 10 | 2 | - |
| A Ramkrishna | Non Executive- Independent | 3 | Yes | 3 | 1 | - |
| Sumanth Ramamurthi | Non Executive – Independent | 4 | No | 12 | 2 | - |
| Jairam Varadaraj | Non Executive – Independent | 4 | No | 10 | 4 | - |
| Vijay Venkatasamy | Non Executive – Independent | 4 | Yes | 4 | 2 | 1 |
| C N Srivatsan | Non Executive – Independent | 4 | No | 4 | 2 | 1 |
| M V Subaraman | Non Executive – Independent | 4 | No | 1 | 2 | - |
| Suresh Jagannathan | Non Executive – Independent | 4 | No | 3 | 2 | - |
| K Muthukumar | Nominee Director (EXIM Bank) | 3 | No | 2 | - | - |

* Resigned with effect from 01.01.2010

**Appointed with effect from 01.04.2010

***Excluding directorships in Private companies and Foreign Companies

Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

All the Members of the Audit Committee are independent and have knowledge of finance, accounts and the textile industry. The quorum for audit committee meeting is two independent directors.

The Audit Committee meetings were held at the Registered Office of the Company

The previous Annual General Meeting of the Company was held on 21st August 2009 and it was attended by Mr. Vijay Venkataswamy, Chairman of the Audit Committee.

During the year the committee met four times on 22nd May 2009, 24th July 2009, 22nd October 2009 and 23rd January 2010. The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

| Name | Category | No. of Meetings Attended |
|-----------------------------|-----------------------------|---------------------------------|
| Vijay Venkatasamy, Chairman | Non Executive - Independent | 4 |
| Jairam Varadaraj | Non Executive - Independent | 3 |
| C N Srivatsan | Non Executive - Independent | 4 |
| M V Subaraman | Non Executive - Independent | 3 |
| A Ramkrishna | Non Executive - Independent | 3 |

The representatives of the Statutory Auditors, Internal Auditors and Executives of the company also attended the meetings. The minutes of the Audit Committee meetings were placed at the Board meeting. The Company Secretary acts as the secretary of the committee.

Remuneration Committee

The composition of the Remuneration Committee and particulars of meetings attended by the members.

| Name | Category | No. of Meetings Attended |
|-----------------------|-----------------------------|---------------------------------|
| A Ramkrishna Chairman | Non Executive - Independent | 1 |
| Jairam Varadaraj | Non Executive - Independent | 1 |
| Vijay Venkataswamy | Non Executive - Independent | 1 |

The Committee would look into and determine the company's policy with regard to the remuneration packages of the executive directors.

The Committee met on 23rd January 2010 to revise the remuneration of Mr D Sarath Chandran, Chairman and Managing Director and Mr Ashwin Chandran, Joint Managing Director and to fix the remuneration of Mr Prashanth Chandran, Executive Director.

The Executive Directors are paid remuneration approved by the Board of Directors on the recommendation of Remuneration Committee. The remuneration so approved is subject to the approval by the shareholders at the general meeting and such other authorities as the case may be.

The Company does not have any Employee Stock Option Scheme.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors.

During the year, the Company paid a Sitting Fee of Rs. 10,000 per meeting to its Non-Executive Directors for attending meetings of the Board of Directors and Audit Committee and Rs.1,000 per meeting for attending meetings of other Committees.

The remuneration paid/payable to the Executive Directors of the Company for the year ended 31st March 2010, are as under

| Name of the Director | Salary and perks Rs | Commission Rs | Total Rs | Service Contract |
|---|--------------------------------|--------------------------|---------------------|-----------------------------|
| D Sarath Chandran, Chairman and Managing Director | 24,02,520 | 43,23,308 | 67,25,828 | 01.04.2008 to 31.03.2011 |
| Ashwin Chandran, Joint Managing Director | 20,43,000 | 28,82,206 | 49,25,206 | 01.04.2008 to 31.03.2011 |
| P Sai Prakash, *President | 13,18,800 | 7,50,000 | 20,68,800 | 01.04.2005 to 31.12.2009 |

*Resigned with effect from 01.01.2010(9 months)

The company does not pay remuneration to any of its Non-executive Directors barring sitting fees for attendance during the meeting(s).

The details of the sitting fees paid during year and number of shares held by the non-executive directors are as under :

| Name of the Director | Sitting Fees (Rs.) | No. of Shares held |
|-----------------------------|---------------------------|---------------------------|
| A Ramkrishna | 61,000 | 800 |
| Vijay Mohan | 55,000 | 1300 |
| Sumanth Ramamurthi | 40,000 | 900 |
| Jairam Varadaraj | 71,000 | 50 |
| Vijay Venkatasamy | 81,000 | 550 |
| C N Srivatsan | 80,000 | - |
| M V Subaraman | 70,000 | 50 |
| Suresh Jagannathan | 40,000 | - |
| K.Muthukumaran* | 30,000 | - |

* Payable to EXIM Bank

There has been no materially relevant pecuniary transaction or relationship between the Company and its Non-executive directors during the year.

Shareholders / Investors Grievance Committee

The Committee deals in matters relating to transfer and transmission of shares, issue of duplicate share certificates, review of dematerialized shares, redressing of investors complaints. The Share Transfers/transmissions are approved by the committee. The minutes of the same are placed at the board meetings from time to time.

The composition of the Shareholders/Investors Grievance Committee and particulars of meetings attended by the members.

| Name | No. of Meetings attended |
|--|---------------------------------|
| Vijay Mohan (Non Executive) Chairman* | 15 |
| D Sarath Chandran | 15 |
| Ashwin Chandran | 15 |
| P Sai Prakash** | 05 |
| A Ramkrishna (Non Executive) Chairman*** | - |

* Chairman and member up to 31.03.2010

**Resigned with effect from 31.12.2009

***Appointed with effective from 01.04.2010.

Fifteen meetings of the Shareholders / Investors Grievances Committee were held, during the year 2009 on 15th April ,30th April, 30th May, 30th June, 13th August, 30th September , 15th October, 30th November, 15th December, 31st December and in the year 2010 on 15th January, 15th February, 27th February, 15th March and 31st March.

Compliance Office's details

C Murugesh
 Company Secretary and Compliance officer
 Precot Meridian Ltd,
 Regd Office:"SUPREM"
 PB 7161,737, Puliakulam Road,
 Coimbatore – 641045.
 Email: secretary@precot.com

Details of Complaints received and redressed

| Opening Balance | Received during the year | Redressed during the Year | Closing balance |
|-----------------|--------------------------|---------------------------|-----------------|
| - | 2 | 2 | - |

There were no outstanding complaints as on 31st March 2010.

Management analysis report

Management Analysis Report forms part of this Annual Report.

General Body Meetings

| Details of the meetings | Date of the Meeting and Time | Venue | Special Resolutions |
|---------------------------|------------------------------|---|--|
| 2007,45 th AGM | 10.08.2007 at 5.00PM | Chamber towers, Avinashi Road, Coimbatore-641018. | 1. To hold office or place of profit under section 314 of the Companies Act1956 |
| 2008,46 th AGM | 22.08.2008 at 5.00PM | Chamber towers, Avinashi Road, Coimbatore-641018. | 1. To appoint Mr D Sarath Chandran as Chairman and Managing Director 2. To appoint Mr Ashwin Chandran as Joint Managing Director 3. To Delist the equity shares from Coimbatore and Madras Stock Exchanges |
| 2009,47 th AGM | 21.08.2009 at 4.30PM | Chamber towers, Avinashi Road, Coimbatore-641018. | - |

No extra-ordinary General Meeting was held during the year 2009-10.

No Court Convened Meeting of Members was held during the year.

No Postal Ballot was conducted during the year.

Disclosures

- Details of transactions with related parties are provided in Note no.25 to notes forming part of the Accounts in accordance with the provision of Accounting Standard 18. There is no materially significant related party transaction that may have potential conflict with the interest of the company at large.
- The company has prepared a risk management framework to identify, minimize and mitigate business and process related risk at predefined intervals.
- During the last 3 years, there were no strictures or penalties imposed on the company by either Stock Exchanges or SEBI or any statutory authority for non compliance on any matter relating to the capital markets.
- The company does not have Whistle Blower Policy. However any employee, if he/she so desires, would have free access to meet senior level management and report any matter of concern.
- The company has complied with all the mandatory requirements of corporate governance norms as enumerated in Clause 49 of the Listing Agreement with the Stock Exchanges.
- CEO/CFO certificate: A certificate signed by the Chairman and Managing Director and CFO has been placed at all board meetings.

The company has opted for the following non-mandatory requirements as prescribed in clause 49 of the Listing Agreement-

- The company has set up a Remuneration committee.

The other non-mandatory requirements have not been adopted by the company.

Code of Conduct

The Board of Directors has laid down a code of conduct for all the Board members and Senior Management of the Company. The same has been posted on the website of the company. All Board members and Senior Management personnel have affirmed their compliance with the code of conduct for the year under review.

The Company's Managing Director's declaration to this effect forms a part of this report.

Code of Conduct for Insider Trading

The company has framed a code of conduct for prevention of insider Trading based on SEBI(Insider Trading) Regulations 1992. This code is applicable to all directors/ officers/ designated employees. The code ensures the prevention of dealing in shares by any person having access to unpublished price sensitive information.

Means of Communication

The quarterly, half-yearly and annual results of the Company are published in newspapers Financial Express(National Issue) and Maalai Malar or Dinakaran (Tamil daily). The results are also displayed on the Company's website www.precot.com

Results and reports of the company are available in www.nseindia.com

There were no specific presentations made to Institutional investors or to analysts during the year.

Official news releases are made whenever it is considered necessary.

General Shareholder information:

Annual General Meeting : Friday, 6th August 2010 at 4.30 PM
 Venue : Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641 018
 Financial Year : 1st April 2010 to 31st March 2011
 Date of Book Closure : 30.07.2010 to 06.08.2010 for the purpose of dividend.
 Dividend payment date : With in seven working days from the date of Annual General Meeting.
 Listing on Stock Exchanges : National Stock Exchange of India Limited(NSE)
 Stock Code: PRECOT, ISIN : INE283A01014

Market price date and performance in comparison with S& P Nifty:

| Month | Prices(rs) | | S&P Nifty | |
|----------------|------------|--------|-----------|---------|
| | Low | High | Low | High |
| April 2009 | 37.00 | 57.90 | 3060.35 | 3484.15 |
| May 2009 | 41.60 | 68.25 | 3554.60 | 4448.95 |
| June 2009 | 56.20 | 69.60 | 4235.25 | 4655.25 |
| July 2009 | 46.40 | 58.90 | 3974.05 | 4636.45 |
| August 2009 | 55.40 | 62.80 | 4387.90 | 4732.35 |
| September 2009 | 60.25 | 74.80 | 4593.55 | 5083.95 |
| October 2009 | 68.00 | 85.40 | 4711.70 | 5142.15 |
| November 2009 | 68.15 | 93.00 | 4563.90 | 5108.15 |
| December 2009 | 93.10 | 110.50 | 4952.60 | 5201.05 |
| January 2010 | 108.90 | 141.95 | 4853.10 | 5281.80 |
| February 2010 | 110.00 | 122.40 | 4718.65 | 4931.85 |
| March 2010 | 117.15 | 161.95 | 5017.00 | 5302.85 |

Annual listing fees for the year 2010-11 was paid to the National Stock Exchange of India Limited.

Custodial fees: The Company has paid custodial fees for the year 2010-11 to National Securities Depository Limited and Central Depository Services (India) Limited.

Registrar and Share Transfer Agent
 (for both physical and demat segments)
 M/s Link Intime India Pvt Limited,
 Surya, 35 Mayflower Avenue, Senthil Nagar,
 Sowripalayam Road,
 Coimbatore - 641028.
 Email: coimbatore@linkintime.co.in

Head Office:
 M/s Link Intime India Pvt Limited,
 C-13, Pannalal Silk Mills Compound,
 L B S Marg, Bhandup (west) Avenue,
 Mumbai - 400 078.

Share Transfer Process

The company's shares are traded on the stock exchange only in electronic mode. Shares in physical form are processed by the Registrar and transfer agents M/s Link Intime India Pvt Limited only after getting approval from shareholders committee.

The share transfers are registered and returned with in period of 30 days of receipt if documents are in order.

Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with the total issued and listed capital. The secretarial audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Share holding pattern as on 31.03.2010:
Distribution of Shareholding as on 31.03.2010:

| Category | No. of shares | Percentage of holding | Share holding range | No. of holders | Percentage of holders | No. of shares | Percentage of shares |
|-----------------------|----------------|-----------------------|---------------------|----------------|-----------------------|----------------|----------------------|
| Promoters | 3837101 | 55.21 | 1-100 | 2783 | 40.72 | 155717 | 2.24 |
| Financial Inst/ Banks | 550 | 0.01 | 101-500 | 3196 | 46.77 | 723636 | 10.41 |
| Insurance Companies | 2267 | 10.33 | 501-1000 | 407 | 5.96 | 305641 | 4.40 |
| FII | 167 | 0.00 | 1001-2000 | 235 | 3.44 | 336243 | 4.84 |
| Mutual Funds | 459046 | 6.60 | 2001-3000 | 90 | 1.32 | 222343 | 3.20 |
| Bodies Corporate | 351989 | 5.07 | 3001-4000 | 28 | 0.41 | 97153 | 1.40 |
| Non-Resident Indians | 34089 | 0.49 | 4001-5000 | 26 | 0.38 | 118709 | 1.71 |
| Public | 2244387 | 32.29 | 5001-10000 | 40 | 0.59 | 275824 | 3.97 |
| | | | 10001& Above | 28 | 0.41 | 4714734 | 67.83 |
| Total | 6950000 | 100 | Total | 6833 | 100 | 6950000 | 100 |

Dematerialization status of shares as on 31.03.2010:

| Particulars | No. of Shares | % to Share capital |
|--|----------------|--------------------|
| National Securities Depository Limited | 4014421 | 57.76 |
| Central Depository Services (India) Limited | 319270 | 4.59 |
| Total | 4333691 | 62.35 |

There are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments as on 31st March 2010.

Plant Locations:

| | |
|--------------|---|
| A Unit | : Kanjikode, Palakkad, Kerala |
| B Unit | : Kodigenahalli, Hindupur, Andhra Pradesh |
| M Unit | : Nanjegoundanpudur, Pollachi, TamilNadu |
| C & D Units | : Chandrapuram, Walayar, Kerala |
| K Unit | : Gowribidnur, Kolar, Karnataka |
| Weaving Unit | : Vettaikaranpudur, Tamilnadu |
| Dyeing Unit | : Perundurai, Tamil Nadu. |

Address for Correspondence:

Precot Meridian Ltd,
Secretarial Department,
Regd Office: "SUPREM"
PB 7161,737, Puliakulam Road,
Coimbatore – 641045.
Email: secretary@precot.com

Coimbatore
29.05.2010

D Sarath Chandran
Chairman and Managing Director

Declaration regarding compliance of company's code of conduct

All the Board members and Senior Management Personnel affirmed compliance with the code of conduct of the Company for the financial year ended 31st March 2010.

Coimbatore
29.05.2010

D Sarath Chandran
Chairman and Managing Director

Compliance certificate

To the members of Precot Meridian limited,

We have examined the compliance of conditions of Corporate Governance by Precot Meridian Limited, for the year ended on 31.3.2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Relations Committee. We further state that such compliance is neither an assurance as to the future viability of the company nor the effectiveness with which the management has conducted the affairs of the Company.

Coimbatore
29.05.2010

For Suri & Co,
Chartered Accountants
Reg.No:004283S
C S Sathyanarayanan
Partner (M.No. 028328)

For K S G Subramanyam & Co . ,
Chartered Accountants
Reg.No:004151S
K. Baskaran
Partner (M.No:022883)

Significant Accounting Policies

1. Accounting Convention :

The financial statements have been prepared as per Section 211(3C) of the Companies Act, 1956 and a recommendatory standard issued by the institute of chartered accountants of india.

Pursuant to Institute of Chartered Accountants of India (ICAI) announcement regarding early adoption of Accounting Standard 30 Financial instruments, the company has early adopted the standard with effect from 01.04.2008.

2. Fixed Assets :

Fixed Assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation, accumulated amortisation and cumulative impairment if any. Costs include preoperative expenses and all expenses related to acquisition and installation of the assets concerned.

3. Leases :

Assets leased out under operating leases are capitalized. Rental income is recognised on accrual basis over the lease term.

4. Borrowing Costs :

Borrowing Costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All the other borrowing costs are charged to revenue. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

5. Impairment of Assets :

As at each Balance sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) the provision for impairment loss, if any, required or
- b) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

6. Depreciation :

Depreciation is provided on the Straight Line Method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956. Intangible Assets are amortised over a period of five years.

7. Investments :

Investments are stated at fair value as per relevant accounting standard followed by the company. Provision for diminution in value of long-term investments is made, if the diminution is other than temporary.

8. Inventories :

- a) Inventories are valued at lower of cost and estimated net realizable value.
- b) The basis of determining cost for various categories of inventories are as follows:-
 - i) Raw Materials, Packing Materials & Stores and Spares : Weighted average basis.
 - ii) Finished Goods and Goods-In-Process: Cost of Direct Material, Labour & Other Manufacturing Overheads.

9. Foreign Currency Transactions :

- a) Foreign Currency Transactions are recorded at exchange rates prevailing on the date of such transaction.
- b) Monetary assets and Monetary liabilities at the year-end are realigned at the exchange rate prevailing at the year-end and the difference on realignment is recognized in the Profit and Loss Account or fixed assets as the case may be.

10. Revenue Recognition:

- a) The company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- b) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on dispatch of goods.
- c) Domestic sales as reported in the profit and loss account are exclusive of tax/duties, if any, and trade discounts. Income from Export entitlements is accounted as and when the certainty of entitlement is determined.
- d) Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

11. Taxes on Income :

- a) Current Tax on income is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on the expected outcome of assessments/appeals.
- b) Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

12. Employee Benefits:

- a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b) Post employment and other long term benefits which are defined benefit plans are recognised as an expense in the profit and loss account for the year in which the employee has rendered service. The expense is recognised based on the present value of the obligation determined in accordance with Revised Accounting Standard 15 on 'Employee Benefits'. Actuarial gains & losses are charged to the profit and loss account.
- c) Payments to defined contribution schemes are charged as expense as and when incurred.
- d) Termination benefits are recognised as an expense as and when incurred.

Rs.in Lacs

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------------|-------|-------|-------|-------|-------|--------------|
| Operating Results | | | | | | |
| Sales and other income | 24938 | 23693 | 33649 | 36947 | 38973 | 43661 |
| PBIDT | 3392 | 4165 | 5852 | 4527 | 3629 | 6779 |
| Interest | 709 | 179 | 915 | 1103 | 1302 | 1220 |
| PBDT | 2683 | 3985 | 4938 | 3425 | 2327 | 5559 |
| Depreciation | 1809 | 1863 | 2415 | 2715 | 2992 | 2792 |
| Taxes | 64 | 620 | 634 | 197 | 206 | 1196 |
| Net profit | 810 | 1502 | 1889 | 512 | (871) | 1572 |
| Dividend & Dividend Tax | 218 | 373 | 407 | 163 | - | 405 |
| Retained Profit | 592 | 1129 | 1482 | 349 | (871) | 1167 |
| Performance Highlights | | | | | | |
| Net Fixed Assets | 12950 | 13851 | 22792 | 24135 | 23442 | 20656 |
| Share Capital | 545 | 545 | 695 | 695 | 695 | 695 |
| Reserves | 9771 | 10900 | 13479 | 13451 | 11739 | 13904 |
| Net worth | 12091 | 13502 | 16706 | 16601 | 14321 | 16260 |
| Borrowings | 10867 | 9590 | 19451 | 21215 | 22006 | 22614 |
| Debt:Equity | 0.9 | 0.7 | 1.2 | 1.3 | 1.5 | 1.4 |
| Dividend (%) | 35 | 60 | 50 | 20 | - | 50 |
| Cash Earnings per share (Rs.) | 48 | 62 | 62 | 46 | 31 | 63 |
| Earnings per share (Rs.) | 15 | 28 | 27 | 7 | (13) | 23 |



Balance sheet

| | Schedule | As At 31.03.2010 Rs. in Lacs | As At 31.03.2009 Rs. in Lacs |
|---|----------|------------------------------------|------------------------------------|
| Sources of Funds | | | |
| Shareholder's Funds | | | |
| Share Capital | 1 | 695.00 | 695.00 |
| Reserves & Surplus | 2 | 13903.54 | 11739.48 |
| | | <u>14598.54</u> | <u>12434.48</u> |
| Loan Funds | | | |
| Secured Loans: | 3 | 22330.35 | 21703.50 |
| Unsecured Loans | 4 | 283.93 | 302.84 |
| | | <u>22614.28</u> | <u>22006.34</u> |
| Deferred Tax Liability | | <u>1661.57</u> | <u>1886.99</u> |
| Total Funds Employed | | <u>38874.39</u> | <u>36327.81</u> |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 49734.42 | 49857.43 |
| Less : Accumulated Depreciation | | 29303.43 | 26536.12 |
| | | <u>20430.99</u> | <u>23321.31</u> |
| Capital Work-in-progress | | 225.27 | 121.02 |
| Net Block | | <u>20656.26</u> | <u>23442.33</u> |
| Investments | 6 | 3866.16 | 2968.66 |
| Current Assets, Loans & Advances | | | |
| A. Current Assets | 7 | | |
| a) Inventories | | 13582.25 | 6509.61 |
| b) Sundry Debtors | | 2904.55 | 2517.99 |
| c) Cash & Bank Balances | | 518.58 | 472.10 |
| d) Other Current Assets | | 881.06 | 697.85 |
| B. Loans & Advances | | 1685.03 | 2559.29 |
| | | <u>19571.47</u> | <u>12756.84</u> |
| Less : Current liabilities and provisions | 8 | 5219.50 | 2840.02 |
| Net Current Assets | | <u>14351.97</u> | <u>9916.82</u> |
| Total Funds Deployed | | <u>38874.39</u> | <u>36327.81</u> |

Schedules 1 to 8, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO: 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Muruges
Company secretary

| | Schedule | As At 31.03.2010 Rs. in Lacs | As At 31.03.2009 Rs. in Lacs |
|---|----------|------------------------------------|------------------------------------|
| Income | | | |
| Sales - Domestic | 9 | 34043.78 | 28183.99 |
| - Exports | | <u>9617.51</u> | <u>9712.35</u> |
| | | 43661.29 | 37896.34 |
| Other Income | 10 | 335.93 | 1076.89 |
| Increase / (Decrease) In Stock of Finished Goods | 11 | (9.48) | (564.16) |
| | | <u>43987.74</u> | <u>38409.07</u> |
| Expenditure | | | |
| Raw Materials | 12 | 21556.92 | 19671.78 |
| Salaries & Wages | 13 | 4247.78 | 3579.98 |
| Power & Fuel | | 4706.90 | 4405.48 |
| Stores | | 1830.43 | 1621.18 |
| Repairs & Maintenance | 14 | 2390.36 | 1913.85 |
| Processing Charges | | 259.99 | 230.44 |
| Selling Expenses | 15 | 1790.63 | 1822.34 |
| Administrative Expenses | 16 | 425.72 | 1535.29 |
| Interest and Finance Charges | 17 | 1219.99 | 1302.03 |
| | | <u>38428.72</u> | <u>36082.37</u> |
| Profit Before Depreciation and Tax | | 5559.02 | 2326.70 |
| Less : Depreciation | 5 | 2785.63 | 2944.99 |
| Amortisation of intangible assets | | <u>6.03</u> | <u>46.76</u> |
| | | <u>2791.66</u> | 2991.75 |
| Profit Before Tax | | 2767.36 | (665.05) |
| Less: a) Provision for Taxation | | 470.00 | - |
| b) Fringe Benefit tax | | - | 16.95 |
| c) Deferred Tax Adjustment | | (225.42) | 189.36 |
| d) MAT credit | | (49.00) | - |
| e) Provision for Taxation-Prior years | | <u>1000.00</u> | - |
| | | <u>1195.58</u> | 206.31 |
| Net Profit | | 1571.78 | (871.36) |
| Add: Balance brought forward | | (81.41) | 789.95 |
| Profit available for Appropriation | | 1490.37 | (81.41) |
| Proposed Dividend | | 347.50 | |
| Tax on Proposed Dividend | | 57.72 | |
| Transfer to General Reserve | | 1000.00 | |
| Balance Carried Forward | | <u>85.15</u> | (81.41) |
| | | <u>1490.37</u> | (81.41) |
| Earning Per Share -refer note no:16 (Face value Rs.10/-per share) | | 22.62 | (12.54) |

Schedules 5 & 9 to 17, Significant Accounting Policies and Notes on Accounts form part of this Balance Sheet

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO: 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Murugesh
Company secretary

| | 31.03.2010 Rs. in Lacs | 31.03.2009 Rs. in Lacs |
|---|---------------------------|---------------------------|
| Schedule 1 | | |
| Share Capital | | |
| Authorised | | |
| 9000000 Equity Shares of Rs.10 each (Previous Year 9000000 shares) | 900.00 | 900.00 |
| Issued & Subscribed | | |
| 7500000 Equity Shares of Rs.10 each (Previous Year 7500000 shares) | 750.00 | 750.00 |
| Paid-up | | |
| 6950000 Equity Shares of Rs.10 each (Previous Year 6950000 shares) | 695.00 | 695.00 |

- Note: a) 2625000 equity shares of Rs.10 each have been issued as fully -paid-up bonus shares by capitalisation of reserves
 b) 550000 equity shares of Rs. 10 each were bought back in July 02
 c) 1500000 Equity shares of Rs.10 were issued consequent to merger of - Meridian Industries Ltd with the company

Schedule 2
Reserves and Surplus

| | Opening | Additions | Withdrawals | | |
|-------------------------------|-----------------|----------------|----------------|-----------------|-----------------|
| Capital Reserve | 48.19 | - | - | 48.19 | 48.19 |
| Capital Investment Subsidy | 28.71 | - | - | 28.71 | 28.71 |
| Capital Redemption Reserve | 355.00 | - | - | 355.00 | 355.00 |
| Share Premium | 2212.46 | - | - | 2212.46 | 2212.46 |
| Investment Fair Value Reserve | 481.89 | 997.50 | - | 1479.39 | 481.89 |
| General Reserve | 8694.64 | 1000.00 | - | 9694.64 | 8694.64 |
| Surplus in P&L account | (81.41) | 1571.78 | 1405.22 | 85.15 | (81.41) |
| | 11739.48 | 3569.28 | 1405.22 | 13903.54 | 11739.48 |

An Amount of Rs. 55 Lacs was transferred to capital redemption reserve consequent to buy back of 550000 equity shares in July 02.

Schedule 3
Secured Loans*

| | | |
|--|-----------------|----------|
| A) Term Loans from Banks | | |
| 1) In Rupee | 10553.92 | 11486.70 |
| 2) In Foreign Currency | 3305.54 | 4563.90 |
| B) Working Capital Facilities from Banks | | |
| 1) In Rupee | 6186.45 | 4081.56 |
| 2) In Foreign Currency | 2284.44 | 1571.34 |
| | 22330.35 | 21703.50 |

* Note: For securities refer note no:1 of notes on accounts

Schedule 4
Unsecured Loans
From others

| | | |
|-------------------------|---------------|--------|
| Sales tax Deferral Loan | 283.93 | 302.84 |
| | 283.93 | 302.84 |

**Schedule 5
Fixed Assets**

Rs. in Lacs

| | Gross Block | | | Depreciation | | | Net Block | | | |
|-------------------------------------|---------------------|-------------------------------|---------------------|---------------------|--------------------|-----------------|-----------------------------------|--------------------|---------------------|---------------------|
| | As on 01.04.2009 | During the year Additions* | Sales/ Transfers | As on 31.03.2010 | Upto 31.03.2009 | For the year | Withdrawals during the year | Upto 31.03.2010 | As on 31.03.2010 | As on 31.03.2009 |
| A. Tangible Assets | | | | | | | | | | |
| Land | 432.63 | - | 0.10 | 432.53 | - | - | - | - | 432.53 | 432.63 |
| Building | 6316.71 | 64.25 | 1.01 | 6379.95 | 1333.61 | 179.92 | 0.50 | 1513.03 | 4866.92 | 4983.10 |
| Plant & Machinery | 42403.73 | (218.73) | 13.50 | 42171.50 | 24775.10 | 2570.31 | 10.65 | 27334.76 | 14836.74 | 17628.63 |
| Office Furniture | 201.47 | 4.35 | 0.77 | 205.05 | 77.79 | 11.35 | 0.24 | 88.90 | 116.15 | 123.68 |
| Motor Vehicles | 251.15 | 21.80 | 19.91 | 253.04 | 111.46 | 24.05 | 12.96 | 122.55 | 130.49 | 139.69 |
| | 49605.69 | (128.33) | 35.29 | 49442.07 | 26297.96 | 2785.63 | 24.35 | 29059.24 | 20382.83 | 23307.73 |
| B. Intangible Assets | | | | | | | | | | |
| ERP Expenditure & Software | 251.74 | 40.61 | - | 292.35 | 238.16 | 6.03 | - | 244.19 | 48.16 | 13.58 |
| | 49857.43 | (87.72) | 35.29 | 49734.42 | 26536.12 | 2791.66 | 24.35 | 29303.43 | 20430.99 | 23321.31 |
| Capital WIP | 121.02 | 104.25 | - | 225.27 | - | - | - | - | 225.27 | 121.02 |
| Total | 49978.45 | 16.53 | 35.29 | 49959.69 | 26536.12 | 2791.66 | 24.35 | 29303.43 | 20656.26 | 23442.33 |
| Previous Year | 47766.12 | 2756.65 | 544.32 | 49978.45 | 23631.49 | 2991.75 | 92.76 | 26536.12 | 23442.33 | 24134.63 |
| * Additions during the year | | | | 497.50 | | | | | | |
| Less: ECB reinstatement | | | | 480.97 | | | | | | |
| Net asset additions during the year | | | | 16.53 | | | | | | |

Schedule 6

Investments

| Particulars | Face Value Rs. | Quantity as on | | Book Value as on | |
|--|----------------------|-----------------------|-----------------------|---------------------------|---------------------------|
| | | 31.03.2010 in Nos. | 31.03.2009 in Nos. | 31.03.2010 Rs. in Lacs | 31.03.2009 Rs. in Lacs |
| A. Equity Shares (Fully paid up) | | | | | |
| Non Trade - Quoted | | | | | |
| Pricol Limited | 1 | 5462250 | 5462250 | 197.47 | 197.47 |
| Trade - Unquoted | | | | | |
| Vantex Limited | 10 | 100000 | 100000 | 19.00 | 19.00 |
| A.P.Gas Power Corporation Limited | 10 | 1206000 | 1206000 | 1964.87 | 1964.87 |
| Sai Regency Power Corporation Pvt Ltd | 10 | 225000 | 225000 | 22.50 | 22.50 |
| OPG Energy Pvt Limited | 10 | 14000 | 14000 | 1.40 | 1.40 |
| Non Trade - Unquoted | | | | | |
| Precot Mills Employees Cooperative - - Credit Society | 10 | 100 | 100 | 0.01 | 0.01 |
| Precot Mills Multi purpose stores Subsidiaries | 10 | 100 | 100 | 0.01 | 0.01 |
| Multiflora Processing(Cbe) Limited | 10 | 250000 | 250000 | 25.00 | 25.00 |
| Suprem Textiles Processing Limited | 100 | 100000 | 100000 | 100.00 | 100.00 |
| Precot Meridian Energy Limited | 10 | 50000 | 50000 | 5.00 | 5.00 |
| Benwood Corporation Sdn Bhd (a) | | 666667 | 666667 | 41.61 | 41.61 |

| Particulars | Book Value as on | |
|---|--------------------------|--------------------------|
| | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs.in Lacs |
| B. Investment in Partnership Firm | 9.90 | 9.90 |
| C. Current Investment | | |
| SBI- Mutual Fund-Magnum | | |
| Insta Cash fund Liquid plan - Growth | - | 100.00 |
| Investment Fair Value adjustments as per - Accounting Standard - 30 | 1479.39 | 481.89 |
| | 3866.16 | 2968.66 |
| Quoted investments - Cost | 197.47 | 297.47 |
| - Market Value | 1340.98 | 388.37 |
| Unquoted investment - Cost | 2189.29 | 2189.30 |
| (a) Malaysian Co, Face Value of each share - RM 1 each. | | |
| Schedule 7 - Current Assets, Loans & Advances | | |
| A. Current Assets: | | |
| Inventories-At Lower of Cost & Estimated Net Realisable Value. | | |
| Raw materials | 11231.03 | 4503.06 |
| Stock-in-process | 1250.00 | 926.49 |
| Waste Cotton | 54.05 | 62.56 |
| Finished Goods | 767.87 | 777.35 |
| Stock of Stores | 279.30 | 240.15 |
| | 13582.25 | 6509.61 |
| Sundry Debtors | | |
| Unsecured and considered good | | |
| Outstanding for a period exceeding six months | 3.68 | 25.71 |
| Other debts | 2900.87 | 2492.28 |
| | 2904.55 | 2517.99 |
| Cash and Balances with Scheduled Banks | | |
| Balances with scheduled Banks | | |
| In Current Account | 485.62 | 436.76 |
| In Unpaid Dividend Account | 26.27 | 28.76 |
| Cash, Cheques and Stamps on hand | 6.69 | 6.58 |
| | 518.58 | 472.10 |
| Other Current Assets | | |
| Income accrued and receivable | 881.06 | 697.85 |
| | 881.06 | 697.85 |
| B. Loans and Advances | | |
| Unsecured, considered good recoverable in cash or in kind or for value to be received: | | |
| Prepaid Expenses | 46.47 | 43.44 |
| Balance Recoverable from Govt.authorities | 14.57 | 19.48 |
| Tax payment pending adjustments | 192.14 | 210.87 |
| MAT Credit Receivable | 49.00 | - |
| Advance to others /suppliers | 638.12 | 1393.98 |
| Deposits with Government Authorities | 105.86 | 134.36 |
| Other Deposits | 638.87 | 757.16 |
| | 1685.03 | 2559.29 |

| | 31.03.2010 Rs. in Lacs | 31.03.2009 Rs. in Lacs |
|--|---------------------------|---------------------------|
| Schedule 8 - Current Liabilities and Provisions | | |
| A. Current Liabilities | | |
| Sundry Creditors | | |
| a) Dues to Micro, Small and Medium enterprises | - | - |
| b) Others | 1961.98 | 999.33 |
| Trade Deposits | 54.15 | 55.66 |
| Investor Education and Protection Fund items not due | | |
| a) Unclaimed dividends | 26.27 | 28.76 |
| b) Matured unclaimed Fixed Deposits | 0.15 | 0.15 |
| c) Interest accrued and due on (b) | 0.02 | 0.02 |
| Other Liabilities | 1556.02 | 1554.61 |
| B. Provisions | | |
| Provision for Taxation | 1010.52 | - |
| Provision for Gratuity & Super Annuation | 205.17 | 201.49 |
| Proposed Dividend | 347.50 | - |
| Tax on Dividend | 57.72 | - |
| | <u>5219.50</u> | <u>2840.02</u> |
| Schedule 9 - Sales | | |
| Gross Sales Domestic - Yarn | 27787.78 | 22502.45 |
| - Fabric | 6107.10 | 5585.25 |
| - Garment | 148.90 | 96.29 |
| | <u>34043.78</u> | 28183.99 |
| Direct Sales Exports - Yarn | 9605.30 | 9552.61 |
| - Garments | 12.21 | - |
| - Fabric | - | - |
| | <u>9617.51</u> | 159.74 |
| | <u>43661.29</u> | <u>9712.35</u> |
| | | <u>37896.34</u> |
| Schedule 10 - Other Income | | |
| Income from Trade Investments | | |
| Dividends from subsidiaries. | 7.92 | 12.89 |
| Income from Non-Trade Investments | | |
| Dividends from other than subsidiaries. | 0.64 | 32.77 |
| Profit on Sale of Investments/Mutual Fund (net) | 5.27 | 6.87 |
| Profit On Sale of Assets (net) | 13.77 | 783.17 |
| Foreign Exchange Gain | 83.79 | - |
| Lease Rental Receipts | - | 0.36 |
| Rent Receipts | 65.31 | 17.58 |
| Agricultural Income (Net) | - | 1.56 |
| Insurance Claim Receipts | 11.12 | 30.86 |
| Scrap-sales | 43.17 | 62.03 |
| Waste Packing Receipts | 12.95 | 12.60 |
| Miscellaneous Income | 91.99 | 116.20 |
| | <u>335.93</u> | <u>1076.89</u> |



Schedules Annexed to the Accounts

| | 31.03.2010 Rs. in Lacs | 31.03.2009 Rs. in Lacs |
|--|---------------------------|---------------------------|
| Schedule 11 - Finished Goods - Stock differential | | |
| Change in stock Finished Goods | | |
| Stock at Closing | 767.87 | 777.35 |
| Less: Stock at Opening | 777.35 | 1341.51 |
| | <u>(9.48)</u> | <u>(564.16)</u> |
| Schedule 12 - Raw Materials Consumed | | |
| Opening Stock | | |
| Raw Material | 4503.06 | 4896.00 |
| Stock in Process | 926.49 | 1288.91 |
| Waste Cotton | 62.56 | 51.23 |
| | <u>5492.11</u> | 6236.14 |
| Add : Purchases | 29030.39 | 19355.85 |
| Less: Sale of Waste | <u>430.49</u> | 428.10 |
| | 28599.90 | 18927.75 |
| | 34092.01 | 25163.89 |
| Less: Closing Stock | | |
| Raw Material | 11231.04 | 4503.06 |
| Stock in Process | 1250.00 | 926.49 |
| Waste Cotton | 54.05 | 62.56 |
| | <u>12535.09</u> | 5492.11 |
| | 21556.92 | 19671.78 |
| Schedule 13 - Salaries and Wages | | |
| Salaries, Wages and Bonus | 3574.46 | 2959.21 |
| Contribution to Provident Fund and ESI | 313.62 | 244.78 |
| Gratuity & Superannuation Fund | 28.88 | 147.76 |
| Welfare expenses | 193.63 | 163.47 |
| Managing Director's remuneration | 67.26 | 23.76 |
| Directors remuneration | 69.93 | 41.00 |
| | <u>4247.78</u> | <u>3579.98</u> |
| Schedule 14 - Repairs and Maintenance | | |
| Building | 484.25 | 225.24 |
| Machinery | 1774.82 | 1515.58 |
| Others | 131.29 | 173.03 |
| | <u>2390.36</u> | <u>1913.85</u> |

| | 31.03.2010 Rs. in Lacs | 31.03.2009 Rs. in Lacs |
|---|---------------------------|---------------------------|
| Schedule 15 - Selling Expenses | | |
| Yarn Brokerage and Commission | 655.40 | 570.93 |
| Export-Freight and handling & Commission | 503.93 | 603.77 |
| Transport charges from Mills to Depots | 368.54 | 305.74 |
| Quality / Delivery claims | 37.39 | 66.98 |
| Fabric / Garment Selling Expenses | 6.90 | 10.31 |
| Other selling expenses | 218.47 | 264.61 |
| | <u>1790.63</u> | <u>1822.34</u> |
| Schedule 16 - Administrative Expenses | | |
| Insurance | 22.40 | 35.44 |
| Postage and Telegram | 36.91 | 42.57 |
| Printing and Stationery | 42.33 | 48.33 |
| Travelling Expenses | 66.39 | 83.56 |
| Taxes and Licence | 34.61 | 34.28 |
| Professional Charges | 79.19 | 57.20 |
| Directors sitting fees | 5.29 | 4.51 |
| Books,periodicals & subscriptions | 6.01 | 10.00 |
| Establishment Charges | 45.00 | 60.88 |
| ISO Expenses | 6.67 | 10.58 |
| Rent | 9.05 | 7.36 |
| Security Charges | 53.99 | 53.39 |
| Advertisement Charges | 3.91 | 7.97 |
| Gardening/Agricultural Expenses (Net) | 10.04 | - |
| Foreign Exchange Loss | - | 1064.71 |
| Others | 3.93 | 14.51 |
| | <u>425.72</u> | <u>1535.29</u> |
| Schedule 17 - Interest and Finance Charges | | |
| Fixed Loans | 1106.36 | 1199.34 |
| Others | 63.13 | 81.45 |
| Bank Charges and Commissions | 85.93 | 100.70 |
| Less : Interest receipts (TDS-Rs.2.98 lacs) | 35.43 | 79.46 |
| | <u>1219.99</u> | <u>1302.03</u> |

Notes forming part of accounts
1 Security for Borrowings:

- a Term Loans from ICICI bank, Andhra Bank, State Bank of India, Export Import Bank of India and IDBI Bank banks are secured by way of pari passu first charge on the entire movable and immovable fixed assets of the company and pari passu second charge on the current assets of the company.
 - b Term Loan from YES bank is secured by way of pari passu first charge on the entire movable fixed assets only.
 - c Working capital loans / Short term Loans from State bank of India, Andhra Bank, Corporation bank, ICICI Bank, IDBI and YES Bank are secured by way of pari passu first charge on the current assets of the company and pari passu second charge on the entire immovable assets of the company.
- 2 a Loans and advances also include an amount of Rs.71.62 lacs advanced to Suprem Associates, a partnership firm in which the company is a partner.
 - b Advances includes an amount of Rs.210.61 lacs due from subsidiaries
 - c Other Liabilities includes an amount of Rs.285.98 lacs due to subsidiaries
- 3 a Income Tax assessments have been completed upto Assessment Year 2007-2008.
 - b Based on recent judicial pronouncements relating to claim of certain expenses as revenue expenditure, the company, as a prudent measure, has provided a sum of Rs 1000 lacs towards Income tax provision for earlier years.

| 4 Provisions as on the closing date are as follows: | 01.04.2009 | Additions | Reversal | 31.03.2010 |
|--|-------------------|--------------------|-----------------|--------------------|
| | | | | Rs. in Lacs |
| a. Central Sales tax | - | 20.00 | - | 20.00 |
| | | 31.03.2010 | | 31.03.2009 |
| 5 Estimated amount of contracts remaining to be executed on capital account and not provided for | | Rs. in Lacs | | Rs. in Lacs |
| | | - | | 21.78 |
| 6 Contingent liabilities in respect of : | | | | |
| Bills discounted | | 1750.84 | | 1178.35 |
| Guarantees | | 209.68 | | 210.26 |
| Export Obligation under EPCG Scheme [The Export Obligations are to be fulfilled over a period 8 years from the date of import of capital goods] | | 1293.37 | | 1293.37 |
| 7 a Disputed Statutory Liabilities not provided for | | 1139.72 | | 359.65 |
| b Disputed Other Liabilities not provided for | | 355.54 | | 355.54 |
| 8 a Managerial Remuneration and Computation of Net Profit | | | | |
| Profit Before Tax | | 2767.36 | | (665.05) |
| Add | | | | |
| Managing Directors Remuneration | 67.26 | | 23.76 | |
| Directors Remuneration | 69.93 | | 41.00 | |
| Sitting Fees | 5.29 | | 4.51 | |
| | | 142.48 | | 69.27 |
| | | 2909.84 | | (595.78) |
| Less: | | | | |
| Capital profit on sale of assets | 15.84 | | - | |
| Profit on sale of Investments/Mutual Funds | 5.27 | | 6.87 | |
| | | 21.11 | | 6.87 |
| | | 2888.73 | | (602.65) |
| Maximum Remuneration Payable to Directors 10% of the above | | 288.87 | | - |
| Commission - Managing Director | | 43.23 | | - |
| - Joint Managing Director | | 28.82 | | - |
| - President | | 7.50 | | - |
| | | 79.56 | | - |

| | 31.03.2010 | | 31.03.2009 |
|--|-------------------|---------|-------------------|
| | Rs. in Lacs | | Rs.in Lacs |
| b Remuneration to Managing Director | | | |
| i) Salaries, Allowances etc | 19.20 | | 19.20 |
| ii) Contribution to Provident Fund | 1.44 | | 1.44 |
| iii) Medical Benefits and reimbursement of other expenses | 1.59 | | 1.32 |
| iv) Commission to Managing Director | 43.23 | | - |
| v) Contribution to Super annuation | 1.80 | | 1.80 |
| | <u>67.26</u> | | <u>23.76</u> |
| c Remuneration to Whole time Directors: | | | |
| i) Salaries, Allowances etc | 21.54 | | 24.30 |
| ii) Contribution to Provident Fund | 1.67 | | 2.09 |
| iii) Medical Benefits and reimbursement of other expenses | 6.11 | | 6.96 |
| iv) Commission to Directors | 36.32 | | - |
| v) Perquisites | 2.94 | | 5.04 |
| vi) Contribution to Super annuation | 1.35 | | 2.61 |
| | <u>69.93</u> | | <u>41.00</u> |
| d Sundry Creditors includes amount payable to Directors. | 58.08 | | - |
| 9 a. Earnings in Foreign Exchange - Export of Goods - FOB Value | 9496.09 | 9427.21 | |
| b. Dividend from Foreign Subsidiary | 7.92 | 12.89 | 9440.10 |
| | <u>9504.01</u> | | <u>9440.10</u> |
| 10 Expenditure in Foreign Currency (Payment Basis) | | | |
| CIF Value of Imports: | | | |
| a Raw Materials | 191.99 | | 1684.74 |
| b Components and Spares | 48.12 | | 199.37 |
| c Capital Goods | - | | 264.06 |
| d Export Commission | 104.42 | | 131.40 |
| e Travelling Expenses | 1.44 | | 7.74 |
| f Quality Claim | 0.47 | | 19.07 |
| g Interest | 116.57 | | 262.14 |
| h Others | 1.98 | | 5.44 |
| | <u>464.99</u> | | <u>2573.96</u> |
| 11 Auditors' remuneration: | | | |
| i) Statutory Audit | 5.25 | | 5.25 |
| Service Tax thereon | 0.54 | | 0.54 |
| ii) Tax Audit | 0.97 | | 0.73 |
| iii) Certification and Other Services | 1.63 | | 1.05 |
| iv) Reimbursement of expenses | 0.41 | | 0.60 |
| | <u>8.80</u> | | <u>8.17</u> |
| 12 Licensed, installed capacity and actual production: | | | |
| a Licensed Capacity - Not applicable since the industry is delicensed | | | |
| b Installed Capacity | 31.03.2010 | | 31.03.2009 |
| Spindles | Nos. 217632 | Nos. | 217152 |
| Rotors | Nos. 1632 | Nos. | 1728 |
| Looms | Nos. 117 | Nos. | 117 |

| | 31.03.2010 | | 31.03.2009 | |
|-------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Quantity | Value in Lacs | Quantity | Value in Lacs |
| C Yarn (Kgs) | | | | |
| Opening Stock | 5.52 | 634.99 | 10.09 | 1209.96 |
| Production | 282.21 | | 267.72 | |
| Sales | 271.49 | 37393.10 | 259.68 | 32055.06 |
| Captive Consumption | 11.19 | | 12.61 | |
| Closing Stock | 5.05 | 676.30 | 5.52 | 634.99 |
| D Fabrics (Mtrs) | | | | |
| Opening Stock | 1.42 | 113.13 | 1.64 | 115.49 |
| Production | 64.22 | | 57.23 | |
| Sales | 63.47 | 6107.10 | 56.80 | 5744.99 |
| Captive Consumption | 1.09 | | 0.65 | |
| Closing Stock | 1.08 | 91.54 | 1.42 | 113.13 |
| E Garments (Qty In Nos.) | | | | |
| Opening Stock | 17587.00 | 29.00 | 8870 | 16.06 |
| Production | 44487.00 | | 39259 | |
| Sales | 62061.00 | 161.10 | 30542 | 96.29 |
| Closing Stock | 13.00 | 0.03 | 17587 | 29.00 |
| F Waste (Kgs) | | | | |
| Opening Stock | 1.69 | 62.56 | 2.28 | 51.23 |
| Production | 116.09 | | 93.78 | |
| Sales | 27.44 | 430.49 | 27.20 | 428.10 |
| Captive Consumption | 88.33 | | 67.17 | |
| Closing Stock | 2.01 | 54.05 | 1.69 | 62.56 |
| G Wind Energy(units) | | | | |
| Production | 199.07 | | 172.93 | |
| Own Consumption | 165.98 | | 126.39 | |
| Banking | 33.09 | | 46.54 | |
| 13 Consumption | Value | % of Cons- | Value | % of Cons- |
| Raw Materials | Rs. in Lacs | umption | Rs. in Lacs | umption |
| Imported | 249.16 | 1.16 | 1628.89 | 8.28 |
| Indigenous | 21307.76 | 98.84 | 18042.89 | 91.72 |
| | <u>21556.92</u> | <u>100.00</u> | <u>19671.78</u> | <u>100.00</u> |
| Stores & Spares | | | | |
| Imported | 226.48 | 12.37 | 186.22 | 11.49 |
| Indigenous | 1603.95 | 87.63 | 1434.96 | 88.51 |
| | <u>1830.43</u> | <u>100.00</u> | <u>1621.18</u> | <u>100.00</u> |

14 Particulars regarding investment in the capital of a Partnership Firm

| Name of the Firm : | Suprem Associates | 31.03.2010 | | 31.03.2009 | |
|-----------------------------------|-------------------|--|-----------------------|--|-----------------------|
| | | Capital Contribution Rs. in Lacs | Sharing Ratio % | Capital Contribution Rs. in Lacs | Sharing Ratio % |
| Name of the Partners | | | | | |
| Precot Meridian Limited | | 9.9 | 99 | 9.9 | 99 |
| Suprem Textile Processing Limited | | 0.1 | 1 | 0.1 | 1 |
| | | <u>10.0</u> | <u>100</u> | <u>10.0</u> | <u>100</u> |

| | | | | Rs. in Lacs | |
|------|---|-----------------------|----------------------|--------------------|-----------------------|
| 15 a | Movement of Investments during the year. | Opening 01.04.2009 | Additions | Sold 31.03.2010 | Closing 31.03.2010 |
| | Pricol Limited | 197.47 | - | - | 197.47 |
| | Vantex Limited | 19.00 | - | - | 19.00 |
| | A.P.Gas Power Corporation Limited | 1964.87 | - | - | 1964.87 |
| | Suprem Textile Processing Limited | 100.00 | - | - | 100.00 |
| | Multi Flora Processing (CBE) Limited | 25.00 | - | - | 25.00 |
| | Precot Meridian Energy Limited | 5.00 | - | - | 5.00 |
| | Benwood Corporation Sdn Bhd. | 41.61 | - | - | 41.61 |
| | Suprem Associates | 9.90 | - | - | 9.90 |
| | OPG Energy Private Limited | 1.40 | - | - | 1.40 |
| | Sairegency Power corporation | 22.50 | - | - | 22.50 |
| | Others | 0.02 | - | - | 0.02 |
| | SBI- Mutual Fund-Magnum Insta Cash fund Liquid plan - Growth | 100.00 | - | 100.00 | - |
| | Investment Fair Value adjustments as per - Accounting Standard -30 | 481.89 | 997.50 | - | 1479.39 |
| | Total | <u>2968.66</u> | <u>997.50</u> | <u>100.00</u> | <u>3866.16</u> |
| b | Investments in Mutual Funds | | Face Value in Rs. | Units in Lacs | Cost Rs.in Lacs |
| | Mutual Fund Units purchased and redeemed during the year | | | | |
| | SBI-Magnum Insta Cash Fund - Cash Option | | 10.00 | 77.30 | 1560.09 |
| | SBI-SHF ultra insta daily dividend | | 10.00 | 16.99 | 170.01 |
| | Reliance Floating Rate Fund | | 10.00 | 2.98 | 300.00 |
| | Reliance Money Manager Fund | | 1000.00 | 0.30 | 300.00 |
| | Reliance Money Manager Fund | | 10.00 | 24.83 | 250.00 |
| | SBI-Magnum Insta Cash Fund - Floter Plan | | 10.00 | 166.33 | 2575.00 |
| | SBI-SHF ultra Short term fund | | 10.00 | 62.14 | 735.11 |
| | UTI - Treasury Advantage Fund-daily dividend | | 1000.00 | 0.10 | 100.06 |
| | UTI-Liquid Cash Plan-Regular-daily income option reinvestment | | 1000.00 | 0.02 | 20.00 |
| 16 | Earnings Per Share | | 31.03.2010 | | 31.03.2009 |
| | | | Rs.in Lacs | | Rs.in Lacs |
| | a) Net Profit available for Equity Shareholders (A) | | 1571.78 | | (871.36) |
| | b) Weighted Average number of equity shares (B) | | 69.50 | | 69.50 |
| | c) Earnings per Share (A)/(B) (Rs.) | | 22.62 | | (12.54) |
| | d) Face Value per share (Rs.) | | 10.00 | | 10.00 |
| 17 | The Deferred Tax Liability | | | | |
| | a. Deferred Tax Liability on account of: | | | | |
| | (i) Related to Fixed Assets | | 1925.78 | | 2865.49 |
| | | | <u>1925.78</u> | | <u>2865.49</u> |
| | b. Deferred Tax Asset on account of : | | | | |
| | (i) Business Loss | | - | | (875.10) |
| | (ii) Bonus and VRS | | (103.58) | | (43.81) |
| | (iii) Gratuity and Others | | (160.63) | | (59.59) |
| | | | <u>(264.21)</u> | | <u>(978.50)</u> |
| | Net Liability | | <u>1661.57</u> | | <u>1886.99</u> |

- 18 Previous year's figures have been regrouped wherever necessary to confirm to current year's classification.
- 19 The Company has opted out of levy of Excise duty from July 2004.
- 20 Voluntary retirement compensation paid amounting to Rs.123.54 Lacs has been written off during the year.
- 21 The Ministry of Corporate Affairs, through its notification dated March 31,2009 has relaxed the provisions of Accounting Standard (AS) 11 " The Effects of Changes in Foreign Exchange Rates" for treating the exchange gain/loss arising on restatement of long term foreign currency monetary items. Accordingly, companies are permitted to adjust in their carrying cost of depreciable assets, the exchange differences arising out of exchange rate fluctuations with corresponding adjustments in Profit & Loss account and general reserve. In order to give effect to the aforesaid amendment, companies are required to exercise their option. The company has exercised the option and the following adjustments have been made.

Rs.in Lacs

- | | 31.03.2010 | 31.03.2009 |
|--|------------|------------|
| a. Exchange difference capitalized. | (480.97) | 1078.94 |
| b. Depreciation provision charged to Profit & loss a/c thereon | (29.26) | 118.33 |
| c. Exchange difference added to general reserves. (Net of Depreciation of Rs. 5.64 Lacs for 31.03.2009) | - | 118.01 |
- 22 Pursuant to The Institute of Chartered Accountants of India's (ICAI) Announcement "Accounting for Derivatives", the Company had early adopted AS 30 "Financial Instruments: Recognition and Measurement", with effect from 1st April, 2008. The outstanding amount of forward contracts not recognised in the books of accounts as on the balance sheet date is Rs.2398.76 Lacs.
- 23 The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". Based on the information and evidence available with the company, there are no dues to micro, small and medium enterprises, outstanding as on 31.03.2010.
- 24 Disclosures regarding Gratuity Plan:

- a) Description of the company's defined benefit plan

The company operates a defined benefit plan for payment of post employment benefits in the form of gratuity.

Benefits under the plan are based on pay and years of service and are vested on completion of five years of service, as provided for in the payment of Gratuity Act,1972. The terms of the benefits are common for all the employees of the company.

- b) Disclosure report under AS15 (Revised 2005)

| I. Principal Actuarial Assumptions [Expressed as weighted averages] | 31.03.2010 | 31.03.2009 | 31.03.2008 |
|--|------------|------------|------------|
| Discount Rate | 8.40% | 8.00% | 8.00% |
| Salary escalation rate | 5.00% | 3.75% | 4.00% |
| Attrition rate | 2.00% | 1.00% | 1.00% |
| Expected rate of return on plan Assets | 10.00% | 9.00% | 8.00% |

In the following tables, all the amounts are in rupees, unless otherwise stated

| II. Changes in the present value of the obligation (pvo) - Reconciliation of opening and closing balances: | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|---|----------------------------------|----------------------------------|----------------------------------|
| PVO as at the beginning of the period | 609.61 | 580.25 | 530.28 |
| Interest cost | 46.27 | 45.69 | 40.91 |
| Current service cost | 31.60 | 29.01 | 25.15 |
| Past service cost - (non vested benefits) | - | - | - |
| Past service cost - (vested benefits) | - | - | - |
| Benefits paid | (62.42) | (18.38) | (37.85) |
| Actuarial loss / (gain) on obligation (balancing figure) | 156.25 | (26.96) | 21.76 |
| PVO as at the end of the period | 781.31 | 609.61 | 580.25 |

| III. Changes in the fair value of plan assets - Reconciliation of opening and closing balances: | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|--|----------------------------------|----------------------------------|----------------------------------|
| Fair value of plan assets as at the beginning of the period | 420.12 | 530.93 | 491.96 |
| Expected return on plan assets | 35.00 | 41.74 | 37.89 |
| Contributions | - | - | 1.24 |
| Benefits paid | (62.42) | (18.38) | (37.85) |
| Actuarial gain / (loss) on plan assets (balancing figure) | 183.44 | (134.17) | 37.69 |
| Fair value of plan assets as at the end of the period | 576.14 | 420.12 | 530.93 |

| IV. Actual return on plan assets | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|---|----------------------------------|----------------------------------|----------------------------------|
| Expected return on plan assets | 35.00 | 41.74 | 37.89 |
| Actuarial gain (loss) on plan assets | 183.44 | (134.17) | 37.69 |
| Actual return on plan assets | 218.44 | (92.43) | 75.58 |

| V. Actuarial gain / Loss recognized | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|---|----------------------------------|----------------------------------|----------------------------------|
| Actuarial gain / (loss) for the period - Obligation | (156.25) | 26.96 | (21.76) |
| Actuarial gain / (loss) for the period - plan assets | 183.44 | (134.17) | 37.69 |
| Total (gain) / loss for the period | (27.19) | 107.21 | (15.93) |
| Actuarial (gain)/loss recognised in the period | (27.19) | 107.21 | (15.93) |
| Unrecognized actuarial (gain) / loss at the end of the year | - | - | - |

| VI. Amounts recognised in the balance sheet and related analysis | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|---|----------------------------------|----------------------------------|----------------------------------|
| Present value of the obligation | 781.32 | 609.61 | 580.25 |
| Fair value of plan assets | 576.15 | 420.12 | 530.93 |
| Difference | 205.17 | 189.49 | 49.32 |
| Unrecognised transitional liability | - | - | - |
| Unrecognised past service cost -non vested benefits | - | - | - |
| Liability recognised in the balance sheet | 205.17 | 189.49 | 49.32 |

| VII. Expense recognised in the statement of profit and loss | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|--|----------------------------------|----------------------------------|----------------------------------|
| Current service cost | 31.60 | 29.01 | 25.15 |
| Interest cost | 46.27 | 45.69 | 40.91 |
| Expected return on plan assets | (35.00) | (41.74) | (37.89) |
| Net actuarial (gain)/ loss recognised in the year | (27.19) | 107.22 | (15.93) |
| Transitional liability recognised in the year | - | - | - |
| Past service cost-non-vested benefits | - | - | - |
| Past service cost-vested benefits | - | - | - |
| Expenses recognised in the statement of profit and loss | 15.68 | 140.18 | 12.24 |

| VIII. Movements in the liability recognized in the balance sheet | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|---|----------------------------------|----------------------------------|----------------------------------|
| Opening net liability | 189.49 | 49.32 | 38.32 |
| Expense as above | 15.68 | 140.17 | 12.24 |
| Contribution paid | - | - | (1.24) |
| Closing net liability | 205.17 | 189.49 | 49.32 |

| IX. Amount for the Current Period | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|---|----------------------------------|----------------------------------|----------------------------------|
| Present Value of obligation | 781.32 | 609.61 | 580.25 |
| Plan Assets | 576.15 | 420.12 | 530.93 |
| Surplus(Deficit) | (205.17) | (189.49) | (49.32) |
| Experience adjustments on plan liabilities - (Loss)/gain | (64.68) | 10.17 | (89.66) |
| Experience adjustments on plan assets - (Loss)/gain | 183.44 | (134.17) | 37.69 |

| X. Major categories of plan assets (as percentage of total plan assets) | 31.03.2010 Rs.in lacs | 31.03.2009 Rs.in lacs | 31.03.2008 Rs.in lacs |
|--|--------------------------|--------------------------|--------------------------|
| Fund managed by Insurer | 100.00% | 100.00% | 99.84% |
| Others (to specify) | - | - | 0.16% |
| Total | 100.00% | 100.00% | 100.00% |

| XI. Enterprise's Best Estimate of Contribution during Next Year | - | - | 75.00 |
|---|---|---|-------|
|---|---|---|-------|

25 Related Party Disclosures :

List of related parties with whom transactions have taken place

Holding Company : Nil

Subsidiary Company :

1. Suprem Textiles Processing Limited
2. Multiflora Processing (CBE) Limited
3. Precot Meridian - Energy Limited and
4. Benwood Corporation Sdn Bhd

Key Management Personnel :

1. Mr D Sarath Chandran, 2. Mr Ashwin Chandran, 3. Mr P Saiprakash and 4. Mr Prashanth Chandran.

Others:

Suprem Associates.

| Nature of Transactions | Rs in Lacs 2009-10 | | | Rs in Lacs 2008-09 | | |
|--------------------------------------|-----------------------|----------------------|--------|-----------------------|----------------------|--------|
| | Subsidiary Co | Key Mgt Personnel | Others | Subsidiary Co | Key Mgt Personnel | Others |
| Sale of Yarn | 386.23 | - | - | 403.87 | - | - |
| Commission on Exports | 11.81 | - | - | 16.15 | - | - |
| Dividend Received | 7.92 | - | - | 12.89 | - | - |
| Remuneration | - | 142.81 | - | - | 64.76 | - |
| Amount Outstanding as at year end-Dr | 47.11 | 0.21 | 71.62 | 38.59 | - | 71.62 |
| Amount Outstanding as at year end-Cr | 95.89 | 58.08 | - | 79.82 | 0.70 | - |

For Suri & Co.,
Chartered Accountants
Reg.No:004283S

C.S.Sathyanarayanan

Partner

M.NO : 028328

Place : Coimbatore

Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S

K.Baskaran

Partner

M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran

Joint Managing Director

R.Murali

Head - Finance & Accounts

C.Murugesh

Company secretary



Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No. : 1183 State Code : 18
Balance Sheet Date : 31.03.2010

II Capital Raised during the year (Amount in Rs Thousands)

Public Issue : - Rights Issue : -
Bonus Issue : - Private Placement : -

III Position of Mobilisation and Deployment of Funds(Amount in Rs Thousands)

Total Liabilities : 3887439 Total Assets : 3887439

Sources of Funds

Paid-up Capital : 69500 Reserves & Surplus : 1390354
Secured Loans : 2233035 Unsecured Loans : 28393
Deferred Tax Liability : 166157

Application Funds

Net Fixed Assets : 2065626 Investments : 386616
Net Current Assets : 1435197 Misc. Expenditure : -
Accumulated Losses : -

IV Performance of Company(Amount in Rs Thousands)

Total Income : 4398774 Total Expenditure : 4122038
Profit Before Tax : 276736 Profit After Tax : 157178
Earning Per Share : 22.62 Dividend % : 50%

V Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

| Item Code No. (ITC Code) | Major Product Description |
|--------------------------|---------------------------|
| 5205.11 | Cotton Yarn |
| 5207.39 | Processed Fabrics |
| 5508.10 | Polyster Sewing Thread |

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO : 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO : 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Muruges
Company secretary



Statement Pursuant to Section 212 of the Companies Act, 1956

| | | | | |
|---|-------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| 1 Name of Subsidiary | Suprem Textiles Processing Limited | Multiflora Processing (CBE) Limited | Precot Meridian Energy Limited | Benwood Corporation Sdn Bhd |
| 2 Financial year ending | 31.03.2010 | 31.03.2010 | 31.03.2010 | 31.12.2009 |
| 3 No. of Shares (fully paid up) held by the Company on the above dates | 100000 Equity Shares of Rs 100 each | 250000 Equity Shares of Rs 10 each | 50000 Equity Shares of Rs 10 each | 666667 Ordinary Shares of RM 1 each |
| 4 Extent of Holding Company's Interest | 100% | 100% | 100% | 66.67% |
| 5 Net aggregate amount of Subsidiary's Profit/(Losses) (Rs in lacs) | | | | |
| a) not dealt with in the accounts of the Company | | | | |
| i. for the year ended 31st March, 2010 | (2004898) | (30462) | (21054) | 3528937 |
| ii. for the previous financial year | (23694) | (22713) | (34706) | 3844061 |
| b) dealt with in the accounts of the Company | | | | |
| i. for the year ended 31st March, 2010 | - | - | - | 791557 |
| ii. for the previous financial year | - | - | - | 1289000 |
| 6 a) Any change in the holding company's interest in the subsidiary between the end of the financial year and the end of the holding company's financial year | NA | NA | NA | - |
| b) Details of any material changes which have occurred between the end of the financial year and the end of the holding company's financial year in respect of- | | | | |
| i) Subsidiary's Fixed Asset | NA | NA | NA | - |
| ii) its investments | NA | NA | NA | - |
| iii) the money lent by it | NA | NA | NA | - |
| iv) the money borrowed by it for any purpose other than that of meeting current liabilities | NA | NA | NA | - |

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO : 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO : 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Murugesh
Company secretary



Cash Flow Statement

| | 31.03.2010 Rs. in Lacs | 31.03.2009 Rs. in Lacs |
|---|---------------------------|---------------------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit Before Tax and Extraordinary Items | 2767.37 | (665.05) |
| Adjustments for : | | |
| Depreciation and Amortisation | 2791.67 | 2991.75 |
| (Profit)/Loss on Sale of Assets | (13.77) | (783.17) |
| (Investment Income - Dividend) | (8.56) | (45.66) |
| (Interest Income) | (35.43) | (79.46) |
| (Profit)/Loss on Sale of Investments | (5.27) | (6.87) |
| Interest Payment | 1255.42 | 1381.49 |
| | <u>3984.06</u> | <u>3458.08</u> |
| Operating Profit before Working Capital changes | 6751.43 | 2793.03 |
| Adjustments for : | | |
| Trade Receivables | (414.13) | 133.68 |
| Other Receivables | (142.23) | 324.24 |
| Inventories | (7072.64) | 1407.51 |
| Trade Payables | 1857.35 | (422.35) |
| | <u>(5771.65)</u> | <u>1443.08</u> |
| Cash generated from Operations | 979.78 | 4236.11 |
| Direct Taxes paid | (440.75) | (48.78) |
| Net Cash Flow from Operating Activities | 539.03 | 4187.33 |
| B. Cash Flow from Investing Activities:- | | |
| Purchase of Fixed Assets | (497.52) | (1296.62) |
| Sale of Fixed Assets | 24.70 | 859.29 |
| Purchase of Investments | - | (101.40) |
| Sale of Investments (Net) | 105.27 | 40.87 |
| Interest Received | 35.43 | 38.38 |
| Dividend Received | 8.56 | 45.66 |
| | <u>(323.56)</u> | <u>(413.82)</u> |
| C. Cash Flow from Financing Activities:- | | |
| Dividends Paid | (2.49) | (163.27) |
| Interests Paid | (1255.42) | (1381.49) |
| Proceeds from Long Term Borrowings | (1710.17) | (1563.92) |
| Proceeds from Unsecured Loan/Deposits | (18.91) | (22.73) |
| Proceeds from Working Capital Borrowings | 2818 | 1423.05 |
| Other Financial Instruments | - | (2202.64) |
| | <u>(168.99)</u> | <u>(3911.00)</u> |
| Net Cash Flow from Financing Activities. | (168.99) | (3911.00) |
| Net Increase/Decrease in Cash and Cash Equivalent. | 46.48 | (137.49) |
| Cash and Cash Equivalents as at 01.04.2009 | 472.10 | 609.59 |
| and 01.04.2008 (Opening Balance) | | |
| Cash and Cash Equivalents as at 31.03.2010 | 518.58 | 472.10 |
| and 31.3.2009 (Closing balance) | | |

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO : 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO : 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Murugesh
Company secretary

To the Members of Precot Meridian Limited,

We have audited the attached Balance Sheet of Precot Meridian Limited, Coimbatore, as at 31st March, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- 1] We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2] In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- 3] The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4] In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5] On the basis of the written representation received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
- 6] In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules, Significant accounting policies and notes forming part of accounts, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010,

- b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
- c) In the case of cash flow statement, of the cash flows for the year ended on that date.

| | |
|---|--|
| For Suri & Co., Chartered Accountants Reg.No:004283S C.S.Sathyanarayanan Partner M.NO: 028328 Place : Coimbatore Date : 29.05.2010 | For K S G Subramanyam & Co., Chartered Accountants Reg.No:004151S K.Baskaran Partner M.NO: 022883 |
|---|--|

Annexure to Auditors' Report

1. a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The assets have been physically verified by the management in accordance with a phased programme of verification which in our opinion is reasonable having regard to the size of the company and the nature of its business. The frequency of verification is reasonable and the discrepancies noticed on such physical verification were not material and have been properly dealt with in the books of account.
- c. The company has not disposed off a substantial part of its fixed assets during the year and the going concern assumption of the company is not affected.
2. a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c. The company has maintained proper records of inventory and the discrepancies noticed on physical verification as compared to book records were not material and have been appropriately dealt with in the books of account.
3. a. The company has not, during the year, taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act.
- b. The company has not, during the year, granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act. In respect of loans already granted by the company the terms and conditions are not prejudicial to the interest of the company.
- 4 There are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.

- During the course of our audit, we have not observed any major weaknesses in internal control system.
5. a. The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
 6. The company has not taken or renewed any deposits from the public during the year.
 7. The company has an internal audit system commensurate with its size and the nature of its business.
 8. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
 9. a. The company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues applicable to it. According to the information and the explanations given to us, no undisputed amounts payable in respect of the above statutory dues were in arrears, as at 31.03.2010, for a period of more than six months from the date they became payable.
 - b. The details of disputed statutory dues are given below:

| Name of the Statute | Nature of the dues | Amount of demand (Rs. in lakhs) | Amount paid (Rs. in lakhs) | Period to which the amount relates | Forum where dispute is pending |
|--------------------------|---------------------------|---------------------------------|----------------------------|------------------------------------|--|
| Central Excise Act, 1944 | Excise Duty and Penalties | 115.90 | 30.00 | 2001-2002 | High Court |
| Central Excise Act, 1944 | Excise Duty and Penalties | 432.74 | - | 2000-01 to 2001-02 | Supreme Court |
| Central Excise Act, 1944 | Excise Duty and Penalties | 6.24 | - | 2303-04 | Central Excise and Service tax Appellate Tribunal |
| Central Excise Act, 1944 | Excise Duty and Penalties | 29.78 | - | 2008-09 | Central Excise and Service tax Appellate Tribunal |
| Central Excise Act, 1944 | Excise Duty and Penalties | 4.00 | - | 2006-09 to 2009-10 | Deputy Commissioner of Central Excise (Appeals) |
| Service Tax | Service Tax and Penalties | 13.38 | - | 2003-04 to 2004-05 | Additional Commissioner of Central Excise (Appeals) |
| Service Tax | Service Tax | 1.36 | - | 2009-10 | Commissioner |
| Central Sales Tax, 1956 | Central Sales Tax | 15.36 | - | 2002-03 to 2003-04 | Commissioner, Interim Stay obtained from Kerala High Court |
| Central Sales Tax, 1956 | Central Sales Tax | 648.18 | - | 1998-99 to 1999-00 | Stay obtained from Chennai High Court |

10. The company does not have any accumulated losses as at 31.03.2010. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. The company has not defaulted in repayment of dues to financial Institutions or banks.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or nidhi or mutual benefit fund/ society and hence the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. The company is not dealing in or trading in shares, securities, debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. The Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
16. The company has applied the term loans for the purposes for which they were raised.
17. According to the information and the explanations given to us and on an overall examination of the source and application of the funds of the company, we report that no funds raised on short-term basis have been used for long-term investments by the company.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956.
19. The company has not issued any debentures.
20. During the year, the company has not raised monies by public issue.
21. According to the information and the explanations given to us and the books and records examined by us, there are no frauds on or by the company that has been noticed or reported during the year.

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner M.NO: 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner M.NO: 022883



Consolidated Balance Sheet

| | Schedule | As At 31.03.2010 Rs. in Lacs | As At 31.03.2009 Rs.in Lacs |
|---|----------|------------------------------------|-----------------------------------|
| Sources Of Funds | | | |
| Shareholder's Funds | | | |
| Share Capital | 1 | 695.00 | 695.00 |
| Reserves & Surplus | 2 | 14085.67 | 11884.94 |
| | | <u>14780.67</u> | <u>12579.94</u> |
| Loan Funds | | | |
| Secured Loans: | 3 | 22330.35 | 21703.50 |
| Unsecured Loans | 4 | 283.93 | 302.84 |
| | | <u>22614.28</u> | <u>22006.34</u> |
| Deferred Tax Liability | | 1662.46 | 1887.74 |
| Minority Interest | | 225.97 | 222.25 |
| Total Funds Employed | | <u>39283.38</u> | <u>36696.27</u> |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | 5 | 49658.04 | 49780.47 |
| Less : Depreciation | | 29311.63 | 26541.24 |
| | | <u>20346.41</u> | <u>23239.23</u> |
| Capital Work-in-progress | | 225.27 | 121.02 |
| Net Block | | 20571.68 | 23360.25 |
| Investments | 6 | 3686.53 | 2789.01 |
| Current Assets, Loans & Advances | | | |
| A. Current Assets | 7 | | |
| a) Inventories | | 13599.33 | 6666.57 |
| b) Sundry Debtors | | 3045.83 | 2682.70 |
| c) Cash & Bank Balances | | 999.33 | 830.63 |
| d) Other Current Assets | | 881.06 | 697.86 |
| B. Loans & Advances | | 1593.03 | 2544.47 |
| | | <u>20118.58</u> | <u>13422.23</u> |
| Less : Current liabilities and provisions | 8 | 5093.41 | 2875.22 |
| Net Current Assets | | 15025.17 | 10547.01 |
| Total Funds Deployed | | <u>39283.38</u> | <u>36696.27</u> |

Schedules 1 to 8, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO: 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Murugesh
Company secretary

| | Schedule | As At 31.03.2010 Rs. in Lacs | As At 31.03.2009 Rs. in Lacs |
|---|----------|------------------------------------|------------------------------------|
| Income | | | |
| Sales - Domestic | 9 | 35369.25 | 29294.14 |
| - Exports | | 9231.28 | 9712.35 |
| Other Income | 10 | 349.03 | 1097.34 |
| Increase / (Decrease) In Stock of Finished Goods | 11 | (149.42) | (652.96) |
| | | <u>44800.14</u> | <u>39450.87</u> |
| Expenditure | | | |
| Raw Materials | 12 | 22205.08 | 20527.46 |
| Salaries & Wages | 13 | 4267.93 | 3600.16 |
| Power & Fuel | | 4706.88 | 4405.47 |
| Stores | | 1830.43 | 1621.18 |
| Repairs & Maintenance | 14 | 2390.36 | 1918.86 |
| Processing Charges | | 260.00 | 230.44 |
| Selling Expenses | 15 | 1818.41 | 1837.48 |
| Administrative Expenses | 16 | 452.08 | 1570.64 |
| Interest and Finance Charges | 17 | 1221.53 | 1303.83 |
| | | <u>39152.70</u> | <u>37015.52</u> |
| Profit Before Depreciation and Tax | | 5647.44 | 2435.35 |
| Less : Depreciation | 5 | 2788.71 | 2948.19 |
| Amortisation of intangible assets | | 6.03 | 46.76 |
| Profit Before Tax | | 2852.70 | (559.60) |
| Less: a) Provision for Taxation | | 489.12 | 29.41 |
| b) Fringe Benefit tax | | - | 17.00 |
| c) Deferred Tax Adjustment | | (225.36) | 189.09 |
| d) Profit transfer to minority interest | | 21.60 | 26.00 |
| d) MAT credit | | (49.00) | - |
| e) Provision for Taxation-Prior years | | 1021.82 | - |
| Net Profit | | 1594.52 | (821.10) |
| Add: Balance brought forward | | (160.80) | 660.3 |
| Profit available for Appropriation | | 1433.72 | (160.80) |
| Proposed Dividend | | 347.50 | - |
| Tax on Proposed Dividend | | 57.72 | - |
| Transfer to General Reserve | | 1000.00 | - |
| Balance Carried Forward | | 28.50 | (160.80) |
| | | <u>1433.72</u> | <u>(160.80)</u> |
| Earning Per Share - refer note no:6 (Face value Rs.10/-per share) | | 22.94 | (11.81) |

Schedules 5 & 9 to 17, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO: 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Muruges
Company secretary

| | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs. in Lacs |
|---|--------------------------|---------------------------|
| Schedule 1 - Share Capital | | |
| Authorised | | |
| 9000000 Equity Shares of Rs.10 each (Previous Year 9000000 shares) | 900.00 | 900.00 |
| Issued & Subscribed | | |
| 7500000 Equity Shares of Rs.10 each (Previous Year 7500000 shares) | 750.00 | 750.00 |
| Paid-up | | |
| 6950000 Equity Shares of Rs.10 each (Previous Year 6950000 shares) | 695.00 | 695.00 |

- Note: a) 2625000 equity shares of Rs.10 each have been issued as fully -paid-up bonus shares by capitalisation of reserves
b) 550000 equity shares of Rs. 10 each were bought back in July 02
c) 1500000 Equity shares of Rs.10 were issued consequent to merger of - Meridian Industries Ltd with the company

| | As at 01.04.2009 | Additions | Deletions | As at 31.03.2010 | As at 31.03.2009 |
|--|---------------------|-----------|-----------|---------------------|---------------------|
| Schedule 2 - Reserves and Surplus | | | | | |
| Capital Reserve | 48.19 | - | - | 48.19 | 48.19 |
| Capital Investment Subsidy | 28.71 | - | - | 28.71 | 28.71 |
| Capital Redemption Reserve | 355.00 | - | - | 355.00 | 355.00 |
| Share Premium | 2212.46 | - | - | 2212.46 | 2212.46 |
| Investment Fair Value Reserve | 1481.81 | 997.50 | - | 1479.40 | 1481.81 |
| Foreign currency translation reserve | 35.03 | 22.05 | - | 57.08 | 35.03 |
| General Reserve | 9080.71 | 1000.00 | - | 10080.71 | 9080.71 |
| Surplus in P&L account | (160.80) | 1594.51 | 1405.22 | 28.49 | (160.80) |
| | 12081.19 | 3614.06 | 1405.22 | 14290.04 | 12081.19 |
| Less : Minority Interest | 196.25 | | | 204.37 | 196.25 |
| | 11884.94 | | | 14085.67 | 11884.94 |

Note : An Amount of Rs.55 Lacs was transferred to capital redemption reserve consequent to buyback of 5,50,000 equity shares in July 2002.

| | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs. in Lacs |
|---|--------------------------|---------------------------|
| Schedule 3 - Secured Loans* | | |
| A) Term Loans from Banks | | |
| 1) In Rupee | 10553.92 | 11486.70 |
| 2) In Foreign Currency | 3305.54 | 4563.90 |
| B) Working Capital Facilities from Banks | | |
| 1) In Rupee | 6186.45 | 4081.56 |
| 2) In Foreign Currency | 2284.44 | 1571.34 |
| * For securities refer Note no. 2 of notes of consolidated accounts | 22330.35 | 21703.50 |

| | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs. in Lacs |
|-------------------------------------|--------------------------|---------------------------|
| Schedule 4 - Unsecured Loans | | |
| From Others | | |
| Sales tax Deferral Loan | 283.93 | 302.84 |
| | 283.93 | 302.84 |

Schedule 5 - Fixed Assets

| | Gross Block | | | As at 31.03.2010 | Upto 31.03.2009 | Depreciation | | Net Block | | |
|-------------------------------------|---------------------|-------------------------------|--------------------|---------------------|--------------------|-----------------|-----------------------------------|--------------------|---------------------|---------------------|
| | As at 01.04.2009 | During the year Additions* | Sales Transfers | | | For the year | Withdrawals during the year | Upto 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 |
| A. Tangible Assets | | | | | | | | | | |
| Land | 259.38 | - | 0.10 | 259.28 | - | - | - | - | 259.28 | 259.38 |
| Building | 6398.13 | 64.25 | 1.01 | 6461.37 | 1333.61 | 179.92 | 0.50 | 1513.03 | 4948.34 | 5064.52 |
| Plant & Machinery | 42404.96 | (218.73) | 13.50 | 42172.73 | 24775.09 | 2570.31 | 10.65 | 27334.75 | 14837.98 | 17629.87 |
| Office Furniture | 207.24 | 4.93 | 0.77 | 211.40 | 77.89 | 12.67 | 0.24 | 92.32 | 119.08 | 127.35 |
| Motor Vehicles | 259.02 | 21.80 | 19.91 | 260.91 | 114.47 | 25.81 | 12.96 | 127.31 | 133.60 | 144.54 |
| B. Intangible Assets | | | | | | | | | | |
| ERP Expenditure & Software | 251.74 | 40.61 | - | 292.35 | 238.19 | 6.03 | - | 244.22 | 48.13 | 13.55 |
| | 49780.47 | (87.14) | 35.29 | 49658.04 | 26541.24 | 2794.74 | 24.35 | 29311.63 | 20346.41 | 23239.23 |
| Capital WIP | 121.02 | 105.28 | 1.03 | 225.27 | - | - | - | - | 225.27 | 121.02 |
| Total | 49901.49 | 18.14 | 36.32 | 49883.31 | 26541.24 | 2794.74 | 24.35 | 29311.63 | 20571.68 | 23360.25 |
| Previous Year | 47688.95 | 2756.86 | 544.32 | 49901.49 | 23633.40 | 2994.95 | 87.12 | 26541.23 | 23360.25 | 24055.55 |
| * Additions during the year | | | | 499.11 | | | | | | |
| Less: ECB reinstatement | | | | 480.97 | | | | | | |
| Net asset additions during the year | | | | <u>18.14</u> | | | | | | |

Schedule 6 - Investments

| Particulars | Face | Quantity as on | | Book Value as on | |
|--|--------------|-----------------------|-----------------------|--------------------------|--------------------------|
| | Value Rs. | 31.03.2010 in Nos. | 31.03.2009 in Nos. | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs.in Lacs |
| A. Equity Shares (Fully paid up) | | | | | |
| Non Trade - Quoted | | | | | |
| Pricol | 1 | 5672250 | 5672250 | 199.33 | 199.33 |
| Trade - Unquoted | | | | | |
| Vantex Limited | 10 | 100000 | 100000 | 19.00 | 19.00 |
| A.P.Gas Power Corporation Limited | 10 | 1206000 | 1206000 | 1964.87 | 1964.87 |
| Sai Regency Power Corporation Pvt Limited | 10 | 225000 | 225000 | 22.50 | 22.50 |
| OPG Energy Pvt Limited | 10 | 340000 | 340000 | 1.40 | 1.40 |
| Non Trade - Unquoted | | | | | |
| Precot Mills Employees Cooperative - - Credit Society | 10 | 100 | 100 | 0.01 | 0.01 |
| Precot Mills Multi purpose stores | 10 | 100 | 100 | 0.01 | 0.01 |
| Investment in Government Securities | | | | 0.02 | 0.02 |
| National Saving Certificate | | | | - | 100.00 |
| SBI - Mutual Fund Investment | | | | | |
| AS 30 Investment fair value Adjustment | | | | 1479.39 | 481.88 |
| | | | | 3686.53 | 2789.01 |
| Aggregate value of quoted investments | | | | | |
| Cost | | | | 199.33 | 199.33 |
| Market value | | | | 1401.75 | 388.37 |
| Aggregate value of unquoted investment | | | | | |
| Cost | | | | 2007.81 | 2107.81 |

| | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs.in Lacs | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs.in Lacs |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Schedule 7 - Current Assets, Loans & Advances | | | | |
| A. Current Assets: | | | | |
| Inventories-At Lower of Cost & Estimated Net Realisable Value. | | | | |
| Raw materials | 11231.03 | 4503.06 | | |
| Stock-in-process | 1250.00 | 926.73 | | |
| Waste Cotton | 54.05 | 62.56 | | |
| Finished Goods | 784.95 | 934.07 | | |
| Stock of Stores | 279.30 | 240.15 | | |
| | <u>13599.33</u> | <u>6666.57</u> | | |
| Sundry Debtors | | | | |
| Unsecured and considered good | | | | |
| Outstanding for a period exceeding six months | 3.68 | 25.71 | | |
| Other debts | 3042.15 | 2656.99 | | |
| | <u>3045.83</u> | <u>2682.70</u> | | |
| Cash and Balances with Scheduled Banks | | | | |
| In Current Account | 683.49 | 437.71 | | |
| In Term Deposits | 282.88 | 205.65 | | |
| In Unpaid Dividend Account | 26.27 | 28.76 | | |
| Cash, Cheques and Stamps on hand | 6.69 | 158.52 | | |
| | <u>999.33</u> | <u>830.63</u> | | |
| Other Current Assets | | | | |
| Income accrued and receivable | 881.06 | 697.85 | | |
| | <u>881.06</u> | <u>697.85</u> | | |
| B. Loans and Advances | | | | |
| Unsecured, considered good recoverable in cash or in kind or for value to be received: | | | | |
| Prepaid Expenses | 46.47 | 43.44 | | |
| Balance Recoverable from Govt. authorities | 14.57 | 19.48 | | |
| Tax payment pending adjustments | 241.29 | 257.26 | | |
| Advance to others /suppliers | 545.97 | 1332.77 | | |
| Deposits with Government Authorities | 105.86 | 134.36 | | |
| Other Deposits | 638.87 | 757.15 | | |
| | <u>1593.03</u> | <u>2544.42</u> | | |
| Schedule 8 - Current Liabilities and Provisions | | | | |
| A. Current Liabilities | | | | |
| Sundry Creditors | | | | |
| Dues to Micro & Small Enterprises | - | - | | |
| Others | 1931.58 | 1026.52 | | |
| Trade Deposits | 54.15 | 55.66 | | |
| Investor Education Protection Fund Items not due | | | | |
| a) Unclaimed dividends | 26.27 | 28.76 | | |
| b) Matured unclaimed Fixed deposits | 0.15 | 0.15 | | |
| c) Interest accrued and due on (b) | 0.02 | 0.02 | | |
| Other Liabilities | 1460.33 | 1555.64 | | |
| B. Provisions | | | | |
| Provision for Taxation | 1010.52 | 6.98 | | |
| Provision for Gratuity & Superannuation | 205.17 | 201.49 | | |
| Proposed Dividend | 347.50 | - | | |
| Tax on Dividend | 57.72 | - | | |
| | <u>5093.41</u> | <u>2875.22</u> | | |
| Schedule 9 - Sales | | | | |
| Gross Sales Domestic | | | | |
| - Yarn | 29113.25 | 23516.31 | | |
| - Fabric | 6107.10 | 5681.54 | | |
| - Garment | 148.90 | 96.29 | | |
| Direct Exports | | | | |
| - Yarn | 9219.07 | 9552.61 | | |
| - Garment | 12.21 | - | | |
| - Fabric | - | 159.74 | | |
| | <u>44600.53</u> | <u>39006.49</u> | | |
| Schedule 10 - Other Income | | | | |
| Income from Trade Investments | | | | |
| Dividend from Subsidiaries | | | 7.92 | - |
| Dividend from other than Subsidiaries | | | - | 1.26 |
| Income from Non-Trade Investments | | | | |
| Dividend from other than Subsidiaries | | | 0.64 | 32.77 |
| Profit on Sale of Investment (Net) | | | 5.27 | 6.87 |
| Profit On Sale of Assets (Net) | | | 13.77 | 783.17 |
| Foreign Exchange gain | | | 83.79 | 1.98 |
| Lease Rental Receipts | | | - | 0.36 |
| Rent Receipts | | | 65.31 | 17.58 |
| Agricultural Income | | | - | 1.56 |
| Insurance Claim Receipts | | | 11.12 | 30.91 |
| Scrap-sales | | | 43.17 | 62.03 |
| Waste Packing Receipts | | | 12.95 | 12.60 |
| Miscellaneous Income | | | 105.09 | 146.25 |
| | | | <u>349.03</u> | <u>1097.34</u> |
| Schedule 11 - Increase / (Decrease) in Finished Goods | | | | |
| Stock at Closing | | | 784.94 | 934.06 |
| Less: Stock at Opening | | | 934.36 | 1587.02 |
| | | | <u>(149.42)</u> | <u>(652.96)</u> |
| Schedule 12 - Raw Materials | | | | |
| Opening Stock | | | | |
| Raw Material | | | 4503.06 | 4896.00 |
| Stock in Process | | | 926.49 | 1288.91 |
| Waste Cotton | | | 62.56 | 51.23 |
| | | | <u>5492.11</u> | <u>6236.14</u> |
| Add : Purchases | | | 29678.55 | 20211.77 |
| Less: Sale of waste | | | 430.49 | 428.10 |
| | | | <u>34740.17</u> | <u>26019.81</u> |
| Less: Closing Stock | | | | |
| Raw Material | | | 11231.04 | 4503.06 |
| Stock in Process | | | 1250.00 | 926.73 |
| Waste Cotton | | | 54.05 | 62.56 |
| | | | <u>12535.09</u> | <u>5492.35</u> |
| Raw material Consumption | | | <u>22205.08</u> | <u>20527.46</u> |
| Schedule 13 - Salaries and Wages | | | | |
| Salaries , wages and Bonus | | | 3592.16 | 2975.05 |
| Contribution to Provident Fund and ESI | | | 315.69 | 246.61 |
| Gratuity & Superannuation Fund | | | 28.88 | 147.76 |
| Welfare expenses | | | 194.01 | 165.98 |
| Managing Director's remuneration | | | 67.26 | 23.76 |
| Director's remuneration | | | 69.93 | 41.00 |
| | | | <u>4267.93</u> | <u>3600.16</u> |
| Schedule 14 - Repairs and Maintenance | | | | |
| Building | | | 484.25 | 225.24 |
| Machinery | | | 1774.82 | 1515.58 |
| Others | | | 131.29 | 178.04 |
| | | | <u>2390.36</u> | <u>1918.86</u> |
| Schedule 15 - Selling Expenses | | | | |
| Yarn Brokerage and Commission | | | 672.84 | 555.70 |
| Export-Freight and handling & Commission | | | 503.93 | 603.77 |
| Transport charges from Mills to Depots | | | 378.88 | 305.74 |
| Quality / Delivery Claims | | | 37.39 | 66.98 |
| Fabric / Garment Selling Expenses | | | 6.90 | 10.31 |
| Other selling expenses | | | 218.47 | 294.98 |
| | | | <u>1818.41</u> | <u>1837.48</u> |

| | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs.in Lacs | Notes forming part of accounts consolidated financial statements | | |
|---|--------------------------|--------------------------|---|---------------------------------|--------------------------------|
| Schedule 16 - Administrative Expenses | | | 1 The subsidiary companies /firms considered in the consolidated financial statements are : | | |
| Insurance | 22.83 | 36.54 | Name of the Subsidiary | Country of Incorporation | % of Ownership Interest |
| Postage, Telephone and Telegram | 39.24 | 46.28 | a Suprem Textiles Processing Ltd., | India | 100 |
| Printing and Stationery | 42.78 | 49.31 | b Multiflora Processing (Coimbatore) Ltd., | India | 100 |
| Travelling and Transport charges | 71.47 | 96.87 | c Precot Meridian Energy Ltd., | India | 100 |
| Taxes and Licence | 35.46 | 34.36 | d Benwood Corporation Sdn Bhd | Malaysia | 67 |
| Professional Charges | 82.18 | 43.63 | e Suprem Associates - Firm | India | 99 |
| Director's sitting fees | 5.70 | 4.51 | 2 Security for Borrowings: | | |
| Books,Periodicals and subscriptions | 6.29 | 10.00 | a. Term Loans from ICICI bank, Andhra Bank, State Bank of India, Export Import Bank of India and IDBI Bank banks are secured by way of pari passu first charge on the entire movable and immovable fixed assets of the company and pari passu second charge on the current assets of the company. | | |
| Establishment Charges | 45.00 | 60.88 | b. Term Loan from Yes bank is secured by way of pari passu first charge on the entire movable fixed assets. | | |
| ISO Expenses | 6.67 | 10.58 | c. Working capital loans from State bank of India, Andhra Bank, Corporation bank, ICICI Bank, IDBI and YES Bank are secured by way of pari passu first charge on the current assets of the company and pari passu second charge on the entire immovable assets of the company. | | |
| Rent | 18.24 | 14.10 | | | |
| Security Charges | 55.28 | 54.58 | | | |
| Advertisement Charges | 3.91 | 7.97 | | | |
| Gardening / Agricultural Expenses | 10.04 | 6.96 | | | |
| Foreign exchange loss (Net) | - | 1084.71 | | | |
| Others | 6.99 | 29.36 | | | |
| | 452.08 | 1570.64 | | | |
| Schedule 17 - Interest and Finance charges | | | | | |
| Fixed Loans | 1106.36 | 1199.34 | | 31.03.2010 | 31.03.2009 |
| Others | 63.13 | 81.45 | | Rs. in Lacs | Rs.in Lacs |
| Bank Charges and Commissions | 87.47 | 102.50 | 3 Contingent liabilities in respect | 1750.84 | 1178.35 |
| Less : Interest receipts | 35.43 | 79.46 | of Bills discounted | | |
| | 1221.53 | 1303.83 | Guarantees | 209.68 | 210.26 |
| | | | Export Obligation under EPCG Scheme | 1293.37 | 1293.37 |
| | | | [The Export Obligations are to be fulfilled over a period 8 years from the date of import of capital goods] | | |
| | | | 4 a Disputed Statutory Liabilities | 1139.72 | 359.65 |
| | | | not provided for | | |
| | | | b Disputed Other Liabilities not provided for | 355.54 | 355.54 |
| | | | 5 Provisions as on the closing date are as follows: | | |
| | | | 01.04.2009 | Additions | Reversal |
| | | | | | 31.03.2010 |
| | | | | | Rs. In Lacs |
| | | | a. Central Sales tax | 20.00 | 20.00 |
| | | | 6 Earnings Per Share | 31.03.2010 | 31.03.2009 |
| | | | | Rs. in Lacs | Rs.in Lacs |
| | | | a Net Profit available for Equity Shareholders (A) | 1594.51 | (821.10) |
| | | | b Weighted Average number of equity shares (B) | 69.50 | 69.50 |
| | | | c Basic and Diluted Earnings per Share (A)/(B) (Rs.) | 22.94 | (11.81) |
| | | | d Face Value per share (Rs.) | 10.00 | 10.00 |
| | | | 7 The Deferred Tax Liability | | |
| | | | a Deferred Tax Liability on account of: | | |
| | | | (i) Related to Fixed Assets | 1926.67 | 2866.24 |
| | | | | 1926.67 | 2866.24 |
| | | | b. Deferred Tax Asset on account of : | | |
| | | | (i) Business Loss | - | (875.10) |
| | | | (ii) Bonus and VRS | (103.58) | (43.81) |
| | | | (iii) Gratuity and Others | (160.63) | (59.59) |
| | | | | (264.21) | (978.50) |
| | | | Net Liability | 1662.46 | 1887.74 |

Significant Accounting Policies to the Consolidated Balance Sheet and Profit and Loss Account
1 Principles of consolidation

The consolidated financial statements relate to Precot Meridian Ltd ("the company") and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- the financial statements of the company and its subsidiary companies are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions resulting in unrealised profit or losses in accordance with Accounting Standard (AS)21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
 - the difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be
 - as far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements.
- 2 Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on accounting for investments.
- 3 **Other Significant Accounting Policies:**

These are set out under "Significant Accounting Policies" as given in the unconsolidated financial statements of Precot Meridian limited.

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--------------------|----------------|---------|------------------------|----------------|---------|--|------------------|-----------|--------------|---------------|-------|--|-------------|---|--|--------------|------|--|--------------------|--|--|-------------------|------------|-------------------------------------|-----------------|---------|--|----------------|--------|--|---|--------|--|--|----------------|---------|-------------------|--|--|------------------|-----------------|----------|----------------|----------------|---------|---------------|-----------------|----------|-------------------|--|--|------------|----------------|---------|----------|----------------|--------|-----------------------------------|--|--|---------------|----------------|---------|------------------------|----------------|----------|--------------------|---------------|---------|-----------------|----------------|---------|--------------------------|---------------|--------|------------------------------------|----------------|---|------------------|--------------|---|--------------------------|--------------|-------|-------------------|----------------|----------|------------------|--|--|------------|-----------------|---------|----------|----------------|---------|---------------|-----------------|----------|--------------|-----------------|----------|-----------------------|--|--|------------|----------------|--------|----------|----------------|---------|---------------|-----------------|----------|-------------------|-----------------|----------|-----------------------|--|--|-------------|--------------|---------|-------------------------------|--|--|---------------|----------------|---------|
| <p>8 Previous year's figures have been regrouped wherever necessary to conform to current year's classification.</p> <p>9 Other notes forming part of accounts: These are set out in and under "Schedules and Notes forming Part of Accounts for the year ended 31st March 2010", as given in the separate financial statements of Precot Meridian Ltd and its subsidiaries.</p> <p>10 Related Party Disclosure</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">2009-10</td> <td style="text-align: right;">2008-09</td> </tr> <tr> <td>Nature of Transactions</td> <td style="text-align: center;">Key Mgt</td> <td style="text-align: center;">Key Mgt</td> </tr> <tr> <td></td> <td style="text-align: center;">Personnel</td> <td style="text-align: center;">Personnel</td> </tr> <tr> <td>Remuneration</td> <td style="text-align: right;">142.81</td> <td style="text-align: right;">64.76</td> </tr> <tr> <td>Amount Outstanding as at year end - Dr</td> <td style="text-align: right;">0.21</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Amount Outstanding as at year end - Cr</td> <td style="text-align: right;">58.08</td> <td style="text-align: right;">0.70</td> </tr> </table> <p>11 The Ministry of Corporate Affairs, through its notification dated March 31, 2009 has relaxed the provisions of Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates" for treating the exchange gain/loss arising on restatement of long term foreign currency monetary items. Accordingly, companies are permitted to adjust in their carrying cost of depreciable assets, the exchange differences arising out of exchange rate fluctuations with corresponding adjustments in Profit & Loss account and general reserve. In order to give effect to the aforesaid amendment, companies are required to exercise their option. The company has exercised the option and the following adjustments have been made.</p> <table border="0" style="width: 100%; margin-left: 40%;"> <tr> <td></td> <td style="text-align: right;">Rs. in Lacs</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">31.03.2010</td> <td style="text-align: right;">31.03.2009</td> </tr> <tr> <td>a. Exchange difference capitalized.</td> <td style="text-align: right;">(480.97)</td> <td style="text-align: right;">1078.94</td> </tr> <tr> <td>b. Depreciation provision charged to Profit & loss a/c thereon</td> <td style="text-align: right;">(29.26)</td> <td style="text-align: right;">118.33</td> </tr> <tr> <td>c. Exchange difference added to general reserves.(Net of Depreciation of Rs. 5.64 Lacs for 31.03.2009)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">118.01</td> </tr> </table> <p>12 Pursuant to The Institute of Chartered Accountants of India's (ICAI) Announcement "Accounting for Derivatives", Precot had early adopted AS 30 "Financial Instruments: Recognition and Measurement", with effect from 1st April, 2008. The outstanding amount of forward contracts not recognised in the books of accounts as on the balance sheet date is Rs.2398.76 Lacs</p> | | 2009-10 | 2008-09 | Nature of Transactions | Key Mgt | Key Mgt | | Personnel | Personnel | Remuneration | 142.81 | 64.76 | Amount Outstanding as at year end - Dr | 0.21 | - | Amount Outstanding as at year end - Cr | 58.08 | 0.70 | | Rs. in Lacs | | | 31.03.2010 | 31.03.2009 | a. Exchange difference capitalized. | (480.97) | 1078.94 | b. Depreciation provision charged to Profit & loss a/c thereon | (29.26) | 118.33 | c. Exchange difference added to general reserves.(Net of Depreciation of Rs. 5.64 Lacs for 31.03.2009) | - | 118.01 | <p>13 Geographical Segment</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">2009-10</td> <td style="text-align: right;">2008-09</td> </tr> <tr> <td>1 Segment Revenue</td> <td></td> <td></td> </tr> <tr> <td>- Domestic Sales</td> <td style="text-align: right;">35369.25</td> <td style="text-align: right;">29294.14</td> </tr> <tr> <td>- Export Sales</td> <td style="text-align: right;">9231.28</td> <td style="text-align: right;">9712.35</td> </tr> <tr> <td>Total Revenue</td> <td style="text-align: right;">44600.53</td> <td style="text-align: right;">39006.49</td> </tr> <tr> <td>2 Segment Results</td> <td></td> <td></td> </tr> <tr> <td>- Domestic</td> <td style="text-align: right;">5092.08</td> <td style="text-align: right;">1990.10</td> </tr> <tr> <td>- Export</td> <td style="text-align: right;">1427.85</td> <td style="text-align: right;">651.75</td> </tr> <tr> <td>Less: Depreciation & Amortisation</td> <td></td> <td></td> </tr> <tr> <td>- Unallocated</td> <td style="text-align: right;">2794.74</td> <td style="text-align: right;">2994.95</td> </tr> <tr> <td>Total Operating Profit</td> <td style="text-align: right;">3725.19</td> <td style="text-align: right;">(353.10)</td> </tr> <tr> <td>Add : Other Income</td> <td style="text-align: right;">349.03</td> <td style="text-align: right;">1097.34</td> </tr> <tr> <td>Less : Interest</td> <td style="text-align: right;">1221.53</td> <td style="text-align: right;">1303.83</td> </tr> <tr> <td>Less : Provision for Tax</td> <td style="text-align: right;">263.76</td> <td style="text-align: right;">235.50</td> </tr> <tr> <td>Provision for taxation prior years</td> <td style="text-align: right;">1021.82</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Add : MAT Credit</td> <td style="text-align: right;">49.00</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Less : Minority Interest</td> <td style="text-align: right;">21.60</td> <td style="text-align: right;">26.00</td> </tr> <tr> <td>Net Profit/(Loss)</td> <td style="text-align: right;">1594.51</td> <td style="text-align: right;">(821.10)</td> </tr> <tr> <td>3 Segment Assets</td> <td></td> <td></td> </tr> <tr> <td>- Domestic</td> <td style="text-align: right;">12831.66</td> <td style="text-align: right;">7106.35</td> </tr> <tr> <td>- Export</td> <td style="text-align: right;">3823.05</td> <td style="text-align: right;">2252.68</td> </tr> <tr> <td>- Unallocated</td> <td style="text-align: right;">27722.07</td> <td style="text-align: right;">30212.46</td> </tr> <tr> <td>Total Assets</td> <td style="text-align: right;">44376.78</td> <td style="text-align: right;">39571.49</td> </tr> <tr> <td>4 Segment Liabilities</td> <td></td> <td></td> </tr> <tr> <td>- Domestic</td> <td style="text-align: right;">2383.93</td> <td style="text-align: right;">902.84</td> </tr> <tr> <td>- Export</td> <td style="text-align: right;">6655.71</td> <td style="text-align: right;">5438.31</td> </tr> <tr> <td>- Unallocated</td> <td style="text-align: right;">20556.48</td> <td style="text-align: right;">20650.40</td> </tr> <tr> <td>Total Liabilities</td> <td style="text-align: right;">29596.12</td> <td style="text-align: right;">26991.55</td> </tr> <tr> <td>5 Capital Expenditure</td> <td></td> <td></td> </tr> <tr> <td>Unallocated</td> <td style="text-align: right;">18.14</td> <td style="text-align: right;">2756.86</td> </tr> <tr> <td>6 Depreciation & Amortisation</td> <td></td> <td></td> </tr> <tr> <td>- Unallocated</td> <td style="text-align: right;">2794.74</td> <td style="text-align: right;">2994.95</td> </tr> </table> <p>Note: 1. The company has considered geographical segments as its primary segments which are domestic and export sales. The operations comprise of only one segment viz Textiles, therefore, there are no other business segments to be reported under AS-17. 2. As per Accounting Standard on Segment reporting (AS-17), "Segment Reporting", the company has reported segment information on consolidated basis including business conducted through its subsidiaries.</p> | | 2009-10 | 2008-09 | 1 Segment Revenue | | | - Domestic Sales | 35369.25 | 29294.14 | - Export Sales | 9231.28 | 9712.35 | Total Revenue | 44600.53 | 39006.49 | 2 Segment Results | | | - Domestic | 5092.08 | 1990.10 | - Export | 1427.85 | 651.75 | Less: Depreciation & Amortisation | | | - Unallocated | 2794.74 | 2994.95 | Total Operating Profit | 3725.19 | (353.10) | Add : Other Income | 349.03 | 1097.34 | Less : Interest | 1221.53 | 1303.83 | Less : Provision for Tax | 263.76 | 235.50 | Provision for taxation prior years | 1021.82 | - | Add : MAT Credit | 49.00 | - | Less : Minority Interest | 21.60 | 26.00 | Net Profit/(Loss) | 1594.51 | (821.10) | 3 Segment Assets | | | - Domestic | 12831.66 | 7106.35 | - Export | 3823.05 | 2252.68 | - Unallocated | 27722.07 | 30212.46 | Total Assets | 44376.78 | 39571.49 | 4 Segment Liabilities | | | - Domestic | 2383.93 | 902.84 | - Export | 6655.71 | 5438.31 | - Unallocated | 20556.48 | 20650.40 | Total Liabilities | 29596.12 | 26991.55 | 5 Capital Expenditure | | | Unallocated | 18.14 | 2756.86 | 6 Depreciation & Amortisation | | | - Unallocated | 2794.74 | 2994.95 |
| | 2009-10 | 2008-09 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nature of Transactions | Key Mgt | Key Mgt | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Personnel | Personnel | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Remuneration | 142.81 | 64.76 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amount Outstanding as at year end - Dr | 0.21 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amount Outstanding as at year end - Cr | 58.08 | 0.70 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Rs. in Lacs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 31.03.2010 | 31.03.2009 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| a. Exchange difference capitalized. | (480.97) | 1078.94 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| b. Depreciation provision charged to Profit & loss a/c thereon | (29.26) | 118.33 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| c. Exchange difference added to general reserves.(Net of Depreciation of Rs. 5.64 Lacs for 31.03.2009) | - | 118.01 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2009-10 | 2008-09 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 Segment Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Domestic Sales | 35369.25 | 29294.14 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Export Sales | 9231.28 | 9712.35 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Revenue | 44600.53 | 39006.49 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 Segment Results | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Domestic | 5092.08 | 1990.10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Export | 1427.85 | 651.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Depreciation & Amortisation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Unallocated | 2794.74 | 2994.95 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Operating Profit | 3725.19 | (353.10) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Add : Other Income | 349.03 | 1097.34 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less : Interest | 1221.53 | 1303.83 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less : Provision for Tax | 263.76 | 235.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for taxation prior years | 1021.82 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Add : MAT Credit | 49.00 | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less : Minority Interest | 21.60 | 26.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Profit/(Loss) | 1594.51 | (821.10) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 Segment Assets | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Domestic | 12831.66 | 7106.35 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Export | 3823.05 | 2252.68 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Unallocated | 27722.07 | 30212.46 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Assets | 44376.78 | 39571.49 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 Segment Liabilities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Domestic | 2383.93 | 902.84 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Export | 6655.71 | 5438.31 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Unallocated | 20556.48 | 20650.40 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Liabilities | 29596.12 | 26991.55 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 Capital Expenditure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unallocated | 18.14 | 2756.86 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 Depreciation & Amortisation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Unallocated | 2794.74 | 2994.95 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Auditor's Report to the Board of Directors Members of Precot Meridian Limited on the Consolidated Financial Statements

We have examined the attached Consolidated Balance sheet of Precot Meridian Limited ("the Company") and its subsidiaries as at 31st March, 2010, and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally acceptable in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited Financial Statements of the Company and its subsidiaries. The share of Profit or loss of the Foreign subsidiary has been considered for consolidation based on their audited financial statements for the year ended 31.12.2009.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual financial statements of the Company and audited financial statements, as the case may be, of its subsidiaries, in our opinion, the consolidated financial statements read together with the attached schedules, Significant accounting policies and other notes forming part of the consolidated accounts, give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the Company and its subsidiaries as at 31st March 2010;
b) In the case of the Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

| | | |
|--|---|---|
| <p>Place : Coimbatore. Date : 29.05.2010</p> | <p>For Suri & Co., Chartered Accountants Reg.No:004283S C.S.Sathyanarayanan Partner M.NO: 028328</p> | <p>For K S G Subramanyam & Co., Chartered Accountants Reg.No:004151S K.Baskaran Partner M.NO: 022883</p> |
|--|---|---|



Consolidated Cash Flow Statements

| | 31.03.2010 Rs.in Lacs | 31.03.2009 Rs.in Lacs |
|---|--------------------------|--------------------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit Before Tax and Extraordinary Items | 2852.70 | (559.60) |
| Adjustments for : | | |
| Depreciation and Amortisation | 2794.74 | 2994.95 |
| (Profit)/Loss on Sale of Assets | (13.77) | (783.17) |
| Investment Income - Dividend | (8.56) | (32.07) |
| Interest Income | (35.43) | (79.46) |
| Deposits Write off | 0.05 | - |
| (Profit)/Loss on Sale of Investments | (5.27) | (6.87) |
| Interest Payment | 1256.96 | 1383.29 |
| | 3988.72 | 3476.67 |
| Operating Profit before Working Capital changes | 6841.42 | 2917.07 |
| Adjustments for : | | |
| Trade Receivables | (363.13) | 234.07 |
| Other Receivables | 752.27 | 366.43 |
| Inventories | (6932.76) | 1496.07 |
| Trade Payables | 811.92 | (546.46) |
| | (5731.70) | 1550.11 |
| Cash generated from Operations | 1109.72 | 4467.18 |
| Direct Taxes paid | (445.35) | (48.78) |
| Net Cash Flow from Operating Activities | 664.37 | 4418.40 |
| B. Cash Flow from Investing Activities:- | | |
| Purchase of Fixed Assets | (499.11) | (1296.84) |
| Sale/write of Fixed Assets | 24.71 | 859.29 |
| Purchase of Investments | - | (101.40) |
| Sale of Investments (Net) | 105.27 | 40.87 |
| Interest Received | 35.44 | 38.38 |
| Dividend Received | 8.56 | 32.07 |
| Net Cash flow from Investing Activities | (325.13) | (427.63) |
| C. Cash Flow from Financing Activities:- | | |
| Dividends Paid | (2.49) | (163.27) |
| Interests Paid | (1256.96) | (1383.29) |
| Proceeds from Long Term Borrowings | (1710.17) | (1563.92) |
| Proceeds from Unsecured Loan/Deposits | (18.91) | (22.73) |
| Proceeds from Working Capital Borrowings | 2817.99 | 1423.05 |
| Other Financial Instruments | - | (2202.64) |
| Net Cash Flow from Financing Activities | (170.54) | (3912.80) |
| Net Increase/(Decrease) in Cash and Cash Equivalent | 168.70 | 77.97 |
| Cash and Cash Equivalents as at 01.04.2009 and 01.04.2008 (Opening Balance) | 830.63 | 752.66 |
| Cash and Cash Equivalents as at 31.03.2010 and 31.3.2009 (Closing balance) | 999.33 | 830.63 |

For Suri & Co.,
Chartered Accountants
Reg.No:004283S
C.S.Sathyanarayanan
Partner
M.NO: 028328
Place : Coimbatore.
Date : 29.05.2010

For K S G Subramanyam & Co.,
Chartered Accountants
Reg.No:004151S
K.Baskaran
Partner
M.NO: 022883

D Sarath Chandran
Chairman & Managing Director
Ashwin Chandran
Joint Managing Director
R.Murali
Head - Finance & Accounts
C.Muruges
Company secretary

Disclosure of Information relating to the subsidiary companies as required by the Ministry of Corporate affairs, Government of India vide their approval letter no:47/27/2010-CL-III dated 24.02.2010

Rs. in Lacs

| Particulars | Suprem Textiles Processing Limited | Precot Meridian Engergy Limited | Multiflora Processing (Cbe) Limited | Benwood Corporation Sdn.Bhd. |
|---|------------------------------------|---------------------------------|-------------------------------------|------------------------------|
| a) Share Capital | 100 | 5 | 25 | 62.41 |
| b) Reserves & Surplus | (32.21) | (25.50) | 5.06 | 602.84 |
| c) Total Assets | 67.86 | 0.10 | 30.13 | 679.74 |
| d) Total Liabilities | 0.07 | 20.60 | 0.07 | 14.49 |
| e) Details of Investments | 1.98 | - | - | - |
| f) Net Sales & Service including other Income | 2.06 | - | - | 1348.30 |
| g) Profit / (Loss) before Tax | 1.62 | (0.17) | (0.19) | 83.99 |
| h) Provision for Taxation | 21.67 | 0.04 | 0.12 | 19.18 |
| i) Profit / (Loss) after Tax | (20.04) | (0.30) | (0.31) | 64.81 |
| j) Proposed Dividend | - | - | - | 12.65 |

Note: The financial statements of subsidiaries whose reporting currency are other than Indian Rupee are converted into Indian Rupee on the basis of appropriate exchange rate.

Precot Meridian Limited

SUPREM, P.B 7161, Green Fields, Puliakulam Road, Coimbatore 641 045

Attendance Slip

Please Complete This Slip and Handover at the Entrance of The Meeting Hall.

Name Folio / Client ID

A1

A2

A3

City Pin

I hereby register my presence at the 48th Annual Report General Meeting of the Company held on Friday, the 6th August 2010 at 4.30 at chamber Hall, Chamber towers, 8/732, Avanashi Road, Coimbatore

Signature of Members / Proxy

Proxy Form

I/We..... of

..... being a Member / Members of Precot Meridian Ltd, hereby

appoint of or

or failing him of

..... as my / our proxy to attend and vote for me/ us on

my/ our behalf, at the 48th Annual General Meeting of the Company to be held on

..... and any adjournment thereof.

Signed this day of 2010

Folio No :

No. of Shares :

Signature :

Affix
Re1
revenue
Stamp

Note : The proxy form must be returned so as to reach the registered Office of the Company, SUPREM, P B 7161, 737 Green fields, Puliakulam Road, Coimbatore - 641 045 not less than forty - eight hours before the time for holding the aforesaid meeting.

A proxy need not be a member of the company.

BOOK-POST

If undelivered please return to :



Precot Meridian Limited

SUPREM, P. B. 7161, 737, Green Fields, Puliakulam Road,
Coimbatore - 641 045.

www.precot.com